



Silver Base

Silver Base Group Holdings Limited

銀基集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 886)

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GLOBAL OFFERING

Sole Global Coordinator and Sponsor



UBS Investment
Bank

Joint Bookrunners and Joint Lead Managers



UBS Investment
Bank



BOC INTERNATIONAL

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



Silver Base Group Holdings Limited 銀基集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 300,000,000 new Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 30,000,000 new Shares (subject to adjustment)
Number of International Offer Shares	: 270,000,000 new Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$3.45 per Offer Share (payable in full on application plus brokerage of 1%, a SFC transaction levy of 0.004% and a Stock Exchange trading fee of 0.005% and subject to refund on final pricing)
Nominal value	: HK\$0.10 per Share
Stock code	: 886

Sole Global Coordinator and Sponsor



Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached to it the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

We expect to determine the Offer Price by agreement among the Joint Bookrunners (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 3 April 2009 and, in any event, not later than 5:00 p.m. on Monday, 6 April 2009. The Offer Price will be not more than HK\$3.45 and is currently expected to be not less than HK\$2.30 unless otherwise announced. Applicants for the Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$3.45 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price as finally determined should be lower than HK\$3.45.

The Joint Bookrunners (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range that is stated in this prospectus (which is HK\$2.30 to HK\$3.45 per Offer Share) at any time on or before the morning of the last day for the lodging of applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available at the website of the Stock Exchange at www.hkex.com.hk and our website at www.silverbase.com.cn. If applications for the Hong Kong Offer Shares have been submitted before the day which is the last day for the lodging of applications under the Hong Kong Public Offering, then even if the number of Offer Shares and/or the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn. Further details are set out in the sections headed "Structure of the Global Offering" and "How to apply for Hong Kong Offer Shares". If, for whatever reason, the Joint Bookrunners and us are not able to agree on the Offer Price, the Global Offering will not proceed.

The Global Coordinator (on behalf of the Hong Kong Underwriters) has the right, in its sole discretion, to terminate the obligations of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement if certain circumstances or grounds arise at any time before 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be Wednesday, 8 April 2009). Further details of such circumstances or grounds are set out in the paragraph headed "Grounds for termination of the Hong Kong Underwriting Agreement" under the section headed "Underwriting" in this prospectus.

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act and, subject to certain exceptions, may not be offered or sold in the United States.

30 March 2009

EXPECTED TIMETABLE¹

The Company will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) if there is any change in the following expected timetable¹ of the Hong Kong Public Offering.

Application lists of
the Hong Kong Public Offering open² 11:45 a.m. on Thursday,
2 April 2009

Application lists of
the Hong Kong Public Offering close 12:00 noon on Thursday,
2 April 2009

Latest time for lodging **WHITE** and **YELLOW**
Application Forms and giving electronic application
instructions to HKSCC³ 12:00 noon on Thursday,
2 April 2009

Latest time to complete electronic applications under
White Form eIPO service through the designated
website at www.eipo.com.hk⁴ 11:30 a.m. on Thursday,
2 April 2009

Latest time to complete payment for **White Form eIPO**
applications by effecting internet banking transfer(s)
or PPS payment transfer(s) 12:00 noon on Thursday,
2 April 2009

Expected Price Determination Date⁵ Friday, 3 April 2009

Announcement of the Offer Price, the indication of
the levels of interest in the International Offering,
the level of applications in the Hong Kong Public
Offering and the basis of allocation under the
Hong Kong Public Offering to be published in the
South China Morning Post (in English) and the
Hong Kong Economic Times (in Chinese) on or before Tuesday, 7 April 2009

Results of allocations in the Hong Kong Public
Offering (with successful applicants' identification
document numbers, where appropriate) to be available
through a variety of channels (see "How to apply for
Hong Kong Offer Shares") Tuesday, 7 April 2009

Results of allocations in the Hong Kong Public Offering
will be available at www.iporeresults.com.hk
with a "search by ID function" Tuesday, 7 April 2009

EXPECTED TIMETABLE¹

Despatch of share certificates and refund cheques
in respect of wholly or partially unsuccessful
applications expected on or before⁶ Tuesday, 7 April 2009

Dealings in Shares on the Stock Exchange expected
to commence at 9:30 a.m. on Wednesday, 8 April 2009

Notes:

- 1 All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.
- 2 If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 2 April 2009, the application lists will not open and close on that day. Further information is set out in the paragraph headed "VI. When may applications be made – Effect of bad weather on the opening of the application lists" under the section headed "How to apply for Hong Kong Offer Shares". If the application lists do not open and close on Thursday, 2 April 2009, the dates mentioned in this section headed "Expected timetable" may be affected. A press announcement will be made by us in such event.
- 3 Applicants who apply by giving electronic application instructions to HKSCC should refer to the paragraph headed "V. Applying by giving electronic application instructions to HKSCC" under the section headed "How to apply for Hong Kong Offer Shares".
- 4 You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- 5 We expect to determine the Offer Price by agreement with the Joint Bookrunners (on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 3 April 2009 and, in any event, not later than 5:00 p.m. on Monday, 6 April 2009. If, for any reason, the Offer Price is not agreed among the Joint Bookrunners (on behalf of the Underwriters) and us by 5:00 p.m. on Monday, 6 April 2009, the Hong Kong Public Offering and the International Offering will not proceed.
- 6 **Share certificates for the Hong Kong Offer Shares will only become valid certificates of title provided that (i) the Global Offering has become unconditional, and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.** Refund cheques will be issued in respect of wholly or partially unsuccessful applications, and also in respect of successful applications if the Offer Price is less than the price payable on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of, or may invalidate, the refund cheque.

Further information in relation to the Hong Kong Public Offering is set out in the section headed "How to Apply for Hong Kong Offer Shares".

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell, or a solicitation of an offer to subscribe for or buy, any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell, or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares, or the distribution of this prospectus, in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

We have not authorised anyone to provide you with information that is different with what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Global Coordinator, the Sponsor, any of the Underwriters, any of their respective directors, or any other persons or parties involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are summarised in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are principally engaged in the distribution of the Wuliangye Liquor Series (a popular and traditional high-end Chinese *baijiu* (白酒) liquor) for the PRC and international markets¹. According to the Wuliangye Group, the producer of the Wuliangye Liquor Series, we have been the largest distributor of the Wuliangye Liquor Series for the respective markets since 2000 as more particularly set out in the paragraph headed "The Wuliangye Liquor Series" below. The Wuliangye Liquor Series accounted for 79.0%, 88.4%, 93.1% and 95.0% of our revenue for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, respectively. While we are not the exclusive distributor for the Wuliangye Group, the Wuliangye Group has not appointed any other distributors for the relevant markets and products (other than the special label series) as more particularly set out in the table in the paragraph headed "The Wuliangye Liquor Series" below for which we have been granted the distributorships.

In addition to the Wuliangye Liquor Series, we distribute variants of the DIMPLE brand of Scotch whisky, namely DIMPLE 12-year-old Scotch whisky, DIMPLE 15-year-old Scotch whisky and DIMPLE 18-year-old Scotch whisky. We also distribute different brands of cigarettes manufactured in the PRC including the Hongtashan Premium Series. Sales of cigarettes accounted for 21.0%, 11.0%, 6.5% and 4.6% of our revenue for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, respectively.

For each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, our revenue generated from the international market accounted for 94.8%, 66.5%, 55.5% and 66.2%, respectively, of our total revenue. The remaining revenue represented our sales in the PRC market.

In February 2009, we were appointed by the Wuliangye Group as the principal distributor to distribute the Wuliangye "Soy" Label Series, a "soy flavour type" (醬香型) Chinese *baijiu* (白酒) and one of the latest products of the Wuliangye Group, for the PRC duty-paid market. We intend to commence the marketing activities for this new product in or around the second quarter of 2009.

Note:

¹ For the purpose of this prospectus, "international market" means the overseas market including the Hong Kong market but excluding the PRC market.

SUMMARY

Our Directors consider that we had accumulated approximately 49, 50, 59 and 63 customers, respectively, for the international market as at 31 March 2006, 2007 and 2008 and 30 September 2008, of which 34, 24, 29 and 22 customers, respectively, transacted with us during each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008. During each of these periods, we transacted with 83, 168, 252 and 263 customers, respectively, for the PRC market, of which 45, 79, 225 and 227 customers had distribution agreements in place with us. The single largest customer accounted for 53.2%, 47.6%, 54.1% and 50.7%, respectively, of our total revenue, or 56.2%, 71.6%, 97.5% and 76.6% of our total revenue generated from the international market during the same periods. Our revenue generated from this customer amounted to HK\$306.1 million, HK\$468.5 million, HK\$804.0 million and HK\$445.7 million, respectively, during the same periods. Please refer to “Risk Factors – We rely on key customers, in particular, our single largest customer which accounted for 53.2%, 47.6%, 54.1% and 50.7%, respectively, of our total revenue, or 56.2%, 71.6%, 97.5% and 76.6%, respectively, of our revenue generated from the international market during the Track Record Period”.

We have different sales models for the PRC and international markets. For instance, we do not distribute products to a large number of distributors in the international market (of which the single largest customer accounted for 56.2%, 71.6%, 97.5% and 76.6% of our total revenue generated from the international market during each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008) and we do not set out any contractual restrictions on pricing or other distribution policies. Please see “Business – Sales, marketing and promotion” for details. Please also see “Risk Factors – We may not have adequate control over the pricing and distribution policies within the distribution network” and “Risk Factors – While a substantial proportion of our revenue is derived from sales to our single largest customer in the international market, we do not control the activities of any of our international customers, including our single largest customer in the international market. To the extent that any of our international customers are engaged in activities contrary to the terms of our distribution agreements with the Wuliangye Group, such as the re-import into China of liquor or other products we distribute in the international market, such activities may result in the termination of our distribution agreements or require us to terminate our relationship with the relevant customer (including our single largest customer in the international market) which would have a material adverse effect on our business prospects, results of operations or financial condition” for the risks associated with our business models for the PRC and international markets.

The Wuliangye Liquor Series

The Wuliangye Group

The Wuliangye Group, comprising listed and unlisted arms, manufactures and sells different brands of liquor including the Wuliangye Liquor Series. The other brands of liquor of the Wuliangye Group include 五糧春 (Wuliangchun), 五糧醇 (Wuliangchun), 五糧神 (Wuliangshen) and 金六福 (Jinliufu), among others. The Wuliangye Group is based in Sichuan, the PRC. Members of the Wuliangye Group include, among others, 宜賓五糧液股份有限公司 (Wuliangye Yibin Co. Ltd.*), an A share company listed on the Shenzhen Stock Exchange, 四川省宜賓五糧液集團進出口有限公司 Sichuan Yibin Wuliangye Import and Export Co., Ltd.* (“**Wuliangye Import and Export**”) and 四川省宜賓五糧液供銷有限公司 Sichuan Yibin Wuliangye Supply and Sales Co., Ltd.* (“**Wuliangye Supply**”). We purchase the Wuliangye Liquor Series from Wuliangye Import and Export, a member of the unlisted arm of the Wuliangye Group, for sales in the international market, and from Wuliangye Supply, a member of the listed arm of the Wuliangye Group, for sales in the PRC market.

SUMMARY

Distributorship arrangements

Our distributorship arrangements with the Wuliangye Group are summarised as follows¹:

Product	Nature of distributorship	Markets				Period ³
		PRC		International		
		Duty-paid	Duty-free	Duty-paid	Duty-free	
1. Wuliangye 52%	Principal distributor ² (總經銷商)			✓	✓	1 January 2001 to 31 December 2020
2. Wuliangye 68%	Principal distributor ² (總經銷商)	✓	✓	✓	✓	1 January 2006 to 28 August 2017
3. Wuliangye 45%	Distributor ² (經銷商)	✓				16 March 2007 to 15 March 2012
4. The whole Wuliangye Liquor Series (39%, 45%, 52% and 68%)	Principal distributor ² (總經銷商)				✓	1 December 2000 to 31 December 2020
5. Wuliangye special labels (39% and 52%)	Non-exclusive (for bulk purchase by certain governmental departments and corporate entities)	✓				20 April 2007 to 19 April 2012
6. Wuliangye "Soy" Label Series (52% and 48%)	Principal distributor (總經銷商)	✓				6 February 2009 to 5 February 2019

Notes:

- In addition to the distributorship arrangements as stated in the table above, we have two other distribution agreements with the Wuliangye Group signed in September 2000 in relation to the distribution of the Wuliangye Liquor Series in Hong Kong and certain other countries (the "Old Agreements"). Whilst the Old Agreements, which will expire in July 2010 and September 2009, respectively, are not superseded by the subsequent distribution agreements, given that we were granted the distributorship of the Wuliangye Liquor Series for the international market under two other subsequent distribution agreements numbered 1 and 4 above, and both of which will last for a term of up to 31 December 2020, our Directors consider that it is not necessary for the Group to extend the Old Agreements upon expiry.
- The Wuliangye Group recognises us as the largest distributor of the Wuliangye Liquor Series for the products (other than the special label series) distributed in their respective markets as set out in the above table. The Wuliangye Group also confirmed that it has not appointed other distributors in respect of such markets and products for which we have been granted the distributorship and that it only conducts sales of such products (other than the special label series) in such markets through us.
- Please see "Business – Purchasing" for details in relation to the termination of the distribution agreements.

SUMMARY

DIMPLE

In June 2006, we were appointed by Diageo as the exclusive distributor of DIMPLE for the duty-paid market¹. In early 2007, we were further appointed as the exclusive distributor of DIMPLE for the entire PRC duty-free market (excluding the Beijing and Shanghai airport concessions). Our Directors consider distributing DIMPLE in the PRC a good opportunity for us to further leverage on our existing distribution network in the PRC. Our Directors also consider obtaining the exclusive distributorship of DIMPLE for the PRC market a strategic move for us to further expand our product range to international brands of liquor and to reduce reliance on the Wuliangye Group as the single largest supplier. On this basis, although we are required by our distribution agreements with Diageo not to distribute the Restricted Products in the PRC and the revenue contribution from the sale of DIMPLE during the Track Record Period is relatively minimal as compared to our total revenue, our Directors consider that it is in our interest to obtain the distribution of DIMPLE for long-term development in the PRC market.

Cigarette products

In addition to high-end liquor, we have been distributing various PRC brands of cigarettes for certain duty-free markets in Asia on a non-exclusive basis since 1998. Since 2004, we have been appointed by the Hongta Group as the exclusive distributor of the Hongtashan Premium Series for the international market. For each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, our sales of the Hongtashan Premium Series amounted to HK\$9.7 million, HK\$4.2 million, HK\$6.3 million and HK\$3.4 million, respectively, representing 1.7%, 0.4%, 0.4% and 0.4% of our total revenue during the same periods.

Revenue contributed by the products we distribute

Set out below is a breakdown of our revenue by products for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008:

	For the financial year ended 31 March						For the six months ended 30 September	
	2006		2007		2008		2008	
	Revenue HK\$ million	% of total revenue	Revenue HK\$ million	% of total revenue	Revenue HK\$ million	% of total revenue	Revenue HK\$ million	% of total revenue
Wuliangye Liquor Series								
PRC market	29.9	5.2	323.5	32.9	654.6	44.1	293.3	33.4
International market	424.5	73.8	545.6	55.5	728.3	49.0	541.3	61.6
DIMPLE								
PRC market	–	–	6.3	0.6	5.7	0.4	3.4	0.4
International market	–	–	–	–	0.4	–	–	–
Cigarettes								
PRC market	0.3	–	–	–	–	–	–	–
International market	120.6	21.0	108.5	11.0	96.1	6.5	40.4	4.6
Total	<u>575.3</u>	<u>100.0</u>	<u>983.9</u>	<u>100.0</u>	<u>1,485.1</u>	<u>100.0</u>	<u>878.4</u>	<u>100.0</u>

Note:

- We have an exclusive distributorship with Diageo to supply DIMPLE within the PRC duty-paid market, with the exception of certain outlets (namely, any outlet in the PRC, including bar, nightclub, pub, KTV or similar establishment (i) which caters predominately to the Korean expatriate market, or (ii) where Johnnie Walker Whisky products are sold), unless sales in such outlets do not adversely affect sales of other products supplied by Diageo in such outlets (other than red or white wines, beer and Chinese *baijiu* (白酒) products).

SUMMARY

There was a major delay in the delivery of Wuliangye 52% from the Wuliangye Group and our financial performance has significantly deteriorated for the three months ended 31 December 2008

There was a major delay in the delivery of Wuliangye 52% that we ordered in May 2008 for distribution in the international market. According to the original delivery schedule, this product should have arrived by November 2008. However, only around 70% of this product had been delivered to us as at the date of this prospectus. We received Wuliangye 52% from the Wuliangye Group in October 2008 but not in the following months until February 2009. Accordingly, the quantities of Wuliangye 52% that the Group received during the period from October 2008 to January 2009 were lower than that in the corresponding period a year earlier. Taking into account the quantities of Wuliangye 52% sold from October 2008 to January 2009, our quantity of Wuliangye 52% stock available for sale decreased by approximately 90% as at 31 January 2009 as compared to 30 September 2008.

As a result of this delay, we had to postpone the performance of a number of confirmed orders that we originally entered into based on our timely receipt of the products from the Wuliangye Group, cancel a significant order that we placed with the Wuliangye Group and temporarily discontinue placing new orders with the Wuliangye Group until completion of the delivery which had been delayed.

Due to the significant drop in revenue, our financial performance for the three months ended 31 December 2008 has significantly deteriorated as compared to that for the corresponding period in 2007. We also expect that our net profit in the second half of the financial year ending 31 March 2009 will reduce by over 70% as compared to that in the first half of the same financial year and that in the corresponding period in the financial year ended 31 March 2008. Our sales volume for the international market decreased by approximately 99.1% (representing approximately 0.86 million bottles) and accordingly the sales value also decreased for the same market, where the profit margins are higher than those in the PRC market, for the three months ended 31 December 2008 when compared with the three months ended 31 December 2007.

There can be no assurance that we will not experience similar or even more severe delay in delivery of the Wuliangye Liquor Series by the Wuliangye Group in the future. See "Risk Factors – The impact of shortage of or delay in the supply of the Wuliangye Liquor Series by the Wuliangye Group". For further details of the delay in delivery, please refer to "Business – Purchasing" and "Financial Information – Our financial performance has significantly deteriorated for the three months ended 31 December 2008".

Recent economic developments

Our results of operations and financial performance could be materially and adversely affected by conditions in the global capital or credit markets and the economy generally, both in the PRC and elsewhere around the world. The pressure experienced by global capital or credit markets that began in the second half of 2007 continued and substantially increased during the second half of 2008. Recently, concerns over the availability and cost of credit, the US mortgage market, energy costs, inflation, and a declining US real estate market have contributed to increased volatility and diminished expectations for the economy and the market going forward. These factors, combined with declining business and consumer confidence and increased unemployment in the United States and Europe, have precipitated an economic

SUMMARY

slowdown and fears of a possible recession. Initially, the concerns on the part of market participants were focused on the sub-prime segment of the mortgage-backed securities market. However, these concerns have expanded to include a broad range of mortgage-backed, asset-backed and other fixed income securities.

The PRC and international equity markets have also been experiencing heightened volatility. These events and the continuing upheavals may result in economic slowdown and decrease in consumer confidence. Our Directors believe our premium liquor products, being the main products distributed by us, are less prone to the cyclical downturns of the economy. Our Directors consider that demand for our products in our target market, which includes mainly upper-middle class consumers as well as large enterprises and governmental organisations in the PRC, is relatively more resilient to the economic downturn and less price elastic. Nevertheless, our revenue and profit margins may still be adversely impacted as demand for our premium liquor and cigarette products is directly related to the level of consumption in the PRC and international markets. For details, see “Risk Factors – Our sales may be affected by seasonality, weather conditions, economic downturn and a number of other factors” and “Financial Information – Factors affecting our results of operations – Recent economic developments”.

COMPETITIVE STRENGTHS

Our Directors believe that our success is attributed to, among other things, the following competitive strengths:

- Largest distributor of the Wuliangye Liquor Series and established relationship with the Wuliangye Group
- Well-established distribution network in the PRC
- Established relationships with various suppliers
- Our effective marketing strategy in the PRC
- Our experienced management team has a proven track record

STRATEGIES

Our goal is to become a leading distributor of liquor and cigarette products in the PRC and international markets. To this end, we plan to carry out, or are in the process of carrying out, the following strategies:

- Reinforcing and expanding our distribution network in the PRC
- Strengthening our relationships with existing suppliers and securing new suppliers
- Advertising, marketing and promoting our products
- Evaluating the opportunities for integration and consolidation of distribution networks in the PRC

SUMMARY

RISK FACTORS

Our Directors believe that there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorised into (i) risks related to our business; (ii) risks related to our industry; (iii) risks related to conducting business in the PRC; and (iv) risks related to the Global Offering.

Risks related to our business

- We rely on the Wuliangye Group as our single largest supplier and the Wuliangye Liquor Series as our single largest product line
- The impact of shortage of or delay in the supply of the Wuliangye Liquor Series by the Wuliangye Group
- Our cashflow or working capital may be affected by a delay in delivery of the Wuliangye Liquor Series
- Our bargaining power *vis-à-vis* the Wuliangye Group
- The Wuliangye Group may appoint other distributors or even distribute the Wuliangye Liquor Series directly
- While a substantial proportion of our revenue is derived from sales to our single largest customer in the international market, we do not control the activities of any of our international customers, including our single largest customer in the international market. To the extent that any of our international customers are engaged in activities contrary to the terms of our distribution agreements with the Wuliangye Group, such as the re-import into China of liquor or other products we distribute in the international market, such activities may result in the termination of our distribution agreements or require us to terminate our relationship with the relevant customer (including our single largest customer in the international market) which would have a material adverse effect on our business prospects, results of operations or financial condition
- Our suppliers may change their existing sales or marketing strategy by, among other things, changing their export strategy, reducing their sales or production volume, reducing their selling prices or appointing other distributors which may compete with us in the markets in which we operate
- Our suppliers may terminate our distribution agreements and we, or our suppliers, may not be able to comply with the distribution agreements
- We rely on key customers, in particular, our single largest customer which accounted for 53.2%, 47.6%, 54.1% and 50.7%, respectively, of our total revenue, or 56.2%, 71.6%, 97.5% and 76.6%, respectively, of our revenue generated from the international market during the Track Record Period
- Our success is dependent on, among other things, consumer preference
- We cannot control the quality of the products we distribute

SUMMARY

- Product counterfeiting and/or parallel importing may occur
- We may not be able to grow our business as quickly as we currently plan
- We have a relatively short track record in distributing in the PRC
- We may not have adequate control over the pricing and distribution policies within the distribution network
- Our PRC expansion plan may be constrained by certain restrictions in our exclusive distribution agreements with Diageo
- Our sales may be affected by seasonality, weather conditions, economic downturn and a number of other factors
- We depend on the experience and industry expertise of our key executives and personnel
- Our Controlling Shareholders may take actions that are not in the best interests of the Company
- Prolonged disruptions to the global credit and capital markets and the global economy may materially and adversely affect our liquidity, results of operations, financial condition, prospects and future expansion plans
- Acts of God, acts of war, epidemics and other disasters could materially and adversely affect our business

Risks related to our industry

- If we do not successfully anticipate changes in consumer preferences and tastes, sales of products could be materially and adversely affected
- We may be exposed to product liability, litigation and adverse publicity concerning product quality, health or other issues and we do not maintain any product liability insurance
- Regulatory decisions and changes in the legal and regulatory environment in the countries in which we operate could materially and adversely affect our business activities

Risks related to conducting business in the PRC

- Any change in the PRC's political, economic and social conditions, laws, regulations and policies may have a material adverse effect on us
- The PRC's legal system embodies uncertainties that could materially and adversely affect our business and results of operations
- Any change in our tax treatment may have a material adverse effect on the results of our operations

SUMMARY

- Dividends payable from our PRC subsidiaries may become subject to withholding taxes under PRC tax laws
- The outbreak of any severe communicable disease in the PRC, if uncontrolled, may materially and adversely affect our results of operations
- Any slow-down of the PRC economy could materially and adversely affect our business and growth prospects
- Our Company is a holding company that relies on dividend payments from our subsidiaries for funding
- Government control in currency conversion and future movements in foreign exchange rates may materially and adversely affect our financial condition, results of operations and ability to remit dividends

Risks related to the Global Offering

- There has been no prior public market for our Shares and an active trading market may not develop after the Global Offering
- The market price and liquidity of our Shares following the Global Offering may be volatile
- Purchasers of the Shares will experience immediate dilution in pro forma consolidated net tangible assets
- The costs of share options to be granted under the Share Option Scheme will materially and adversely affect our results of operations and any further issuance of Shares may result in a dilution of Shareholders' percentage shareholdings
- Dividends declared in the past may not be indicative of our dividend policy in the future
- Future sales by our Controlling Shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares
- No assurance can be given as to the accuracy of facts and statistics from government official sources contained in this prospectus
- You should read the entire prospectus and should not place any reliance on any information contained in press coverage or other media in relation to the Global Offering, our business operations, Shareholders and/or Directors in connection with a decision to invest in the Shares

SUMMARY

SUMMARY OF FINANCIAL INFORMATION

You should read the summary consolidated financial information set out below in conjunction with our consolidated financial statements included in the Accountants' Report set out in Appendix I to this prospectus, which have been prepared in accordance with HKFRS. The consolidated income statement data for the three financial years ended 31 March 2008 and the six months ended 30 September 2008, and the summary balance sheet information as at 31 March 2006, 2007 and 2008 and 30 September 2008 are derived from the Accountants' Report set out in Appendix I to this prospectus. The basis of presentation is set out in note 2 of section II to the Accountants' Report.

	For the financial year ended 31 March			For the six months ended 30 September	
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000 (Unaudited)	2008 HK\$'000
Revenue	575,254	983,944	1,485,054	546,042	878,442
Cost of sales	(472,973)	(746,564)	(925,889)	(366,806)	(424,321)
Gross profit	102,281	237,380	559,165	179,236	454,121
Other revenue and gain	747	1,401	34,577	1,204	596
Selling and distribution costs .	(44,416)	(64,856)	(70,782)	(31,368)	(33,309)
Administrative expenses	(16,562)	(21,879)	(46,085)	(20,770)	(29,033)
Other (expenses)/income	(1,863)	(8,992)	4,199	(2,434)	3,573
Finance costs	(710)	(792)	(635)	(375)	–
Profit before tax	39,477	142,262	480,439	125,493	395,948
Tax	(7,481)	(30,932)	(90,995)	(23,943)	(68,389)
PROFIT FOR THE YEAR/ PERIOD.	<u>31,996</u>	<u>111,330</u>	<u>389,444</u>	<u>101,550</u>	<u>327,559</u>
Attributable to:					
Equity holders of the Company	31,996	111,334	399,724	101,550	327,559
Minority interests.	–	(4)	(10,280)	–	–
	<u>31,996</u>	<u>111,330</u>	<u>389,444</u>	<u>101,550</u>	<u>327,559</u>

SUMMARY

Our results of operations for any period may not be comparable with other periods within the Track Record Period primarily due to the following reasons:

- Our exclusive right to distribute DIMPLe in the PRC duty-paid and duty-free markets (excluding the Beijing and Shanghai airport concessions) commenced in June 2006 and February 2007, respectively. As a result, we did not generate any substantial revenue from our distribution of DIMPLe for the financial year ended 31 March 2006. Sales of DIMPLe accounted for only 0.6%, 0.4% and 0.4% of our revenue for each of the two financial years ended 31 March 2008 and the six months ended 30 September 2008, respectively.
- Our business activities in the PRC market significantly expanded after Silver Base Trading (Shenzhen), our wholly-owned subsidiary, commenced distribution of various products of the Wuliangye Liquor Series in early 2006. We only generated limited revenue from sales in the PRC for the financial year ended 31 March 2006. Revenue derived from our sales of the Wuliangye Liquor Series in the PRC market increased significantly from HK\$29.9 million for the financial year ended 31 March 2006 to HK\$323.5 million for the financial year ended 31 March 2007 and further to HK\$654.6 million for the financial year ended 31 March 2008. Revenue derived from our sales of the Wuliangye Liquor Series in the PRC market for the six months ended 30 September 2008 was HK\$293.3 million. The sales of the Wuliangye Liquor Series in the PRC market accounted for 5.2%, 32.9%, 44.1% and 33.4% of our total revenue for each of the three financial years ended 31 March 2008 and for the six months ended 30 September 2008, respectively.

For additional financial information on the Track Record Period, please refer to the section headed "Financial Information" in this prospectus and the Accountants' Report as set out in Appendix I to this prospectus.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK\$2.30 per Share	Based on an Offer Price of HK\$3.45 per Share
Market capitalisation of the Shares ¹	HK\$2,760.0 million	HK\$4,140.0 million
Unaudited pro forma adjusted net tangible assets per Share ²	HK\$0.68	HK\$0.96

Notes:

- 1 The calculation of market capitalisation is based on 1,200,000,000 Shares expected to be in issue immediately upon completion of the Capitalisation Issue and the Global Offering.
- 2 The unaudited pro forma adjusted net tangible assets per Share has been arrived at after adjustments referred to in "Appendix II – Unaudited Pro Forma Financial Information" in this prospectus.

SUMMARY

PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 MARCH 2009

In the absence of any unforeseen circumstances and on the bases and assumptions set out in Appendix III to this prospectus, certain forecasted data for the Group for the financial year ending 31 March 2009 are set out below:

Forecasted consolidated profit attributable to
equity holders of the Company for
the financial year ending 31 March 2009¹not less than HK\$400 million

Unaudited pro forma forecasted earnings per Share
for the financial year ending 31 March 2009²not less than HK\$0.33

Notes:

- 1 The bases and assumptions on which the above profit forecast for the financial year ending 31 March 2009 have been prepared are summarised in Appendix III to this prospectus.
- 2 The calculation of unaudited pro forma forecasted earnings per Share is calculated by dividing the forecasted consolidated profit attributable to equity holders of the Company for the financial year ending 31 March 2009 by a total of 1,200,000,000 Shares (assuming the Shares in issue at the date of this prospectus and those Shares to be issued under the Capitalisation Issue and the Global Offering had been in issue on 1 April 2008 but without taking into account any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by us pursuant to the Over-allotment Option, the Issuing Mandate and the Repurchase Mandate).

SHARE OPTION SCHEME

We conditionally adopted the Share Option Scheme, the purpose of which is to provide an incentive for eligible persons to work with commitment towards enhancing the value of our Company and our Shares for the benefit of our Shareholders and to retain and attract persons whose contributions are or may be beneficial to our growth and development of our Group.

The principal terms of the Share Option Scheme are summarised in the section headed "D. Share Option Scheme" in Appendix VI to this prospectus.

DIVIDEND POLICY

Our Directors may declare dividends, if any, after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on HKFRS, the Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors that our Directors deem relevant. The distribution of dividends for any financial year shall be subject to Shareholders' approval.

SUMMARY

On 30 September 2006, Silver Base Development declared an interim dividend of HK\$70.0 million to its then shareholder, Mr Liang, and the same has been paid. On 31 March 2008, the board of directors of Silver Base Development proposed a final dividend of HK\$350.0 million to Mr Liang which was approved at the general meeting on 30 May 2008. Out of such HK\$350.0 million, HK\$316.1 million has been paid to Mr Liang in cash while the remaining HK\$33.9 million was settled by offsetting the amount owed by him to us. On 30 September 2008, we declared an interim dividend of HK\$250.0 million to the sole Shareholder, Yinji Investments, which is wholly-owned by Mr Liang. Out of such HK\$250.0 million, HK\$240.0 million has already been paid while the remaining HK\$10.0 million will be settled in cash prior to the Listing. On 20 February 2009, we declared an additional interim dividend of HK\$60.0 million to Yinji Investments. The same will be fully paid prior to the Listing. Investors in the Global Offering will not be entitled to participate in these dividends.

Our cash and cash equivalents increased from HK\$123.2 million as at 31 March 2007 to HK\$351.5 million as at 31 March 2008 and HK\$391.7 million as at 30 September 2008 but decreased to HK\$32.9 million as at 31 January 2009. Our Directors confirmed that, as at 18 March 2009, we had over HK\$70.0 million of cash and cash equivalents. The Company has to pay the outstanding interim dividend to Yinji Investments in the amount of HK\$70.0 million prior to the Listing. On the basis of our cash and cash equivalents as at 18 March 2009 as confirmed by our Directors and the confirmed orders and shipment schedules (for delivery of goods from the Wuliangye Group) as at the Latest Practicable Date, our Directors believe that we will have sufficient cash to pay such outstanding interim dividend prior to the Listing and sufficient working capital for our daily operation. However, upon the payment of such outstanding interim dividend to Yinji Investments prior to the Listing, our cash and cash equivalents will decrease significantly.

Our future declaration of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

Subject to the factors described above, the Board currently intends to recommend at the relevant Shareholders' meeting a dividend of no less than 35% of the net profit generated from the financial year ending 31 March 2010 and available for distribution to the Shareholders for that year. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

USE OF PROCEEDS

We estimate that the aggregate net proceeds we receive from the Global Offering, assuming an Offer Price of approximately HK\$2.88 per Share, being the mid-point of the indicative range of the Offer Price of HK\$2.30 to HK\$3.45 per Share, will be approximately HK\$764.3 million (assuming that no additional Shares will be issued by the Company pursuant to the Over-allotment Option and after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering) and HK\$888.0 million (assuming that the Over-allotment Option is exercised in full and after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering), respectively.

SUMMARY

We intend to use the net proceeds we receive from the Global Offering as follows:

- approximately 65% will be used for business development, of which:
 - approximately 24% for the reinforcement and expansion of the distribution network in the PRC by, among other things, expanding our sales and marketing team for the PRC market and identifying additional sub-distributors in different locations in the PRC;
 - approximately 20% for advertising, marketing and promotion such as placing further advertisements in different media, conducting different kinds of promotional campaigns and establishing “Silver Base image stores”;
 - approximately 15% for the integration and consolidation in the PRC by way of mergers and acquisitions and development of new product lines, as described in “Business – Strategies”; and
 - approximately 6% for the expansion of headcount and purchase/upgrading of the Group’s existing machinery and equipment;
- approximately 25% will be used for increasing inventory levels in respect of the Wuliangye Liquor Series and/or other products with a view to facilitating our expansion and benefiting from the upward price trend due to scarcity; and
- approximately 10% will be used for our general working capital.

To the extent that the net proceeds of the Global Offering we receive are not immediately required for the above purposes, we presently intend that such proceeds be placed on short-term deposits with licensed banks or financial institutions and/or invested into money market instruments in Hong Kong and/or the PRC.

In the event that the Offer Price is finally determined at the highest end of the indicative Offer Price range between HK\$2.30 to HK\$3.45 per Offer Share, our net proceeds of the issue of new Shares will increase to approximately HK\$927.5 million (assuming that no additional Shares will be issued by the Company pursuant to the Over-allotment Option) and HK\$1,075.8 million (assuming that the Over-allotment Option is exercised in full), respectively, as compared with the above computation (which is based on the mid-point of the indicative Offer Price range). Our Directors intend to apply such additional net proceeds in the same proportions as set out above.

In the event that the Offer Price is finally determined at the lowest end of the indicative Offer Price range between HK\$2.30 to HK\$3.45 per Offer Share, our net proceeds of the issue of new Shares will decrease to approximately HK\$598.1 million (assuming that the Over-allotment Option is not exercised) and HK\$696.9 million (assuming that the Over-allotment Option is exercised in full), respectively, as compared with the above computation (which is based on the mid-point of the indicative Offer Price range). Our Directors intend to apply the reduced net proceeds in the same proportions as set out above.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

“Application Form(s)”	WHITE, YELLOW and GREEN application form(s) relating to the Hong Kong Public Offering or, where the context so requires, any of them
“Articles of Association” or “Articles”	the articles of association of the Company adopted on 20 February 2009 (as amended or supplemented from time to time)
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“BOCI”	BOCI Asia Limited, a licensed corporation under the SFO for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Business Day”	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of the Company as further described in the paragraph headed “A. Further information about our Group – 4. Written resolutions of the sole Shareholder” in Appendix VI to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, CCASS Custodian Participant or CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China. Unless the context requires, references in this prospectus to the PRC or China do not include Hong Kong, Macau and Taiwan
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Company”, “our Company”, “we” or “us”	Silver Base Group Holdings Limited 銀基集團控股有限公司, an exempted company incorporated in the Cayman Islands under the Companies Law with limited liability on 12 September 2007
“Controlling Shareholders”	Mr Liang and Yinji Investments
“Customs and Excise Department”	the Customs and Excise Department of Hong Kong
“Deed of Non-competition”	the deed of non-competition undertaking from the Controlling Shareholders to us dated 25 March 2009
“Diageo”	Diageo Brands BV, Diageo China Ltd. and Diageo Shanghai Ltd (帝亞吉歐(上海)洋酒有限公司) or, as the case may be, any one of them, all of them are Independent Third Parties
“DIMPLE”	variants of the DIMPLE brand of Scotch whisky which we have the right to distribute in the PRC, namely DIMPLE 12-year-old Scotch whisky, DIMPLE 15-year-old Scotch whisky and DIMPLE 18-year-old Scotch whisky, or as the case may be, any one of them
“Director(s)”	the director(s) of the Company
“EIT”	the enterprise income tax of the PRC
“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) issued on 16 March 2007 and its implementation rules issued on 6 December 2007, both effective 1 January 2008

DEFINITIONS

“Employer’s Return”	the Employer’s Return of Remuneration and Pensions (Form IR 56B) under the Inland Revenue Ordinance
“GDP”	gross domestic product
“Global Coordinator”, “Sponsor” or “UBS”	UBS AG, acting through its division, UBS Investment Bank, a registered institution under the SFO for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Green application form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider designated by the Company
“Group”	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the material time
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards, which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and their interpretations issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the Shares offered by the Company for subscription in the Hong Kong Public Offering

DEFINITIONS

“Hong Kong Public Offering”	the offer by our Company of initially 30,000,000 Shares for subscription by the public in Hong Kong for cash (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) at the Offer Price (plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the paragraph headed “Hong Kong Public Offering” under the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited, the Hong Kong Share Registrar of the Company
“Hong Kong Underwriters”	the underwriters listed in the paragraph headed “Hong Kong Underwriters” under the section headed “Underwriting” in this prospectus, being the underwriters of the Hong Kong Public Offering
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 27 March 2009 relating to the Hong Kong Public Offering and entered into by, among others, the Global Coordinator, the Hong Kong Underwriters, Yinji Investments and us, as further described in the paragraph headed “Hong Kong Public Offering” under the section headed “Underwriting” in this prospectus
“Hongta Group”	玉溪紅塔煙草(集團)有限責任公司 (Yuxi Hongta Tobacco (Group) Co., Ltd.*) or, as the case may be, its successor(s), an Independent Third Party
“Hongtashan Premium Series”	Blended-type Hongtashan* (tar content of 6 mg) (混合型紅塔山(君皇紅塔山)(焦油含量6毫克)), Blended-type Hongtashan* (tar content 9 mg) (混合型紅塔山(君皇紅塔山)(焦油含量9毫克)) and Blended-type Hongtashan* (tar content 12 mg) (混合型紅塔山 (君皇紅塔山) (焦油含量12毫克)) or, as the case may be, any one of them
“Independent Third Party(ies)”	party or parties that is or are not connected with any directors, chief executive, Controlling Shareholders of the Company, its subsidiaries or any of their respective associates
“Inland Revenue Department”	the Inland Revenue Department of Hong Kong

DEFINITIONS

“Inland Revenue Ordinance”	the Inland Revenue Ordinance, Chapter 112 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“International Offer Shares”	the 270,000,000 Shares (subject to adjustment and the Over-allotment Option) under the International Offering
“International Offering”	the offering of the International Offer Shares at the Offer Price outside the United States in accordance with Regulation S, and in the United States only to QIBs in reliance on Rule 144A or another available exemption from registration requirement of the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Purchase Agreement”	the international purchase agreement relating to the International Offering to be entered into on or about the Price Determination Date by, among others, the Global Coordinator, the International Purchasers, Yinji Investments and us, as further described in the paragraph headed “The International Offering” under the section headed “Structure of the Global Offering” in this prospectus
“International Purchasers”	the underwriters of the International Offering which are expected to enter into the International Purchase Agreement as purchasers on or around the Price Determination Date
“Issuing Mandate”	the general unconditional mandate given to our Directors relating to the issue of new Shares, further details of which are contained in the paragraph headed “A. Further information about our Group – 4. Written resolutions of the sole Shareholder” in Appendix VI to this prospectus
“Joint Bookrunners” or “Joint Lead Managers”	UBS and BOCI
“Latest Practicable Date”	23 March 2009, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus before the printing of this prospectus
“Listing”	listing of the Shares on the Main Board
“Listing Committee”	the listing committee of the Stock Exchange

DEFINITIONS

“Listing Date”	the date, expected to be on or about 8 April 2009, on which the Shares are listed and from which dealings of the Shares are permitted to take place on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange operated by the Stock Exchange before the establishment of the Growth Enterprise Market of the Stock Exchange (excluding the option market) and which continues to be operated by the Stock Exchange in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company (as amended, supplemented or otherwise modified from time to time)
“MOFCOM”	the Ministry of Commerce of the PRC
“Mr Liang”	Mr Liang Guoxing 梁國興, Chairman of the Company and an executive Director
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%) at which the Hong Kong Offer Shares are to be subscribed under the Hong Kong Public Offering, and at which the International Offer Shares are to be offered under the International Offering, to be determined as described in the paragraph headed “Pricing of the Global Offering” under the section headed “Structure of the Global Offering” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares

DEFINITIONS

“Over-allotment Option”	the option to be granted by the Company to the International Purchasers exercisable by the Global Coordinator on behalf of the International Purchasers under the International Purchase Agreement, to require the Company to allot and issue up to 45,000,000 additional Shares at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any
“PBOC”	People’s Bank of China
“PRC GAAP”	the generally accepted accounting principles in the PRC
“PRC Government”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal or other regional and local government entities) and their organisations, or as the context requires, any of them
“Price Determination Date”	on or about 3 April 2009 (Hong Kong time) at which time the Offer Price is determined, or such later time as the Company and the Joint Bookrunners (on behalf of the Underwriters) may agree, but in any event not later than 5:00 p.m. on 6 April 2009
“QIB”	a qualified institutional buyer as defined in Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the reorganisation of the group of companies now comprising our Group in preparation for the Listing, details of which are set out in the section headed “A. Further information about our Group – 5. Corporate reorganisation” in Appendix VI to this prospectus
“Repurchase Mandate”	the general unconditional mandate relating to the repurchase of the Shares granted to our Directors, further details of which are contained in the paragraph headed “A. Further information about our Group – 7. Repurchase of our own securities” in Appendix VI to this prospectus

DEFINITIONS

“Restricted Products”	includes any whiskey product (which means any whisky or whiskey product including, without limitation, Scotch whisky, Irish whiskey, Canadian whisky, American whiskey, or whisky or whiskey from any other country, or any combination of the same), vodka, rum, gin and liqueurs, but excludes wine products such as red and white wines, beer and Chinese <i>baijiu</i> (白酒) products
“Richmind”	Richmind International Limited 富思國際有限公司*, a company incorporated in the BVI with limited liability on 21 March 2005 and a direct wholly-owned subsidiary of the Company
“RMB” or “Renminbi”	the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC 中華人民共和國國家外匯管理局
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Share(s)”	ordinary share(s) in the Company with a nominal value of HK\$0.10 each
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 20 February 2009, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix VI to this prospectus
“Shareholder(s)”	holder(s) of Shares
“Silver Base (Holdings)”	Silver Base (Holdings) Limited 銀基(集團)有限公司, a company incorporated in Hong Kong with limited liability on 13 March 2000 and is beneficially wholly-owned by Mr Liang
“Silver Base Development”	Silver Base International Development Co. Limited 銀基國際發展有限公司, a company incorporated in Hong Kong with limited liability on 21 February 1997 and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“Silver Base Spirit”	Silver Base Wine & Spirit Limited 銀基洋酒有限公司, a company incorporated in Hong Kong with limited liability on 11 April 2006 and an indirect wholly-owned subsidiary of the Company
“Silver Base Spirit (Shenzhen)”	銀基洋酒(深圳)有限公司 Silver Base Wine & Spirit (Shenzhen) Co., Ltd.*, a company incorporated in the PRC with limited liability on 28 August 2007 and an indirect wholly-owned subsidiary of the Company
“Silver Base Tobacco”	Silver Base Tobacco Co., Limited 銀基煙草有限公司, a company incorporated in Hong Kong with limited liability on 29 October 2003 and an indirect wholly-owned subsidiary of the Company
“Silver Base Trading (Shenzhen)”	銀基貿易發展(深圳)有限公司 Silver Base Trading and Development (Shenzhen) Co., Ltd.*, a company incorporated in the PRC with limited liability on 21 December 2005 and an indirect wholly-owned subsidiary of the Company
“State Council”	the State Council of the PRC 中華人民共和國國務院
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into on or about the Price Determination Date between the Global Coordinator and Yinji Investments
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases, as approved by the SFC as amended from time to time
“Track Record Period”	the period comprising the three financial years ended 31 March 2008 and the six months ended 30 September 2008
“Underwriters”	the Hong Kong Underwriters and the International Purchasers
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Purchase Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

DEFINITIONS

“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended
“WFOE”	wholly foreign-owned enterprise
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.eipo.com.hk
“White Form eIPO Service Provider”	the White Form eIPO service provider designated by the Company, as specified on the designated website www.eipo.com.hk
“Wuliangye Group”	宜賓五糧液股份有限公司 Wuliangye Yibin Co., Ltd.*, 四川省宜賓五糧液集團進出口有限公司 Sichuan Yibin Wuliangye Group Import and Export Co., Ltd.*, 四川省宜賓五糧液供銷有限公司 Sichuan Yibin Wuliangye Supply and Sales Co., Ltd.* and their respective subsidiaries and associates, or (as the case may be) any one of them (Independent Third Parties)
“Wuliangye Liquor Series”	Wuliangye 39%* (五糧液39度), Wuliangye 45%* (五糧液45度), Wuliangye 52%* (五糧液52度) and Wuliangye 68%* (五糧液68度) and other Wuliangye liquor products or, as the case may be, any one of them
“Wuliangye “Soy” Label Series”	“Soy” 52%* (“醬”酒52度) and “Soy” 48%* (“醬”酒48度) manufactured by the Wuliangye Group or, as the case may be, any one of them
“Yinji Investments”	Yinji Investments Limited, a company incorporated in the BVI with limited liability on 11 September 2007 which is wholly-owned by Mr Liang
“%”	per cent

* denotes a translation of a Chinese name and/or an English name

In this prospectus, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

In this prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC, the PRC nationals, departments, certificates, laws and regulations and their English translations, the Chinese names shall prevail.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and plan of operations;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects, and our Directors' expectations and estimates on the operations such as the receipt of sufficient inventories to meet our distribution needs;
- our dividend policy;
- the regulatory environment of our industry in general;
- future development in our industry; and
- the general economic trend and conditions of the PRC.

The words "anticipate", "believe", "consider", "could", "expect", "intend", "may", "plan", "seek", "will", "would", "with a view to" and similar expressions, and the negative of these words as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our Directors' current views with respect to future events are not an assurance of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

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You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. The risks and uncertainties described below are not the only ones faced by the Company. You should pay attention to the fact that some of our businesses are located in the PRC and we are therefore governed by a legal and regulatory environment that in some respects may differ from that which prevails in other countries. Additional risks and uncertainties not presently known to us or that we deem immaterial could also harm our business. If any of the following risks actually occur, our business could be harmed, the trading price of the Shares could decline and you may lose all or part of your investment. You should also fully consider all the other detailed information contained in this prospectus, including the financial statements and related notes.

RISKS RELATED TO OUR BUSINESS

We rely on the Wuliangye Group as our single largest supplier and the Wuliangye Liquor Series as our single largest product line

We generated revenue of HK\$454.4 million, HK\$869.1 million, HK\$1,382.9 million and HK\$834.6 million from sales of the Wuliangye Liquor Series, the principal product we distribute, supplied by the Wuliangye Group for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, respectively. Sales of the Wuliangye Liquor Series accounted for 79.0%, 88.4%, 93.1% and 95.0% of our total revenue during the same periods. Consequently, we rely on the Wuliangye Group as our single largest supplier and the Wuliangye Liquor Series as our single largest product line.

As a result, our business and results of operations rely on, among other things, the continued supply of the Wuliangye Liquor Series from the Wuliangye Group and our continued distributorship with the Wuliangye Group. For details of the expiry dates of our respective distributorships with the Wuliangye Group, please see "Business – Our distributorship".

Furthermore, our Directors believe that brand awareness of and consumers' loyalty towards the products of the Wuliangye Group are critical to the success of our business. Any circumstances which adversely affect the market acceptance and brand image of the Wuliangye Liquor Series could have a material adverse effect on our business. See "– Our success is dependent on, among other things, consumer preference", "– We cannot control the quality of the products we distribute" and "– Product counterfeiting and/or parallel importing may occur".

The impact of shortage of or delay in the supply of the Wuliangye Liquor Series by the Wuliangye Group

The Wuliangye Group may not be able to supply products to us in a timely manner or in sufficient quantities, or to comply with the terms and conditions of its agreements with us. More importantly, there is no assurance that the Wuliangye Group will not terminate our distribution agreements. See "– Our suppliers may terminate our distribution agreements and we, or our suppliers, may not be able to comply with the distribution agreements". If the Wuliangye Group does not supply products to us in a timely manner or in sufficient quantities, our results of operations and business prospects may be materially and adversely affected.

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For instance, there was a major delay in the delivery of Wuliangye 52% that we ordered in May 2008 for distribution in the international market. According to the original delivery schedule, this product should have arrived by November 2008. However, only around 70% of this product had been delivered to us as at the date of this prospectus. We received Wuliangye 52% from the Wuliangye Group in October 2008 but not in the following months until February 2009. Accordingly, the quantities of Wuliangye 52% that the Group received during the period from October 2008 to January 2009 were lower than that in the corresponding period a year earlier. Taking into account the quantities of Wuliangye 52% sold from October 2008 to January 2009, our quantity of Wuliangye 52% stock available for sale decreased by approximately 90% as at 31 January 2009 as compared to 30 September 2008.

As a result of this delay, we had to postpone the performance of a number of confirmed orders that we originally entered into based on our timely receipt of the products from the Wuliangye Group, cancel a significant order that we placed with the Wuliangye Group and temporarily discontinue placing new orders with the Wuliangye Group until completion of the delivery which had been delayed. Our sales volume for the international market decreased by approximately 99.1% (representing approximately 0.86 million bottles) and accordingly the sales value also decreased for the same market, where the profit margins are higher than those in the PRC market, for the three months ended 31 December 2008 when compared with the three months ended 31 December 2007.

Due to the significant drop in revenue, our financial performance for the three months ended 31 December 2008 has significantly deteriorated as compared to that for the corresponding period in 2007. We also expect that our net profit in the second half of the financial year ending 31 March 2009 will reduce by over 70% as compared to that in the first half of the same financial year and that in the corresponding period in the financial year ended 31 March 2008.

There can be no assurance that we will not experience similar or even more severe delay in delivery of the Wuliangye Liquor Series by the Wuliangye Group in the future. For further details of the delay in delivery, please refer to “Business – Purchasing” and “Financial Information – Our financial performance has significantly deteriorated for the three months ended 31 December 2008”.

Our cashflow or working capital may be affected by a delay in delivery of the Wuliangye Liquor Series

Our cashflow and working capital mainly depend on our revenue. In particular, we usually do not receive payment from our customers in the international market until the products are ready to be delivered to them. In the event that a delay in delivery from the Wuliangye Group as mentioned above occurs again in the future, our cashflow or working capital may be materially and adversely affected as a result of the corresponding delay in delivery of the Wuliangye Liquor Series to our customers.

Our bargaining power *vis-à-vis* the Wuliangye Group

Given that we rely on the Wuliangye Group as our single largest supplier for both the PRC and international markets, we may not have the bargaining power *vis-à-vis* the Wuliangye Group to negotiate terms favourable to us, whether in relation to the international market or the PRC market. If the Wuliangye Group increases the selling prices offered to us and we are unable to pass on such higher purchase costs to our customers, by way of increasing sales or decreasing other costs in amounts sufficient to offset such higher purchase costs, our results of operations may be materially and adversely affected.

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The Wuliangye Group may appoint other distributors or even distribute the Wuliangye Liquor Series directly

Whilst the Wuliangye Group recognises us as its largest distributor in respect of certain products of the Wuliangye Liquor Series in certain markets, we are not appointed by the Wuliangye Group as its exclusive distributor, and, therefore, the Wuliangye Group may appoint other distributors to compete with us in the market(s) in which we operate. To a more extreme extent, the Wuliangye Group may sell its products directly into the PRC and/or international market(s) without going through any distributors and sub-distributors. See “– Our suppliers may change their existing sales or marketing strategy by, among other things, changing their export strategy, reducing their sales or production volume, reducing their selling prices or appointing other distributors which may compete with us in the markets in which we operate”.

While a substantial proportion of our revenue is derived from sales to our single largest customer in the international market, we do not control the activities of any of our international customers, including our single largest customer in the international market. To the extent that any of our international customers are engaged in activities contrary to the terms of our distribution agreements with the Wuliangye Group, such as the re-import into China of liquor or other products we distribute in the international market, such activities may result in the termination of our distribution agreements or require us to terminate our relationship with the relevant customer (including our single largest customer in the international market) which would have a material adverse effect on our business prospects, results of operations or financial condition

A substantial proportion of our revenue is derived from sales to our single largest customer. This customer accounted for 53.2%, 47.6%, 54.1% and 50.7% of our total revenue and 56.2%, 71.6%, 97.5% and 76.6% of our total revenue generated from sales in the international market, respectively, in each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008. We do not monitor or control the activities of this customer or any of our other customers in the international market. In particular, we have no contractual rights to obtain information from our customers in the international market with respect to their sub-distributors/customers and we therefore only have limited information or market data about the distribution channel used in the international market. Furthermore, we do not have access to information in relation to the identities and locations of the retailers of our products in the international market. Accordingly, we do not have the ability to ensure that liquor and cigarette products we distribute in the international market are being subsequently re-distributed in accordance with the terms of our distribution agreements with our suppliers and, in particular, that liquor products the Wuliangye Group supplies are not subsequently re-imported into China in a manner that violates Chinese customs or other laws and regulations. We have sought to obtain assurance from our single largest customer in the international market that such re-imports into China are not occurring and have not occurred and have been informed by our single largest customer in the international market that they do not have reason to believe such re-imports into China have occurred or are occurring. However, we have not been provided with any information regarding the distribution and sales network of our customers in the international market on the grounds that such information is commercially sensitive. In addition, our Chairman, Mr Liang (in his capacity as the principal contact for international sales) has informed us that he has no reason to believe that our products have been or are being re-imported into China. Furthermore, the Wuliangye Group

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has informed us that it is not aware that its liquor products we distribute in the international market are being distributed other than in accordance with the terms of our distribution agreements with them. Nevertheless, there can be no assurance that our products are not or have not been re-imported into China in a manner that does not comply with the terms of our distribution agreements or Chinese customs and other laws and regulations.

To the extent that our liquor and other products are or have been re-imported into China in a manner that does not comply with Chinese customs or other laws and regulations, the Company or Mr Liang could be found to have actual direct or indirect responsibility for such activities by the relevant Chinese authorities and could, therefore, be subject to civil, administrative or criminal sanctions. Furthermore, a determination by the relevant Chinese authorities that Chinese customs or other laws and regulations have been violated (whether or not the Company and/or Mr Liang are found to have actual direct or indirect responsibility for such activities) could result in the termination or non-renewal of some or all of our distribution agreements with the Wuliangye Group.

Our suppliers may change their existing sales or marketing strategy by, among other things, changing their export strategy, reducing their sales or production volume, reducing their selling prices or appointing other distributors which may compete with us in the markets in which we operate

We are engaged in the distribution of liquor and cigarettes, and our success is dependent upon our continued distribution of products obtained from our suppliers. Our suppliers may change their existing sales or marketing strategy in respect of the products we distribute by, among other things, selling those products directly into the PRC and international markets without going through distributors or sub-distributors such as the Group, changing their export strategy, reducing their sales or production volume or reducing their selling prices. We are not aware of any material change in the sales or marketing strategy adopted by the Wuliangye Group, our single largest supplier, during the Track Record Period. However, while we are recognised by the Wuliangye Group as its largest distributor in respect of certain products in the Wuliangye Liquor Series in certain markets, we are not appointed by the Wuliangye Group as its exclusive distributor. Consequently, there is no assurance that the Wuliangye Group will not appoint other distributors which may compete with us in the markets in which we operate or that we will remain the largest distributor recognised by the Wuliangye Group. In particular, entry barriers to the distribution industry are relatively low as compared to other industries, such as certain manufacturing industries which require technical know-how and substantial capital expenditures, and there are no specific pre-requisite conditions to be fulfilled in order to be qualified as a distributor.

There is no assurance that there will be no deterioration in our relationship with the Wuliangye Group or our other suppliers which could affect our ability to secure future distributorships.

In the event that any of our suppliers, including the Wuliangye Group, changes its sales or marketing strategy or otherwise appoint other distributors to distribute its products in those markets in which we operate, our business, results of operations and financial performance could be materially and adversely affected.

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Our suppliers may terminate our distribution agreements and we, or our suppliers, may not be able to comply with the distribution agreements

Certain distribution agreements with the Wuliangye Group state that we should not reduce resale prices without cause. Some of our distribution agreements with the Wuliangye Group contain minimum purchase commitments. In addition, at the end of each year, we come to an agreement with the Wuliangye Group on the quantity of products for the international market that we will purchase from them in the forthcoming year. See the section headed “Business – Purchasing”. As advised by our PRC legal advisers, under the PRC laws, we may be responsible for the loss suffered by the Wuliangye Group, if any, in connection with the non-fulfillment of the minimum purchase commitment. Our distribution agreements with the Wuliangye Group, save for the three agreements relating to Wuliangye 45%, the Wuliangye special label series and the Wuliangye “Soy” Label Series, are silent on early termination. Our PRC legal advisers have advised us that, according to Article 94 of the PRC Contract Law (《合同法》), a contract may be terminated under certain circumstances, namely (i) if it is impossible to achieve the purpose of the contract due to an event of force majeure; (ii) if, prior to expiry, a party expressly states or indicates through its conduct, that it will not perform its major obligations under the contract; (iii) if a party fails to rectify the non-performance of its major obligations under the contract within a reasonable time despite being requested by the other party to do so; (iv) if a party delays the performance of its obligations, or otherwise breaches the contract, rendering it impossible to achieve the purpose of the contract; or (v) other circumstances as provided by the law. See “Business – Purchasing”. There is no assurance that the Wuliangye Group will not terminate our distribution agreements prematurely with cause (for instance, due to failure to comply with our obligations under the agreements), or without cause.

Our two exclusive distribution agreements with the Hongta Group for the distribution of the Hongtashan Premium Series in the international market also set out an annual minimum purchase commitment which is adjusted upwards every year. Both agreements may be terminated by either party if, among other things, the other party commits a material breach of the agreement and, if such breach is remediable, such other party fails to remedy the breach after a 30-day notice period. We were unable to fulfil the minimum purchase commitment under these two exclusive distribution agreements during the Track Record Period and we have written down a significant amount of inventory of the Hongtashan Premium Series during the Track Record Period due to low market demand. As advised by our PRC legal advisers, under the PRC laws, we may be responsible for the loss suffered by the Hongta Group, if any, in connection with the non-fulfillment of the minimum purchase commitment. For each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, our sales of the Hongtashan Premium Series amounted to HK\$9.7 million, HK\$4.2 million, HK\$6.3 million and HK\$3.4 million, representing 1.7%, 0.4%, 0.4% and 0.4%, respectively, of our total revenue during the same periods. As at the Latest Practicable Date, we had not received any notice or other communication from the Hongta Group with respect to our failure to fulfil the minimum purchase commitments in any exclusive distribution agreement. See “Business – Purchasing” for additional details with respect to these distribution agreements.

Regarding our exclusive distribution agreements with Diageo for the PRC duty-paid and the PRC duty-free markets, either we or Diageo may terminate either agreement, if, among other things, the other party is in breach of the agreement and such breach is not capable of being remedied, or where such breach is capable of being remedied but such other party fails to remedy the breach after reasonable notice.

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Whilst we have not encountered any material contractual dispute with any of our suppliers during the Track Record Period, should any of the distribution agreements with our suppliers be terminated, our business prospects, results of operations and financial performance would be materially and adversely affected.

We rely on key customers, in particular, our single largest customer which accounted for 53.2%, 47.6%, 54.1% and 50.7%, respectively, of our total revenue, or 56.2%, 71.6%, 97.5% and 76.6%, respectively, of our revenue generated from the international market during the Track Record Period

We distribute our liquor and cigarette products to different wholesale distributors or duty-free outlets in the PRC and international markets. Please refer to the section headed “Business – Sales, marketing and promotion” for details in relation to our customers. Our five largest customers accounted for an aggregate of 88.9%, 64.9%, 63.8% and 69.7% of our total revenue for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, respectively. These customers purchased goods directly from us. During the same periods, our single largest customer, being a customer which purchased the Wuliangye Liquor Series and cigarettes from us in the international market and an Independent Third Party, accounted for 53.2%, 47.6%, 54.1% and 50.7%, respectively, of our total revenue, or 56.2%, 71.6%, 97.5% and 76.6%, respectively, of our revenue generated from the international market. We, therefore, rely on this customer as our single largest customer. The Group commenced a business relationship with this customer in 1999. Based on the Directors’ understanding, this customer is engaged in, among other things, trading and shipping businesses. Other than distributing the Wuliangye Liquor Series and different PRC brands of cigarettes supplied by us, our Directors understand that this customer also distributes other brands of liquor supplied by other companies. Please refer to “Business – Sales, marketing and promotion” for details.

We do not enter into long-term contracts with our customers and our contractual obligations usually arise upon our receipt of purchase orders or sales confirmations. Any decline in, or lack of, purchases by our key customers, in particular, our single largest customer, would have a material adverse effect on our business, performance and profitability.

Our success is dependent on, among other things, consumer preference

Our Directors believe that maintaining the brand awareness and good reputation of the products we distribute is critical to promoting consumer preference for our products and, thereby, attracting additional customers and expanding our customer base. Enhancement of the brand awareness and good reputation of the products we distribute depends largely on the success of the marketing and promotional campaign conducted by our suppliers or by us as well as the quality of the products supplied to us and consequently we distribute, over which we have no control. See “– We cannot control the quality of the products we distribute”. Nevertheless, even if the brand awareness and good reputation are maintained or enhanced, there is no assurance that consumer preference for the products we distribute will remain unchanged. Any decline in consumer preference for the products we distribute would have a material adverse effect on our business prospects and results of operations.

We cannot control the quality of the products we distribute

As a distributor, we cannot control the quality of the products we distribute. Any contamination, whether arising accidentally or resulting from any deliberate third party action, will adversely affect the reputation of the brand(s) of products we distribute, our corporate

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image as well as our sales volume. Any contaminant in those raw materials or defects in the distillation or fermentation processes could lead to inferior quality and/or illness among or injury to our consumers and may result in reduced sales of the affected brand(s) or all of our brand(s). As part of the delivery process for transferring the goods to us or to our customers, the quality of the products may be affected. Any failure on the part of our suppliers to maintain quality standards will materially and adversely affect the brand name and reputation of the products we distribute, thus adversely impacting on our business prospects, financial condition and results of operations.

Product counterfeiting and/or parallel importing may occur

There is no assurance that there will not be any counterfeit products or parallel imports of the products we distribute in our core markets in the future. We may be compelled to resort to taking legal action and/or seeking assistance from investigation agencies, enforcement agencies and authorities in the eradication, prohibition and/or deterrence of counterfeiting activities and/or parallel importing. Should any product counterfeiting or parallel importing occur, our financial performance and profitability may be materially and adversely affected.

We may not be able to grow our business as quickly as we currently plan

We have experienced significant growth in recent years. Our revenue increased by 71.0% from HK\$575.3 million for the financial year ended 31 March 2006 to HK\$983.9 million for the financial year ended 31 March 2007. Revenue increased further by 50.9% to HK\$1,485.1 million for the financial year ended 31 March 2008. Revenue amounted to HK\$878.4 million for the six months ended 30 September 2008.

A large portion of our growth for the financial year ended 31 March 2008 as compared to the financial year ended 31 March 2007 was attributable to our sales in the PRC market. For the financial year ended 31 March 2006, sales in the PRC accounted for 5.2% of our total revenue, while for each of the two financial years ended 31 March 2008 and the six months ended 30 September 2008, sales in the PRC accounted for 33.5%, 44.5% and 33.8%, respectively, of our total revenue. See “– We have a relatively short track record in distributing in the PRC”. Although we currently plan to continue to grow our business in both the PRC and international markets through organic expansion as well as through investments and acquisitions, we may not be able to expand at a growth rate comparable to our growth rate in the past, or at all. In particular, our ability to grow our business as quickly as we currently plan, or at all, may be limited by the shortage of supply of popular products from our suppliers.

We have a relatively short track record in distributing in the PRC

Whilst we have been distributing the Wuliangye Liquor Series since 1997, we have only distributed the Wuliangye Liquor Series in the PRC since 2006 following an assignment to us of the distributorship of Wuliangye 68% from a company controlled by a brother of Mr Liang. Please see “Business – Purchasing” for details. Although the distribution of the Wuliangye Liquor Series in the PRC contributed significantly to our performance for each of the two financial years ended 31 March 2008 and the six months ended 30 September 2008, with 37.2%, 47.3% and 35.1%, respectively, of our total revenue being derived from sales for the Wuliangye Liquor Series during the same periods, our track record in distributing the products in the PRC is relatively short as compared to our experience in the international market. We may not have sufficient experience or resources to manage the distribution model in the PRC, which differs from our distribution model for the international market.

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The contribution from the distribution of DIMPLE in the PRC, which commenced in June 2006, to our financial performance has been less significant. Sales from the distribution of DIMPLE amounted to HK\$6.3 million, HK\$6.1 million and HK\$3.4 million for each of the two financial years ended 31 March 2008 and the six months ended 30 September 2008, representing 0.6%, 0.4% and 0.4%, respectively, of our total revenue. There is no assurance that the distribution of DIMPLE will increase in the future and if the distribution increases, there is no assurance that we can manage the growth effectively.

We may not have adequate control over the pricing and distribution policies within the distribution network

Our continued expansion is dependent on, among other things, the operations of sub-distributors and retail outlets within our distribution network, over which we have no direct control. We may not have adequate control over the pricing and distribution policies for the PRC market and there is no assurance that all the sub-distributors within the distribution network (particularly onward sub-distributors with whom we do not have a direct contractual relationship) will strictly adhere to our pricing and other distribution policies. The failure of our sub-distributors and retail outlets to adhere to our pricing and distribution policies may adversely affect sales of the products we distribute and consequently, we may not be able to develop our PRC distribution network as we plan.

This may also affect our ability to secure any distribution agreements with other suppliers of similar products in the future. The termination or non-renewal of any of our distribution agreements with the Wuliangye Group alone, or in conjunction with any possible civil, administrative or criminal sanctions against the Company and/or Mr Liang would have a material adverse effect on our business prospects, results of operations and financial condition.

If the relevant Chinese authorities determined that any of our customers in the international market, and particularly our single largest customer in the international market, is involved in activities in violation of Chinese law or regulation, we would cease doing business with that customer. There can be no assurance that in such an event we would be able to obtain a replacement customer or customers in a timely manner or at all. Moreover, in light of the fact that our single largest customer in the international market accounts for a significant portion of our total as well as international revenue, the loss of that customer in such circumstances would have a material adverse effect on our business prospects, results of operations and financial condition.

Our PRC expansion plan may be constrained by certain restrictions in our exclusive distribution agreements with Diageo

Our PRC expansion plans may be constrained by our exclusive distribution agreements with Diageo, pursuant to which we shall comply with certain restrictions by not distributing the Restricted Products. The "Restricted Products" include any whiskey product (which means any whisky or whiskey product including, without limitation, Scotch whisky, Irish whiskey, Canadian whisky, American whiskey, or whiskey from any other country, or any combination of the same), vodka, rum, gin and liqueurs but excluding wine products such as red and white wines, beers, or Chinese *baijiu* (白酒) products, in the PRC. Our revenue from the distribution of DIMPLE for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008 were nil, HK\$6.3 million, HK\$6.1 million and HK\$3.4 million, representing nil, 0.6%, 0.4% and 0.4%, respectively, of our revenue. See "Business – Purchasing" for our Directors' view on our distribution agreements with Diageo.

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Our sales may be affected by seasonality, weather conditions, economic downturn and a number of other factors

As we are principally engaged in the distribution of the Wuliangye Liquor Series, which are traditional Chinese liquor, our Directors believe that the spending behaviour of our Chinese consumers are generally subject to seasonality, intensified by seasonal travelling patterns during New Year and Chinese New Year in winter, Labour Day holiday in early May, the summer months, the Mid-autumn Festival in autumn and the National Day “Golden Week” holiday in early October. As a common practice in the distribution industry, we often increase our inventories in advance of the major festivals in anticipation of the increase in demand. This may result in significant fluctuations in our inventory level as well as sales volume near such major festivals. We typically record higher sales during New Year and Chinese New Year in winter. Nevertheless, our sales in the winter of 2008 significantly decreased as a result of the unexpected delay in delivery of the Wuliangye Liquor Series from the Wuliangye Group. Please refer to “– The impact of shortage of or delay in the supply of the Wuliangye Liquor Series by the Wuliangye Group”. In addition, unforeseen events and abnormal changes in weather and climate which negatively affect travel may have an adverse effect on the sale of the products we distribute or that are released for sale during a particular holiday or peak season.

Recently, concerns over the availability and cost of credit, the US mortgage market, energy costs, inflation, and a declining US real estate market have contributed to increased volatility and diminished expectations for the economy and the market going forward. These factors, combined with declining business and consumer confidence and increased unemployment in the United States and Europe, have precipitated an economic slowdown and fears of a possible recession. Initially, the concerns on the part of market participants were focused on the sub-prime segment of the mortgage-backed securities market. However, these concerns have expanded to include a broad range of mortgage-backed, asset-backed and other fixed income securities. The PRC and international equity markets have also been experiencing heightened volatility. These events and the continuing upheavals may result in economic slowdown and decrease in consumer confidence. In light of this, there is no assurance that consumers’ demand for luxury goods such as premium liquor and cigarettes will not decrease during an economic downturn or recession in certain key markets in our distribution business, such as in the PRC market or other markets in Asia. In such circumstances, our results of operations as a whole may be materially and adversely affected.

In particular, there has been press coverage commenting that the demand for and selling prices of Chinese liquor, including the Wuliangye Liquor Series and certain other brands of high-end Chinese liquor have been affected by the recent financial crisis and that the Wuliangye Group may reduce its sales or production volume in order to maintain the selling prices. As at the Latest Practicable Date, our Directors were not aware of the implementation of such policy by the Wuliangye Group in a way which, if implemented, would have a material adverse impact on the Group’s performance. There is no assurance as to whether our suppliers may change their existing sales and marketing strategy by, among other things, reducing their sales or production volume or selling prices in response to the impact of the financial crisis, which may in turn materially and adversely affect our results of operations. For instance, if the Wuliangye Group decides to implement the aforesaid policy and reduce the amount of goods supplied to the Group in the future, our financial performance may be materially and adversely affected. For details, see “– Our suppliers may change their existing sales or marketing strategy by, among other things, changing their export strategy, reducing their sales or production volume,

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reducing their selling prices or appointing other distributors which may compete with us in the markets in which we operate". Our Directors are not currently aware of any significant impact of the worldwide financial crisis on the Group's business and our Directors believe that our premium liquor products, being the main products distributed by us, are less prone to the cyclical downturns of the economy. Although our Directors consider that demand for our products in our target market, which includes mainly upper-middle class consumers as well as large enterprises and governmental organisations in the PRC, is relatively more resilient to the economic downturn and less price elastic, our Directors have decided to take a more conservative approach in managing the Group's business in the near future in light of the crisis. For instance, our Directors may take a more conservative approach in view of the market conditions in adjusting the selling prices of the Wuliangye Liquor Series for the international market and acquiring DIMPLE inventories in 2009. For details, see "Financial Information – Recent economic developments".

We depend on the experience and industry expertise of our key executives and personnel

Our continued success depends, to a significant extent, on the continued services and performance of our key executives and personnel including Mr Liang, our Chairman and executive Director, who possess substantial experience and industry expertise in the business. Details of our Directors and senior management are set out in the section headed "Directors, senior management and staff". Each of our executive Directors has entered into a service contract with the Company for a term of three years. Particulars of the terms of the above service contracts are set out in the paragraph headed "C. Further information about our Directors, substantial shareholders and experts – 3. Particulars of service contracts" in Appendix VI to this prospectus. However, there is no assurance that we will be able to retain member(s) of the management team or recruit additional competent personnel for our future development. There may be a material adverse effect on our operations should any member of the management team cease to be involved in our business operations and if we are subsequently unable to recruit replacement personnel.

Our Controlling Shareholders may take actions that are not in the best interests of the Company

Immediately after the Capitalisation Issue but before the Global Offering, Mr Liang owned all of our share capital through Yinji Investments, and will own 75.0% of the issued share capital of the Company immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised). As a result of ownership of our share capital, Mr Liang and Yinji Investments (our Controlling Shareholders) have the ability to exert significant influence over the management of the Company, including the ability to implement administrative policies, elect our Directors and appoint members of our senior management. They may take certain action(s) or may direct us to take corporate action(s) that are not necessarily in the best of our interests, either for us or our minority Shareholders.

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Prolonged disruptions to the global credit and capital markets and the global economy may materially and adversely affect our liquidity, results of operations, financial condition, prospects and future expansion plans

The availability of credit and capital to companies is significantly influenced by levels of investor confidence and so any factors that impact market confidence could affect the price or availability of funding for companies. Since the second half of 2007, global credit and capital markets, particularly in the United States and Europe, have experienced difficult conditions. These challenging market conditions have resulted in reduced liquidity, greater volatility, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and lack of market confidence. These factors, combined with declining business and consumer confidence and increased unemployment in the United States and elsewhere in the world, have precipitated a global economic slowdown. Given the dramatic change in the overall credit environment and economy, it is difficult to predict how long these conditions will exist and the extent to which we may be affected. Although our Directors confirm that, as at the Latest Practicable Date, we had not experienced significant slow down of settlement from our customers, the uncertainty and volatility of credit and capital markets and the overall economy may have an adverse effect on the demand for our premium liquor and cigarette products. Furthermore, there can be no assurance that measures implemented by governments around the world to stabilize the credit and capital markets and new financial and economic policies, rules and regulations in jurisdictions where we operate will improve market confidence and the overall credit environment and economy. As a result, prolonged disruptions to the global credit and capital markets and the global economy may materially and adversely affect our liquidity, results of operations, financial condition, prospect and future expansion plan.

Acts of God, acts of war, epidemics and other disasters could materially and adversely affect our business

Our business is subject to the general and social conditions in the PRC, Hong Kong and other jurisdictions in which our distributors, sub-distributors, suppliers and customers are located. Natural disasters, epidemics, acts of God and other disasters that are beyond our control may materially and adversely affect the economy, infrastructure and livelihood of the people of the PRC, Hong Kong or such other jurisdictions. Some cities in the PRC are under the threat of flood, earthquake, sandstorm or drought. Our business, financial condition and results of operations may be materially and adversely affected if these natural disasters occur.

Epidemics threaten people's lives and may materially and adversely affect their livelihoods as well as living and consumption patterns. The occurrence of an epidemic is beyond our control and there is no assurance that the outbreak of severe acute respiratory syndrome or avian flu will not occur again. Any epidemic occurring in areas in which we operate, or even in areas in which we do not operate, may materially and adversely affect our business, financial condition and results of operations.

Acts of war and terrorist attacks may cause damage or disruption to us, our employees, facilities, our distribution channels/the distribution channels operated by our distributors or sub-distributors, markets, suppliers and customers, any of which may materially and adversely impact on our revenue, cost of sales, financial condition and results of operations or Share price. Potential war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict.

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RISKS RELATED TO OUR INDUSTRY

If we do not successfully anticipate changes in consumer preferences and tastes, sales of products could be materially and adversely affected

Our product portfolio includes premium Chinese liquor and cigarettes. Consumer preferences and tastes may change due to a variety of uncontrollable factors, including shifts in demographics and social trends or negative publicity regarding human consumption of the products we distribute, health advisories and general economic conditions. Any significant shift in consumer preferences coupled with our failure to anticipate and react to such changes could reduce the demand for certain products in our portfolio, resulting in reduced sales or harm to the image of the brand(s) of products we distribute.

We may be exposed to product liability, litigation and adverse publicity concerning product quality, health or other issues and we do not maintain any product liability insurance

In common with other consumer product distributors, we may be subject to product liability claims in the PRC and/or other jurisdictions in which we distribute, if the products we distribute are found to be unfit for consumption. There has been press coverage in relation to, among other things, tainted milk and alcoholic products and food safety in the PRC. While we are not aware that any of the products we distribute is unfit for consumption, there is no assurance that the products we distribute will not be found by the PRC government authorities or otherwise to be unfit for consumption in the future. Even if our products are not considered to be unfit for consumption, such negative press coverage in relation to PRC food products may adversely affect consumers' confidence in, and, therefore, demand on, food products (including the products that we distribute) manufactured in the PRC.

We have not been subject to any product liability claims during the Track Record Period. Under current PRC laws, manufacturers and vendors of defective products in the PRC are liable for loss and injury caused by such products that they manufacture or sell. Pursuant to the General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》), which took effect in 1987, defective products causing any property damage or physical injuries to any person may expose the manufacturer or vendor of such products to civil liability. The Product Quality Law of the PRC (《中華人民共和國產品質量法》) was promulgated in 1993 and amended in 2000 which stipulates manufacturer's and vendor's responsibilities for the product quality. In 1993, the Law of the PRC on Protection of Consumers' Rights and Interests (《中華人民共和國消費者權益保護法》) (the "**Consumers Protection Law**") was promulgated, which accords further protection to consumers in connection with the purchase or use of goods and services. At present, all business entities must observe and comply with the Consumers Protection Law in providing goods and/or services for sale in the PRC.

To impose further protection on consumers in connection with the purchase or use of food, the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (the "**PRC Food Safety Law**") was promulgated by the Standing Committee of the National People's Congress on 28 February 2009 and will take effect from 1 June 2009. According to the PRC Food Safety Law, (i) the food distributors may be subject to penalties, or even be required to cease operation if they fail to comply with the relevant food safety requirements; (ii) if the food distributors have caused any damage to the consumers or their assets, they shall compensate such consumers for the damage caused; and (iii) if the food distributors knowingly distribute unqualified food products, the consumers may claim for damages as well as compensation of up to ten times of the price of the unqualified food products.

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Product liability claims may result in product recalls and serious damage to our reputation. We may further incur legal liability and have to compensate consumers for any loss or damage they may have suffered. Although our major supplier, the Wuliangye Group, has confirmed that it will be responsible for any product quality liability arising from its products and we have never encountered any product claim on product quality from our customers, there is no assurance that product liability will not arise in the future or that our suppliers will undertake such liability, if such liability arises.

Although we are not required under PRC laws to maintain, and therefore do not maintain, any product liability insurance, it is possible that product liability claims may be brought against us by those customers who have experienced adverse reactions to products sourced from us.

Litigation and complaints from consumers or government authorities concerning quality, health or other issues may affect our industry as a whole and may cause consumers to avoid the products we distribute. More specifically, we may be the subject of class actions or other allegations in this respect. Any litigation or adverse publicity surrounding any of these allegations may negatively affect our businesses, regardless of whether the allegations are true, by tarnishing the brand(s) of products we distribute and/or our corporate image, thereby discouraging consumers from buying products we distribute. In addition, litigations could result in judgments for significant damages against us. Regardless of the result of the litigation, we may also incur significant litigation costs and the diversion of management time as a result of a lawsuit or claim.

Regulatory decisions and changes in the legal and regulatory environment in the countries in which we operate could materially and adversely affect our business activities

As a liquor and cigarette distributor, our business is subject to extensive regulatory requirements regarding production, distribution, marketing, advertising and labelling in the various countries into which we distribute the products. In addition, the products we distribute are subject to differing import and excise duties in countries in which we operate. Regulatory decisions or changes in the legal and regulatory environments in these areas may have the following effect on our business:

Quantity, quality control and government rulings: If the PRC Government, for any reason, decides to limit the total volume of liquor and/or cigarettes produced or impose any stringent quota system for the production and/or export of liquor and/or cigarette products, our results of operations would be materially and adversely affected. Due to recent problems surrounding the quality control of PRC-manufactured goods, quality reform has also become an issue in the PRC. Whilst we have not suffered from any material adverse effect arising from stringent quality standards and quantity limits being imposed on the products we distributed during the Track Record Period, if the PRC Government decides to impose any stringent quality standards and control that our suppliers cannot fully comply with, our results of operations would also be materially and adversely affected.

Product recall: Whilst we have not suffered from any material product recall during the Track Record Period, governmental bodies in all of the countries in which we operate may have enforcement powers that can expose us to actions such as product recalls, seizure of products and other sanctions, each of which could have an adverse effect on our sales or damage our business.

RISK FACTORS

Advertising, promotion and labelling: Governmental bodies in the countries into which we distribute may limit advertising activities used to market alcoholic beverages and/or cigarettes, such as prohibitions and/or limitations on television advertising. These prohibitions or limitations may inhibit or restrict our promotional activities which we use to maintain or increase consumer interest and recognition of our brand(s) in key markets, and may adversely affect our results of operations. In addition, governmental bodies in the countries into which we distribute may impose additional labelling and production requirements. Changes to labelling requirements for alcoholic beverages and cigarettes may have a negative impact on the visual appeal of the product to consumers, leading to a reduction in sales in those areas. In addition, this may lead to increased production costs.

Health awareness: The health hazards of cigarettes and the increasing consciousness surrounding health issues might negatively influence the size of the cigarette market. A number of jurisdictions have implemented laws and regulations forbidding smoking in public areas. Such laws and regulations may have an adverse effect on our distribution of cigarette products.

Import and excise duties: The products we distribute are subject to import and excise duties (except for those sold in duty-free zones). Therefore, an increase in import or excise duties may reduce overall consumption of the products we distribute or cause customers in the duty-paid market to prefer lower-taxed alcoholic beverages and cigarettes in place of ours.

RISKS RELATED TO CONDUCTING BUSINESS IN THE PRC

Certain parts of our operations are conducted in the PRC. Accordingly, our results of operations and financial position are, to a significant degree, subject to economic, political and legal developments in the PRC, including the following risks:

Any change in the PRC's political, economic and social conditions, laws, regulations and policies may have a material adverse effect on us

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

- structure;
- level of governmental involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been in transition from a planned economy to a more market-oriented economy. The PRC Government has implemented economic reform measures emphasising responsiveness to market forces in the development of the PRC economy. Yet, the PRC Government continues to play a highly significant role in regulating industries by imposing

RISK FACTORS

industrial policies. Despite the implementation of such reforms, we cannot predict whether changes in the PRC's political, social conditions, laws, regulations and policies will have any adverse effect on our current or future business, results of operations or financial condition. In addition, although the Chinese economy has grown significantly in recent years, there can be no assurance that the economy will continue to grow, or that its growth will be steady or that economic growth will take place in geographic regions or economic sectors from which we benefit. A downturn in China's economic growth or a decline in its economic condition may have a material adverse effect on our results of operations and financial condition.

The PRC's legal system embodies uncertainties that could materially and adversely affect our business and results of operations

A significant portion of our operations are conducted in the PRC and significant numbers of our employees are PRC citizens. Our operations are therefore generally affected by and subject to the PRC legal system and PRC laws and regulations. Since the late 1970s, many new laws and regulations covering general economic matters have been promulgated in China. Despite these new interventions to develop the legal system, China's system of laws is not yet complete. Even where adequate law exists in China, the enforcement of laws or contracts based on existing law may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. The PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited for reference but have limited weight as precedents. The relative inexperience of China's judiciary in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

Any change in our tax treatment may have a material adverse effect on the results of our operations

According to the Income Tax Law of the PRC for Foreign Investment Enterprise and Foreign Enterprises (《中華人民共和國外商投資企業和外國企業所得稅法》) which expired on 1 January 2008, the income tax on enterprise with foreign investment established in Special Economic Zones, shall be levied at the reduced rate of 15%. Silver Base Trading (Shenzhen) and Silver Base Spirit (Shenzhen), our wholly-owned subsidiaries established in Shenzhen, one of the Special Economic Zones of the PRC, were subject to EIT of 15% before 1 January 2008.

According to the EIT Law, enterprises which had been established before the promulgation of the EIT Law and enjoyed a lower tax rate according to the provisions of the tax laws and administrative regulations in force at that time may continue to enjoy such preferential tax treatment for a period of five years following the effective date of the EIT Law, and gradually transfer to the rate of 25%.

According to the Notice on the Policy of Enforcing Transitional Preferential Treatment of Enterprise Income Tax (《國務院關於實施企業所得稅過渡優惠政策的通知》) promulgated on 26 December 2007 by the State Council, enterprises such as our wholly-owned subsidiaries established in Shenzhen, one of the Special Economic Zones of the PRC, which enjoyed a preferential EIT rate of 15% before 2008 will be subject to the rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% from 2012 onwards.

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However, if the PRC authorities further amend or promulgate new laws or regulations which impose a higher effective EIT tax rate on us, our profit after taxation and financial position may be materially and adversely affected. Any change in the preferential tax treatment and enterprise tax levels in the PRC currently enjoyed by our PRC operations may have a material adverse effect on our results of operations.

Dividends payable from our PRC subsidiaries may become subject to withholding taxes under PRC tax laws

Our Company was incorporated in the Cayman Islands and some of our income comes from dividends that we receive from our PRC subsidiaries. Before the introduction of the EIT Law, dividends derived from our business operations in the PRC were exempt from income tax under PRC law. Under the EIT Law, dividends payable by a foreign invested enterprise to its foreign investors are subject to a 10% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. Pursuant to an applicable tax treaty between the PRC and Hong Kong, a company incorporated in Hong Kong, such as Silver Base Spirit, will be subject to a withholding tax at the rate of 5% on dividends it receives from a company incorporated in the PRC if it holds a 25% or more interest in a PRC company, such as Silver Base Spirit (Shenzhen). No such tax treaty exists between the Cayman Islands and the PRC.

The outbreak of any severe communicable disease in the PRC, if uncontrolled, may materially and adversely affect our results of operations

The outbreak of any severe communicable disease in the PRC, if uncontrolled, could have an adverse effect on the overall business sentiment and environment in the PRC, which in turn may have an adverse impact on domestic consumption and, possibly, on the overall GDP growth of the PRC. As a proportion of our revenue is currently derived from our PRC operations, any contraction or slowdown in the growth of domestic consumption or slowdown in the growth of GDP of the PRC may materially and adversely affect our financial condition, results of operations and future growth. In addition, if our employees are affected by a severe communicable disease, we may be required to institute measures to prevent the spread of the disease, which may materially and adversely affect or disrupt our operations, resulting in an adverse effect on our results of operations. The spread of any severe communicable disease in the PRC may also affect the operations of our customers and suppliers, which again, may have a potentially adverse effect on our financial condition and results of operations.

Any slow-down of the PRC economy could materially and adversely affect our business and growth prospects

In response to concerns related to China's high rate of growth in industrial production, bank credit, fixed investment and money supply, the PRC Government has expressed its intention to adopt measures to decrease the rate of economic growth. Among the measures that the PRC Government has taken are restrictions on bank loans to certain sectors, in which some of our customers operate. In addition, in October 2004, the PRC's central bank, the PBOC, increased interest rates for the first time since July 1995. The PBOC increased interest rates on various occasions. These measures and any further increases in interest rates could slow economic growth in China and reduce investments in certain industries in which some of our customers operate, thereby materially and adversely affecting on our business operations.

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Our Company is a holding company that relies on dividend payments from our subsidiaries for funding

Our Company is a holding company incorporated in the Cayman Islands and our operations are conducted through our subsidiaries in Hong Kong and the PRC. Therefore, the availability of funds to pay dividends to our Shareholders and to service our indebtedness depends on dividends received from these subsidiaries. If our subsidiaries incur any debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends or other distributions and to service our indebtedness will be restricted.

PRC laws require that dividends be paid only out of the net profit calculated according to PRC GAAP, which differs from the generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign-invested PRC enterprises, such as our PRC subsidiaries, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends.

Government control in currency conversion and future movements in foreign exchange rates may materially and adversely affect our financial condition, results of operations and ability to remit dividends

Currently, the RMB is not a freely convertible currency. In the PRC, since 1994, the conversion of Renminbi into foreign currencies, including HK dollars and US dollars, has been based on rates set by the PBOC. Since 1994, the official exchange rate for the conversion of the RMB to US dollars has generally been stable. However, the PRC Government has, with effect from 21 July 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On 21 July 2005, this revaluation resulted in the Renminbi appreciating against the US dollar and HK dollar by approximately 2%. On 23 September 2005, the PRC Government widened the daily trading band for Renminbi against non-US dollar currencies from 1.5% to 3% to improve the flexibility of the new foreign exchange system.

In addition, the RMB is not freely convertible into other currencies, except under certain circumstances. Since 1996, a number of rules, regulations and notices regarding foreign exchange control (the “**Exchange Regulations**”) have been issued by the PRC Government which are designed to allow a degree of convertibility of the RMB. Under the Exchange Regulations, foreign investment enterprises are permitted to convert the RMB to foreign currencies for current account transactions (including, for example, distribution of profits and payment of dividends to foreign investors) through designated foreign exchange banks by complying with various procedural requirements. Control over conversion of the RMB to foreign currencies for capital account transactions (including, for example, direct investment, loan and investment in securities) is more stringent and such conversion is subject to a number of limitations. The requirement for us to pay dividends in a currency other than the RMB to the Shareholders may expose us to foreign exchange risk. Under the current foreign exchange control system, there is no assurance that we will be able to obtain sufficient foreign currency to pay dividends or satisfy other foreign exchange requirements in the future.

RISK FACTORS

RISKS RELATED TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active trading market may not develop after the Global Offering

Prior to the Listing, there has been no public market for our Shares. The Offer Price for our Shares will be the result of negotiations among the Joint Bookrunners (on behalf of the Underwriters) and us, and may differ from the market prices for the Shares after the Listing. We have applied to the Stock Exchange for the listing of, and permission to deal in, our Shares. However, there is no assurance that the Listing will result in the development of an active and liquid public trading market for our Shares following the Global Offering or in the future.

The market price and liquidity of our Shares following the Global Offering may be volatile

The market price, liquidity and trading volume of the Shares may be highly volatile. There are no assurances as to the ability of our Shareholders to sell their Shares or the price at which the Shares can be sold. As a result, Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares under the Global Offering. Factors that may affect the volume and price at which the Shares will be traded include, among other things, variations in our revenues, turnover, earnings, cash flows and costs, announcements of new investments, strategic alliances, and/or acquisitions, fluctuations in market prices for the products we distribute, fluctuations in market prices for companies in our industry, or changes in laws and regulations in China. We can give no assurance that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced price volatility in the past for reasons not related to their performance, and it is possible that the Shares may be subject to changes in price not directly related to our performance.

Purchasers of the Shares will experience immediate dilution in pro forma consolidated net tangible assets

The Offer Price of the Shares is higher than the net tangible assets per Share immediately before the Global Offering. Therefore, purchasers of the Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible assets to HK\$0.96 per Share, based on the maximum Offer Price of HK\$3.45 per Share and the Over-allotment Option will not be exercised. Purchasers of the Shares may experience dilution in the net tangible assets per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible assets per Share.

The costs of share options to be granted under the Share Option Scheme will materially and adversely affect our results of operations and any further issuance of Shares may result in a dilution of Shareholders' percentage shareholdings

Pursuant to the Share Option Scheme, options may be granted after completion of the Global Offering and the Qualified Participants (as defined in the Share Option Scheme) may be granted options to subscribe for an aggregate of up to 120,000,000 Shares. Such options, if exercised in full, represent approximately 10% of our enlarged issued share capital immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme and the Issuing Mandate).

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Under HKFRS, the cost of share options granted to the Qualified Participants (as defined in the Share Option Scheme) under the Share Option Scheme will be charged to our income statement over the vesting period by reference to the fair value at the date at which the share options are granted. As a result, our profitability may be materially and adversely affected.

Any issue of Shares upon exercise of the options to be granted under the Share Option Scheme in the future will result in a reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net assets per Share, as a result of the increase in the number of Shares outstanding after the issuance.

We may need to raise additional funds in the future to finance new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro rata basis to the existing Shareholders, the percentage ownership of the Shareholders may be diluted, and such securities may have preferred rights, options and pre-emptive rights senior to the Shares.

Dividends declared in the past may not be indicative of our dividend policy in the future

On 30 September 2006, Silver Base Development declared an interim dividend of HK\$70.0 million to its then shareholder, Mr Liang, and the same has been paid. On 31 March 2008, the board of directors of Silver Base Development proposed a final dividend of HK\$350.0 million to Mr Liang which was approved at the general meeting on 30 May 2008. Out of such HK\$350.0 million, HK\$316.1 million has been paid to Mr Liang in cash while the remaining HK\$33.9 million was settled by offsetting the amount owed by him to us. On 30 September 2008, we declared an interim dividend of HK\$250.0 million to the sole Shareholder, Yinji Investments, which is wholly-owned by Mr Liang. Out of such HK\$250.0 million, HK\$240.0 million has already been paid while the remaining HK\$10.0 million will be settled in cash prior to the Listing. On 20 February 2009, we declared an additional interim dividend of HK\$60.0 million to the sole Shareholder, Yinji Investments. The same will be fully paid prior to the Listing. Investors in the Shares under the Global Offering will not be entitled to participate in these dividends. The amounts of distributions that any member of the Group has declared and made in the past are not indicative of the dividends that we may pay in the future. A declaration of dividends proposed by our Board and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our Board may determine are important. For further details of our dividend policy, see the paragraph headed "Dividend policy" under the section headed "Financial Information". The Company relies on dividend payments from the subsidiaries for funding. We cannot assure if and when dividends will be declared and paid in the future. Dividends payable to foreign investors may become subject to withholding taxes.

Future sales by our Controlling Shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares

Future sales of a substantial number of the Shares by our Controlling Shareholders, or the possibility of such sales, could negatively impact on the market price in Hong Kong of the Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by Yinji Investments are subject to certain lock-up undertakings, details of which are set out in the section headed "Underwriting". We are not in a position to give any assurance that our Controlling Shareholders will not dispose of any Shares they may own now or in the future.

RISK FACTORS

No assurance can be given as to the accuracy of facts and statistics from government official sources contained in this prospectus

Facts and statistics from government official sources in this prospectus relating to the PRC, the PRC economy and the PRC liquor and cigarette industries have been derived from, among other sources, official or government publications generally believed to be reliable. However, no assurance can be given as to the quality or reliability of such government official source materials. They have not been prepared or independently verified by us, the Sponsor or any of our or their respective directors, affiliates or advisers and, therefore, we make no representation as to the accuracy of such government official facts and statistics, or materials prepared based on such government official facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to potentially flawed or ineffective collection methods, or discrepancies between published information and actual market practice, and other difficulties, the government official statistics contained in this prospectus may be inaccurate or may not be comparable to official statistics produced for other economies and should not be relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration to how much weight or importance they should attach to or place on such facts or statistics derived from such government official sources.

You should read the entire prospectus and should not place any reliance on any information contained in press coverage or other media in relation to the Global Offering, our business operations, Shareholders and/or Directors in connection with a decision to invest in the Shares

There has been press coverage which includes information about the Global Offering and other forward-looking statement. There can be no assurance that there will not be press coverage or other media in relation to the Global Offering, our business operations and Shareholders and/or Directors, including forward-looking information about us and other information or allegation about our business operations, Shareholders and/or Directors. There can be no assurance that such press coverage or other media will not be negative or hostile with respect to us, our business operations or our Shareholders and/or Directors. We do not accept any responsibility for the accuracy or completeness of press coverage or other media that has not been prepared or approved in advance of publication by us. We make no representation or warranty as to the appropriateness, accuracy, completeness or reliability of any such projection, valuation, allegation or forward-looking information about us, or any of the assumptions underlying such information. We disclaim statements in press coverage or other media that are inconsistent or conflict with the information contained in this prospectus. Accordingly, prospective investors should rely only on information that is included in this prospectus with respect to the Global Offering, our business operations and Shareholders and/or Directors.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

CHAPTER 14A OF THE LISTING RULES

Our Group has entered into and is expected to continue certain transactions which will constitute non-exempt continuing connected transactions of the Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, waivers in relation to certain continuing connected transactions between our Group and certain connected persons under Chapter 14A of the Listing Rules. For further details in this respect, please see the section headed "Connected Transactions" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information to the public with regard to us. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing is solely sponsored by the Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis, with one of the conditions that the Offer Price is agreed among the Joint Bookrunners (on behalf of the Underwriters) and us. The International Offering is managed by the Global Coordinator. The International Purchase Agreement is expected to be entered into on or about the Price Determination Date, subject to agreement on the Offer Price among the Joint Bookrunners (on behalf of the Underwriters) and us. If, for any reason, the Offer Price is not agreed among the Joint Bookrunners (on behalf of the Underwriters) and us, the Global Offering will not proceed. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Bookrunners (on behalf of the Underwriters) and us on or around Friday, 3 April 2009, and in any event no later than 5:00 p.m. on Monday, 6 April 2009.

If the Joint Bookrunners (on behalf of the Underwriters) and we are unable to reach an agreement on the Offer Price, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF SHARES

No action has been taken to permit a public offer of the Offer Shares other than in Hong Kong or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of Hong Kong Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus and related Application Forms, and on the terms and subject to the conditions set out in this prospectus and the Application Forms. No person is authorised in connection with the Global Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by the Company, the Underwriters, the Sponsor, any of their respective directors or any other persons or parties involved in the Global Offering.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the Listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Capitalisation Issue, the Shares to be issued pursuant to the Global Offering (including any Shares which may fall to be issued upon the exercise of any options that may be granted under the Share Option Scheme). Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 8 April 2009.

No part of the share or loan capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allocation made in respect of any application will be invalid if permission for listing of, or dealing in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the three weeks, be notified to the Company by the Stock Exchange.

REGISTER OF MEMBERS AND STAMP DUTY

All Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Company's share register of members to be maintained in Hong Kong by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. The Company's principal register of members will be maintained by the Company's principal share registrar, Butterfield Fund Services (Cayman) Limited, in the Cayman Islands.

Dealings in the Shares registered on the register of members of the Company in Hong Kong will be subject to Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Main Board and the Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of the Company, the Underwriters, the Sponsor, any of their respective directors, agents or advisers or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of Shares.

OVER-ALLOCATION AND STABILISATION

In connection with the Global Offering, the Global Coordinator, its affiliates or any person acting for it as stabilising manager (on behalf of the Underwriters), may over-allocate and/or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Global Coordinator, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Global Coordinator, its affiliates or any person acting for it, and may be discontinued at any time, and must be brought to an end after a limited period. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Global Coordinator may over-allocate up to and not more than an aggregate of 45,000,000 additional Shares and cover such over-allocations through securities lending arrangements under the Stock Borrowing Agreement. Such borrowed Shares can be covered by exercising the Over-allotment Option or by purchases in the secondary market at prices that do not exceed the Offer Price or a combination of these means. Any such purchase will be made in compliance with all applicable laws, rules and regulatory requirements. The number of Shares that may be over-allocated will not be greater than the total number of Shares that may be allotted and issued upon exercise of the Over-allotment Option, being 45,000,000 Shares, which in aggregate equals to 15% of the number of Offer Shares initially available under the Global Offering.

In particular, for the purpose of covering such over-allocations, the Global Coordinator may borrow up to 45,000,000 Shares from Yinji Investments, equivalent to the maximum number of Shares to be offered on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The terms of the Stock Borrowing Agreement will be in compliance with the requirements set out in Rule 10.07(3) of the Listing Rules and will therefore not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules.

Further details with respect to stabilisation and the Over-allotment Option are set out in the paragraph headed "Over-allocation and Stabilisation" under the section headed "Structure of the Global Offering".

PROCEDURES FOR APPLICATION FOR SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" and on the relevant Applications Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. As a result, any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding. Where information is presented in thousands or millions of units, amounts may have been rounded up or down.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr Liang Guoxing	House No.8 No. 33 Island Road Hong Kong	Chinese
Mr Chen Sing Hung Johnny	Flat E, 1st Floor Block 2 Ronsdale Garden 25 Tai Hang Drive Tai Hang Hong Kong	Canadian
Mr Chung Wai Man	Flat G, 13th Floor Tower 5 Park Central Tong Tak Street Tseung Kwan O Hong Kong	Chinese
Ms Cheung Mei Sze	Flat B, 26th Floor Block 6 Liberte 833 Lai Chi Kok Road Kowloon Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr Wu Jie Si	Flat H, 48th Floor Tower 3, The Belcher's 89 Pokfulam Road Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr Hung Sui Kwan	Flat F, 12th Floor Tower 1 The Waterfront Tsim Sha Tsui Kowloon Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Mr Guan Huanfei	Flat B, 16th Floor 7-11 Ching Wah Street North Point Hong Kong	Chinese
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Mr Ma Lishan	Flat A, 9th Floor Block T1 South Towers Bel-air Phase 2 38 Bel-air Ave Pokfulam Hong Kong	Chinese
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PARTIES INVOLVED

Sole Global Coordinator and Sponsor	UBS AG, acting through its division, UBS Investment Bank 52th Floor Two International Finance Centre 8 Finance Street Central Hong Kong
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Joint Bookrunners and Joint Lead Managers	UBS AG, acting through its division, UBS Investment Bank 52th Floor Two International Finance Centre 8 Finance Street Central Hong Kong
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	BOCI Asia Limited 26th Floor, Bank of China Tower 1 Garden Road Hong Kong
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Reporting accountants	Ernst & Young Certified Public Accountants 18th Floor Two International Finance Centre 8 Finance Street Central Hong Kong
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DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisers to the Company

as to Hong Kong and United States law
Lovells
11th Floor
One Pacific Place
88 Queensway
Hong Kong

as to PRC law
Fangda Partners
14th Floor
Tower Two, Kerry Plaza
1 Zhong Xin Si Road
Futian District
Shenzhen
China

as to Cayman Islands law
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Legal advisers to the Underwriters

as to Hong Kong and United States law
Clifford Chance
28th Floor
Jardine House
One Connaught Place
Central
Hong Kong

as to PRC law
Jun He Law Offices
20th Floor
China Resources Building
Beijing 100005
China

Property valuer

Vigers Appraisal & Consulting Limited
10th Floor
The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Receiving banks

Industrial and Commercial Bank
of China (Asia) Limited
33rd Floor
ICBC Tower
3 Garden Road
Central
Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Central
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office in the PRC	5709 and 5713, 57th Floor Office Tower Shun Hing Square Di Wang Commercial Centre 5002 Shen Nan Dong Road Shenzhen PRC
Principal place of business in Hong Kong	27th Floor The Sun's Group Centre 200 Gloucester Road Wanchai Hong Kong
Company's website	www.silverbase.com.cn <i>(information on the website does not form part of this prospectus)</i>
Company secretary	Mr Chung Wai Man, <i>FCCA, CPA</i>
Authorised representatives	Mr Chen Sing Hung Johnny Flat E, 1st Floor Block 2 Ronsdale Garden 25 Tai Hang Drive Tai Hang Hong Kong Mr Chung Wai Man Flat G, 13th Floor Tower 5 Park Central Tong Tak Street Tseung Kwan O Hong Kong
Audit committee	Mr Hung Sui Kwan (<i>chairman</i>) Mr Guan Huanfei Mr Ma Lishan

CORPORATE INFORMATION

Remuneration committee	Mr Liang Guoxing (<i>chairman</i>) Mr Chen Sing Hung Johnny Mr Hung Sui Kwan Mr Guan Huanfei Mr Ma Lishan
Compliance adviser	Sun Hung Kai International Limited 1201 CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Cayman Islands principal share registrar and transfer office	Butterfield Fund Services (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 705 Grand Cayman KY1-1107 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal banks	Industrial and Commercial Bank of China (Asia) Limited 33rd Floor ICBC Tower 3 Garden Road Central Hong Kong Bank of China (Hong Kong) Limited Ha Kwai Chung Branch 192-194 Hing Fong Road Kwai Chung Hong Kong

INDUSTRY OVERVIEW

Certain information and statistics furnished in this section and other sections of this prospectus are related to the industry in which we operate. No independent verification has been carried out in respect of the information and statistics which are derived from government official publications. While we have exercised reasonable care in compiling and reproducing information and statistics from sources described in this prospectus, none of the Company, the Sponsor, the Underwriters or their respective directors, officers and advisers can ensure the accuracy of such information and statistics derived from government official publications and such information and statistics may not be consistent with other information prepared inside or outside the PRC. You should not unduly rely on any of such government official information and statistics contained in this section.

GLOBAL SPIRITS MARKET

The global spirits market has grown in recent years. In terms of sales volume, whisky grew by a CAGR of 5.1% between 2004 and 2008, and other spirits by 0.4%. According to Euromonitor International analysis, the steady growth is underpinned by the solid increase in disposable income particularly in the fast-growing developing markets of China, Brazil and India.

Spirits sales volume in global market

billion litres	2004	2005	2006	2007	2008	CAGR between 2004-2008
Whisky	1.85	1.92	2.02	2.14	2.26	5.1%
Brandy and Cognac	1.04	1.07	1.10	1.15	1.20	3.5%
White Spirits	4.09	4.15	4.14	4.21	4.22	0.8%
Rum	1.09	1.13	1.16	1.21	1.25	3.7%
Tequila (and mezcal).	0.17	0.20	0.21	0.22	0.23	8.3%
Liqueurs	0.79	0.80	0.82	0.84	0.86	2.2%
Other spirits ¹	8.59	8.58	8.52	8.58	8.71	0.3%
Total	17.62	17.85	17.97	18.35	18.73	1.5%

Source: Euromonitor International² 2008

Notes:

- 1 "Other spirits" refers to national specialty spirits. Euromonitor International confirms that Chinese *baijiu* (白酒), which includes the Wuliangye Liquor Series, is categorised as a kind of national specialty spirit. However, Euromonitor International is unable to provide further breakdown of "other spirits" by product category because the sub-categories under "other spirits" of each country are defined by the respective country analyst for Euromonitor International on a discretionary basis. In other words, Chinese *baijiu* (白酒) may be classified under different sub-categories of "other spirits" in certain countries. As a result, the sales volume of Chinese *baijiu* (白酒) in the global market cannot be apparently derived from detailing sub-categories of "other spirits" in the global market.
- 2 Founded in 1972, Euromonitor International is a leading provider of business intelligence on industries, countries and consumers. Its products include online information databases, market reports and business reference books.

INDUSTRY OVERVIEW

Meanwhile, the international spirits market¹ has grown significantly in recent years. In terms of sales volume, the international market grew from approximately 14.0 billion litres in 2004 to approximately 14.9 billion litres in 2008, representing a CAGR of approximately 1.6%. In particular, Tequila (and mezcal) grew by a CAGR of approximately 8.3% between 2004 and 2008 while whisky by a CAGR of approximately 4.9% during the same period.

PRC SPIRITS MARKET

According to Euromonitor International, the PRC spirits market experienced a CAGR of 12.5% in sales value between 2004 and 2008. In particular, whisky and other spirits grew by a CAGR of 38.2% and 9.5%, respectively.

Spirits sales volume in the PRC market

Million litres	2004	2005	2006	2007	2008	CAGR between 2004-2008
Whisky	7.61	13.25	16.86	20.38	23.04	31.9%
Brandy and Cognac	38.23	41.28	44.18	46.92	49.66	6.8%
White Spirits	1.56	2.11	2.79	2.56	2.50	12.5%
Rum	0.19	0.21	0.24	0.50	0.64	35.9%
Tequila (and mezcal)	0.11	0.12	0.13	0.15	0.17	11.3%
Liqueurs	0.62	0.69	0.75	0.81	0.86	8.8%
Other spirits ²	3,575.58	3,569.21	3,551.37	3,649.29	3,771.49	1.3%
<i>Chinese herbal spirits</i>	43.00	54.50	66.81	79.49	92.37	21.1%
<i>Economy local spirits</i>	1,704.24	1,641.10	1,565.39	1,584.09	1,612.91	(1.4%)
<i>Lower mid-range local spirits</i>	1,101.56	1,115.62	1,126.24	1,153	1,186.70	1.9%
<i>Premium local spirits</i>	167.04	177.96	191.04	206.25	223.89	7.6%
<i>Upper mid-range spirits</i>	559.73	580.03	601.88	626.96	655.63	4.0%
Total	3,623.90	3,626.87	3,616.32	3,720.61	3,848.36	1.5%

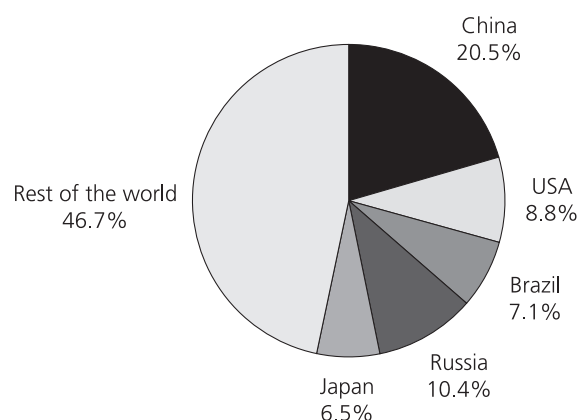
Source: Euromonitor International 2008

Notes:

- 1 Calculated by subtracting spirits sales volume in the PRC market from the global market.
- 2 "Other spirits" means (i) Chinese herbal spirits; (ii) economy local spirits; (iii) lower mid-range local spirits; (iv) premium local spirits; and (v) upper mid-range local spirits, which account for 2.4%, 42.8%, 31.5%, 5.9% and 17.4%, respectively, of the total sales volume of "other spirits" in the PRC market. Euromonitor International confirms that Chinese *baijiu* (白酒) is included in all sub-categories under "other spirits" except Chinese herbal spirits while the Wuliangye Liquor Series is only included in the "premium local spirits" sub-category.

INDUSTRY OVERVIEW

PRC spirits market was the largest in the world by sales volume in 2007



Source: Euromonitor International 2008

The recent growth trend is mainly driven by the following factors:

- **Improvement in living standards boosts sales**

The PRC has enjoyed strong economic growth in recent years. From 2003 to 2008, the PRC's GDP grew at approximately 10% per annum, making the PRC one of the fastest growing economies in the world. Along with the general growth in GDP, personal disposable income has increased significantly over the same period, growing at an average rate of 8.1% per annum. As the economy grows, increasing affluence increases consumer spending power and drives the demand for alcoholic drinks.

PRC GDP and disposable income and growth rate

	2003	2004	2005	2006	2007	2008*
Real GDP (US\$ billion) ¹	1,894.2	2,085.2	2,302.6	2,569.8	2,903.8	3,164.1
Real disposable income per capita (US\$)	667.9	720.0	776.9	841.8	902.1	950.8
Real GDP year-on-year growth (%)	10.0	10.1	10.4	11.6	13.0	9.0
Real disposable income year-on-year growth (%)	9.3	8.4	8.5	8.9	7.7	6.0

Source: EIU² 2007

*Note: Estimates from EIU

Notes:

- 1 Recalculated based on 2005 price index.
- 2 The Economist Intelligence Unit ("EIU"), founded in 1946, is a global provider of country, industry and management analysis.

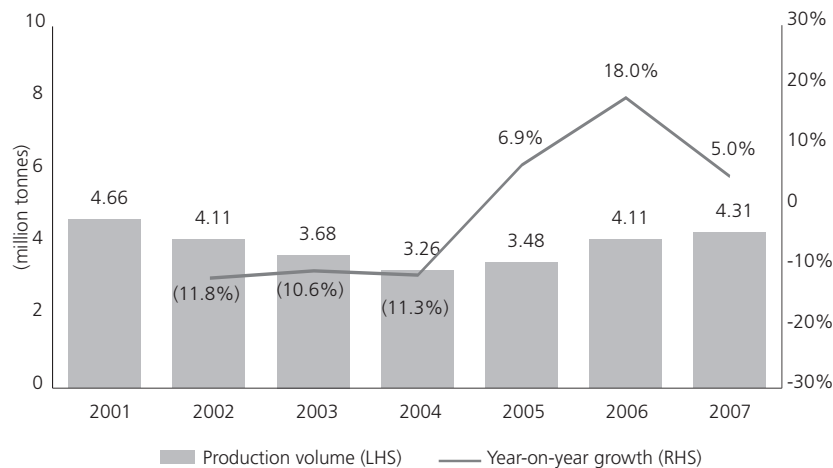
INDUSTRY OVERVIEW

- **Growing urbanisation expands top end of the market**

Coupled with the rapid economic growth are the increases in the urban population and a strong and emerging middle class group. As this group of consumers becomes increasingly sophisticated, alcoholic drink manufacturers have responded by focusing on premium products. The shift was most pronounced in spirits. According to Euromonitor International, while mid-range and high-end products experienced an approximately 7% volume growth in 2006, economy products experienced an approximately 5% volume decline in the PRC.

Following previous weaker periods, the Chinese *baijiu* (白酒) liquor sector experienced a rebound in production volume in 2005 and has since maintained positive growth.

Chinese *baijiu* (白酒) liquor production volume



Source: DRCnet¹

The trends in the spirits market coincide with the following trends in the Chinese *baijiu* (白酒) liquor industry:

- **Market fragmentation for low-end products**

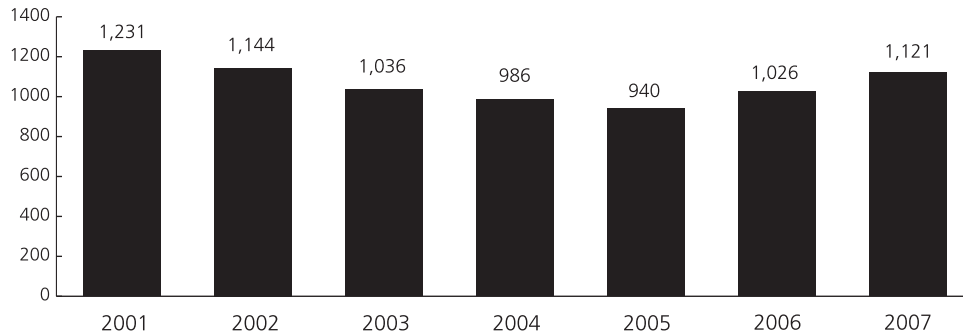
Local spirits production is a traditional industry with a long history in the PRC. Due to this long history of development, the sector is much more fragmented than the beer and grape-wine segments. In contrast to the large number of players in the spirits market, there are only about 598 beer producers and 146 wine producers. This fact coupled with increasing consumer health awareness makes business increasingly difficult for producers of lower-range local spirits. In recent years, there has been a reduction in the total number of enterprises in the Chinese *baijiu* (白酒) liquor industry, falling from 1,231 in 2001 to 1,121 in 2007.

Note:

¹ Development Research Centre of the State Council ("DRCnet") is a national provider of professional economic information. It collects data from experts of the Development Research Centre of the State Council, various renowned domestic and foreign research institutions and information centres.

INDUSTRY OVERVIEW

Number of enterprises in the Chinese *baijiu* (白酒) liquor industry



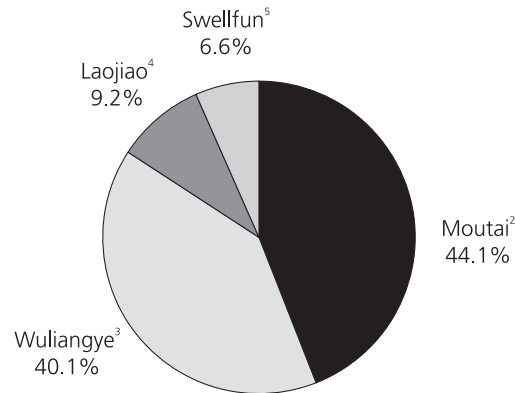
Source: DRCnet

- #### High growth and market concentration in the high-end segment¹

Despite severe market fragmentation and competition in the low-end spirits market, the high-end segment has a different landscape due to high profitability, limited supply and robust demand. The two largest high-end producers, the Wuliangye Group and Moutai, accounted for approximately 40.1% and 44.1% of the aggregate high-end liquor sales of Wuliangye, Moutai, Laojiao and Swellfun for the four years ended 31 December 2007 on an average basis. This high-end sector is also subject to high entry barriers due to the established brand name and cultural significance of Wuliangye and Moutai.

According to TJKX, the four major players in the high-end Chinese *baijiu* (白酒) liquor sector are Wuliangye Yibin Co., Ltd. (SZSE: 000858), Kweichow Moutai Co., Ltd. (SHSE: 600519), Sichuan Swellfun Co., Ltd. (SHSE: 600779) and Lu Zhou Lao Jiao Co., Ltd (SZSE: 000568).

Market share of the high-end Chinese *baijiu* (白酒) liquor producers by sales revenue¹



Source: Companies' annual reports

Notes:

- Calculated by dividing the high-end liquor sales of each of Wuliangye, Moutai, Laojiao and Swellfun by the aggregate high-end liquor sales of the four companies averaged for the four years ended 31 December 2007
- High-end liquor products under the "Moutai" brand
- Liquor products with average selling price above RMB70 including tax
- High-end liquor products under the "Laojiao" brand
- High-end liquor products under the "Swellfun" brand

INDUSTRY OVERVIEW

Wuliangye Yibin Co., Ltd.

Wuliangye Yibin Co., Ltd. specialises in manufacturing liquor and liquor related products. The company's major liquor product is Wuliangye, which is made from five crops: broomcorn, rice, glutinous rice, wheat and corn. Its other liquor offerings include Wuliangchun (五糧春), Wuliangshen (五糧神), Wuliangchun (五糧醇), Changsanjiao (長三角), Lianghuchun (兩湖春), Xiandairen (現代人), Jinliufu (金六福), Liuyanghe (瀏陽河), Laozuofang (老作坊) and Jingjiu (京酒). The company has an annual production of over 0.4 million metric tons of liquor. For the year of 2007, 98.5% of the group's sales revenue came from its liquor products. Headquartered in Yibin, Sichuan Province, the PRC, the company distributes its products throughout the PRC market, and exports to international market.

Kweichow Moutai Co., Ltd.

Kweichow Moutai Co., Ltd. is principally engaged in the manufacture and sale of distilled spirits under the Moutai brand name. Based in Moutai Town, Renhuai City, Guizhou Province, the PRC, the company also manufactures beverages, food and packaging materials. Its product portfolio comprises light distilled spirits and heavy distilled spirits, under the brand name of Moutai, Moutai Prince, Kweichow Moutai and Kweichow, among others. During the year ended 31 December 2007, the company produced approximately 20,214 metric tons of Moutai products. The company distributes its products throughout the PRC and exports to international market.

Lu Zhou Lao Jiao Co., Ltd

Lu Zhou Lao Jiao Co., Ltd is a China-based company, headquartered in Luzhou, Sichuan Province, the PRC, principally engaged in the production and sale of Luzhou Lao Jiao series spirits. The company offers both high-end products and low and medium-end products. The company is also engaged in real estate and import and export trading businesses. During the year ended 31 December 2007, the company obtained approximately 88.7% of its total revenue from its *baijiu* (白酒) business. The company distributes its products mainly in Sichuan Province.

Sichuan Swellfun Co., Ltd.

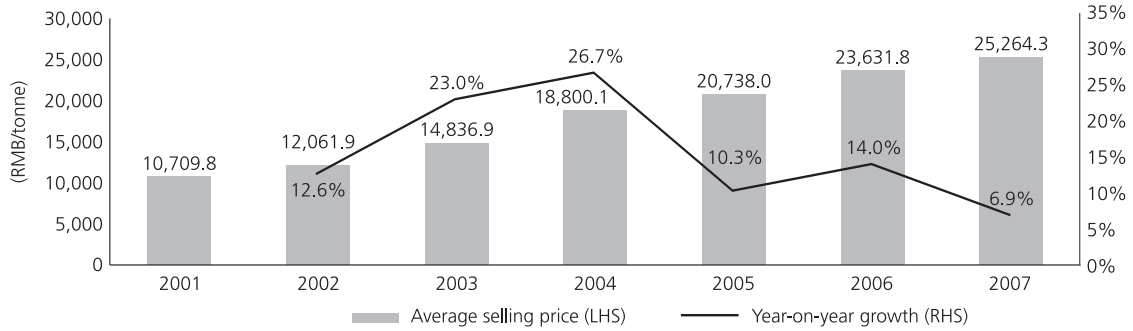
Sichuan Swellfun Co., Ltd. is principally engaged in the manufacture and distribution of distillate spirits. Headquartered in Chengdu, Sichuan Province, the PRC, the company mainly offers distilled spirits under the brand names of Shuijingfang, Quanxing, Tianhaochen and Chengdudaqu. During the year ended 31 December 2007, its spirits business contributed to 94.1% of the company's total revenue.

- **Improvement in sector profitability**

As Chinese *baijiu* (白酒) liquor producers shift their focus from low-end to mid-range and high-end products, there has been a continuous improvement in profitability. The profitability of the Chinese spirit sector in general has shown a favourable trend since 2001. The average selling prices in 2007 reached more than RMB25,000/tonne, which was more than two times higher than that in 2001. Profit per tonne reached RMB3,000 in 2007, which was almost four times higher than that in 2001. Profit margin also recorded positive growth during the period from 2002 to 2007.

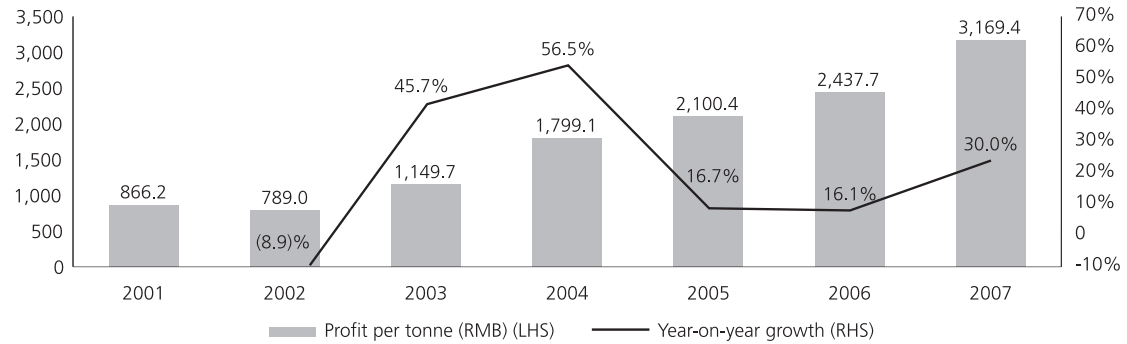
INDUSTRY OVERVIEW

Average selling price of the Chinese *baijiu* (白酒) liquor sector



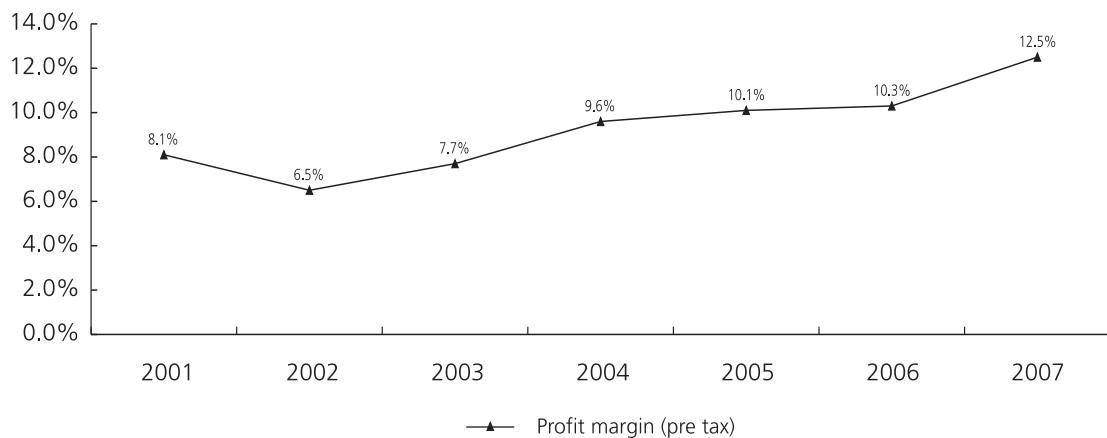
Source: DRCnet

Profit per tonne of the Chinese *baijiu* (白酒) liquor sector



Source: DRCnet

Profit margin of the Chinese *baijiu* (白酒) liquor sector



Source: DRCnet

INDUSTRY OVERVIEW

GLOBAL SPIRITS DISTRIBUTION

According to Euromonitor International, spirits products can be distributed through on-sales and off-sales channels. On-sales channels (or on-trade sales) mean sales through bar, cafe, nightclubs and restaurants. Off-sales channels (or off-trade sales) mean sales through supermarkets, convenience stores, specialist stores and discounters.

On-trade sales

Developing markets showed some of the greatest dynamism over the last few years, in terms of fast-growing on-trade spirits sales. In developing countries such as Estonia and the United Arab Emirates, on-trades sales volume grew over 70% between 2001 and 2006. While growing levels of disposable income will underpin the ability of rising number of consumers to afford higher priced on-trade purchases, many of these developing markets also benefit from the expansion of incoming tourism.

Off-trade sales

Euromonitor International reported that in addition to the growth of supermarkets and discount retailers, the two major trends shaping the retail environment over the last few years were the rise of convenience stores and the growing strength of specialists, which are premium independent outlets, supplying high quality spirits.

Nevertheless, the rapid expansion of supermarkets/hypermarkets, convenience stores and discount retailers remained subject to greater constraints of legal restrictions on the sale of alcohol in markets than other areas of food and drink.

As a result, specialists continued to maintain a significant share of global spirits sales. Much of the increase in the specialists' share of the global spirits market was attributable to the 3.1% increase in off-trade volume sales in spirits in the fast-growing market in China in 2008. Here, specialists typically focus on premium and niche products, which has led to strong growth in sales of spirits, with growing consumer interest in premium imported brands of whisky, cognac and vodka.

Growing interest in premium Chinese *baijiu* (白酒) liquor also supported growth, particularly in southwestern China, where there are many traditional specialists offering premium Chinese spirits for collectors. There are, however, no major retail chains in spirits retailing and traditional local outlets are predominant. Currently, specialists tend to be characterised by premium independent outlets. Spirit specialists often have a long heritage and close ties to the neighbourhood community in which they operate, thus are trusted to supply high quality spirits.

CHINA *BAIJIU* (白酒) LIQUOR MARKETING AND DISTRIBUTION

As the liquor industry continues to proliferate, those involved in the industry are striving to create strong brands by investing in a variety of marketing campaigns in different media. According to TJKX estimates, advertising expense will grow by no less than 30% in 2007. In terms of marketing expenses, Moutai, Wuliangye and Swellfun are top among the industry.

INDUSTRY OVERVIEW

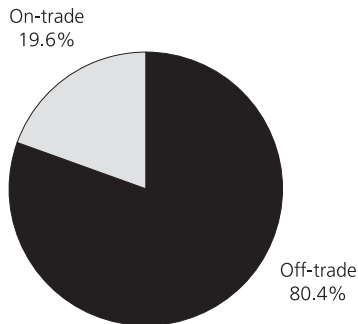
Popularity ranking of mid-range and high-end Chinese *baijiu* (白酒) liquor brands in January 2009

Brands	Popularity rank
Wuliangye	1
Moutai	2
Jiannanchun	3
Laojiao	4
Swellfun	5
Fenjou	6
Langjiu	7
Golden Liufu	8
Yanghe	9
Jiuguijiu	10

Source: TJKX¹ 2008

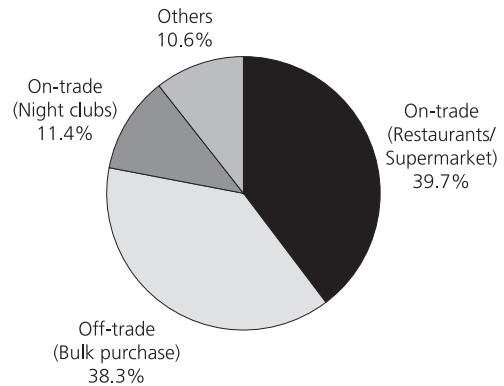
In China, off-trade spirit sales continued to dominate in 2008, with 80.4% of sales occurring in independent food stores and supermarkets/hypermarkets. However, the high-end spirit market is positioned differently with more than half of the sales made through restaurants. The chart below shows the main distribution channels for the high-end spirits market.

**Distribution channels
for spirits sector in the PRC market in 2008
(volume litres)**



Source: Euromonitor International 2009

**Distribution channels
for high-end *baijiu* (白酒) liquor in 2006¹
(volume litres)**



Source: TJKX 2007

Note:

1 Tang Jiu Kuai Xun (“TJKX”) is a website for the China food industry. It also conducts analysis and research and issues a “China food market analysis” report. TJKX is not commissioned by us or the Sponsor to prepare such report.

INDUSTRY OVERVIEW

An investigation carried out by the TJKX on the distributors of mid-end and high-end spirits¹ revealed that distributors for the top-tier and second-tier spirits appear more specialised in 2006. Approximately one in five distributors for the top-tier brands (Wuliangye and Moutai) is the sole distributor for such brands while the proportion of sole distributors for the third-tier brands is much lower.

	Top-tier	Second-tier	Third-tier
Exclusive distributors	21.2%	19.2%	12.6%

Source: TJKX 2007

The distributors for the top-tier spirits, such as Wuliangye and Moutai, also seem to be relatively stable, many having more than four years of experience in distribution of alcohol. This implies a high barrier of entry for potential new distributors in the top-tier market. Most distributors for the two products have been through at least one complete brand cycle and therefore gained sufficient knowledge of the brand. In contrast, the distributors for the second-tier and third-tier brands are less experienced, most with less than four years of experience.

	Top-tier	Second-tier	Third-tier
Operating within one year	3.2%	12.3%	12.8%
Operating within two years	8.9%	28.0%	46.9%
Operating within four years	34.5%	44.5%	26.5%
Operating for more than four years	53.4%	15.2%	13.8%

Source: TJKX 2007

In terms of the distributors' inventory levels, the top-tier brands outperform both the second and the third-tiers. 98% of the distributors for Wuliangye and Moutai have either a reasonable or no inventory, indicating the efficient distribution channels and the robust market demand for the two brands. In contrast, a majority of distributors for the second and third-tiers have inventory levels ranging between 30-70%.

	Top-tier	Second-tier	Third-tier
No inventory, supply <demand	46.3%	6.1%	1.1%
Inventory <30%	52.0%	43.6%	20.3%
30-50%	1.7%	46.2%	31.7%
50-70%	–	4.1%	29.4%
above 70%	–	–	17.5%

Source: TJKX 2007

Note:

1 TJKX divides the mid-end and high-end markets into three tiers: the top-tier includes Moutai and Wuliangye; the second-tier includes Swellfun and Guojiao 1573; the third-tier includes Shede, premium Erguotou, Yanghe blue classic, Golden Jiannanchun, Xifeng and Songhe.

INDUSTRY OVERVIEW

GLOBAL CIGARETTE MARKETING AND DISTRIBUTION

Many markets impose restrictions on the advertising of the cigarette products we sell. In light of these restrictions, adopting a distribution strategy that will enable us to maintain or increase brand recognition becomes an extremely important factor when seeking to gain market share.

Euromonitor International reported that in countries where restriction on promotion of cigarettes is strictly imposed, market players have become more focused on strengthening communication with retailers to ensure their products get prominent shelf displays. For example, British American Tobacco (BAT), the world's second largest quoted tobacco group by global market share, is changing its channel marketing by moving from the use of wholesalers which serve the entire industry to Direct Store Distribution (DSD). Under DSD, distributors deliver products directly to stores, enabling one-on-one contact with retailers on the basis of exclusive distribution arrangements (including self distribution wherewith cigarette manufacturers are able to influence the display of their products).

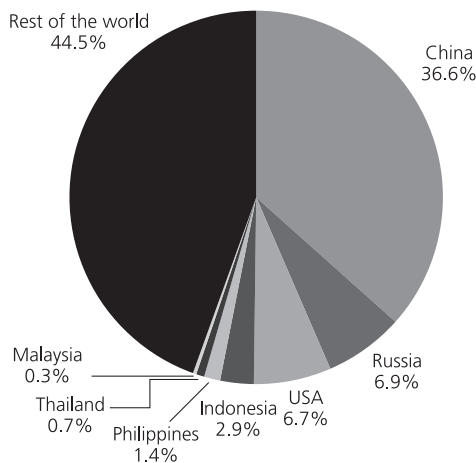
In markets where advertising restrictions are not as severe as in Western Europe, such as the US market, the cigarette marketers focus on maintaining the share of premium priced products through aggressive promotional strategies, such as wholesale price reductions. The reduction in wholesale prices (and not necessarily net retail prices) helps to increase the profitability of the retailers, and thereby promotes brand visibility in retail outlets, and strengthens relationships with wholesalers and retailers. Brand visibility could further be enhanced by adopting point-of-sale marketing. By directly communicating with the retailers, the cigarette marketers are in a better position to secure prominent display positions.

In Japan, the dominant players compete by acquiring cigarette vending machines. About 60% of all tobacco sales are carried out through vending machines in Japan.

PRC CIGARETTE MARKET

The PRC is one of the biggest cigarette markets in the world, accounting for 36.6% of global sales volume and 17.5% of global sales value in 2007.

PRC is one of the world's biggest cigarette markets (by sales volume – billion of cigarette sticks in 2007)



Source: Euromonitor International 2008

INDUSTRY OVERVIEW

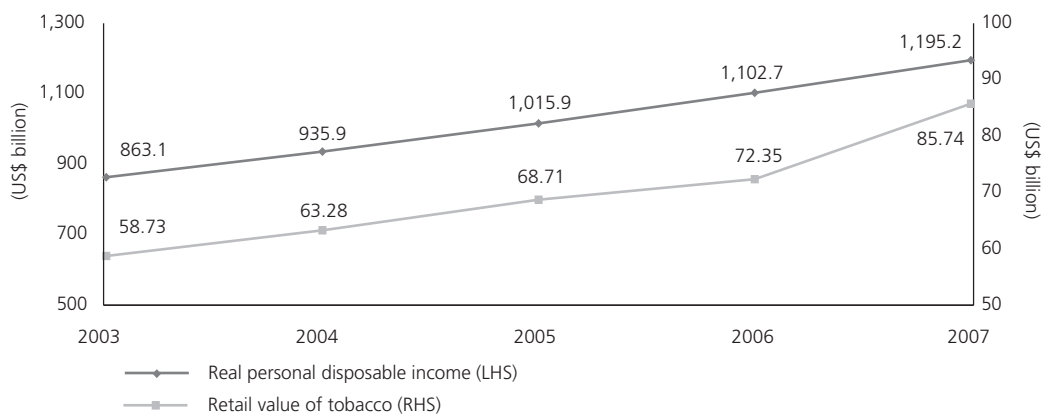
The tobacco industry remains highly regulated in China, with over 90% of tobacco sales volume controlled by the China National Tobacco Corporation. The China National Tobacco Corporation was set up in 1982 and is responsible for, inter alia, organising tobacco production, drafting relevant regulations and policies and monitoring the trends of products and sale of tobaccos in the PRC.

From 2003 to 2007, cigarette sales in China grew with a CAGR of 4.0% in volume and 9.9% in value. According to Euromonitor International's estimates, the sales of cigarettes will grow with a CAGR of approximately 3.4% in terms of value and approximately 3.9% in terms of volume between 2006 and 2011. Our Directors believe there are several key trends in China's cigarette market according to Euromonitor International:

- Increase in disposable income supports a growing consumer base**

In China, smoking is a social activity and cigarettes are commonly consumed on a variety of social occasions. As a result, cigarettes traditionally have a strong consumer base in China. The rapid economic growth and increase in household disposable income are expected to boost sales of cigarettes despite the current environment of rising taxes.

- Expenditure on tobacco¹ increases in proportion with disposable income**



Source: EIU and Euromonitor International 2008

- Premium and mid-tar products are set to grow**

To prepare the industry for foreign competition following the opening of the PRC market to foreign competition, the PRC Government has identified 36 cigarette producers in 2003 to promote them. The expansion of premium products illustrates the strong impact of government policy on the industry. Additionally, China reduced the tar level in all of its tobacco products as a result of the country's ratification of the United Nation Framework Convention on Tobacco Control in 2005. This, coupled with the increasing perception of high tar to be health damaging, provides the low-tar segment a favourable environment to grow, based on Euromonitor International analysis.

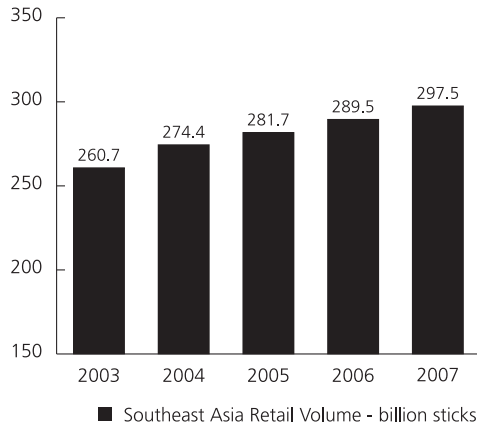
Note:

1 Tobacco includes cigarette, cigars and smoking tobacco.

INDUSTRY OVERVIEW

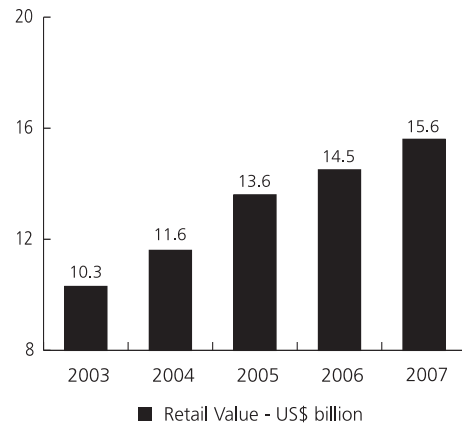
SOUTHEAST ASIA¹ CIGARETTE MARKET

Cigarette sales volume



Source: Euromonitor International 2008

Cigarette sales value



Source: Euromonitor International 2008

- **Sustained demand growth driven by a diverse consumer base**

Despite the increase in excise tax, the Southeast Asian markets have experienced sustainable growth in recent years. The total volume consumed grew at a CAGR of 3.4% while the total value grew at an even faster rate of 11.0%. For example, in Malaysia, the recent increase in demand comes mainly from heavy smokers who smoke up to two packs per day. In addition, smoking has become more prevalent among women and youngsters. Increased participation in the workforce and rising disposable income have helped to increase the female smoking rate.

- **High tar still dominates but mid and low tar will grow**

High-tar cigarettes have historically dominated the Southeast Asian market. In 2006, high tar accounted for 99.7% of total cigarette sales volume in Indonesia, 86.7% in Malaysia, 83.9% in Philippines, 64.9% in Thailand and 60.1% in Singapore. However, with increasing health concerns in particular among the younger generations, high-tar's share of the total sales volume is expected to decline. In certain markets such as the Philippines, low tar cigarettes have already recorded the highest growth in 2006. This can be attributed to its considerably smaller volume size and thus having greater growth potential, and to the steadily growing preference of the upper-income consumer for 'lighter' and 'healthier' cigarettes.

Note:

1 Southeast Asian countries under review include Indonesia, Malaysia, the Philippines, Thailand and Singapore.

REGULATORY OVERVIEW

PRC REGULATIONS ON FOREIGN INVESTMENT

Foreign investors are neither prohibited from nor restricted in investing in companies engaged in the distribution of alcohol products, pursuant to the Foreign Investment Guidance Catalogue (《外商投資產業指導目錄》) promulgated jointly by the PRC National Development and Reform Commission and MOFCOM on 30 November 2004 and 31 October 2007, respectively.

However, the establishment of a foreign invested enterprise shall be subject to prior approval by MOFCOM or its authorised local agency, according to the Measures for the Administration on Foreign Investment in Commercial Fields (《外商投資商業領域管理辦法》) and the Notice of the Ministry of Commerce on Authorizing Local Departments to Examine Foreign-invested Commercial Enterprises (《商務部關於委托地方部門審核外商投資商業企業的通知》) promulgated by MOFCOM on 16 April 2004 and 9 December 2005, respectively.

PRC REGULATION ON SALE OF ALCOHOL

The fundamental rules for the administration and supervision of the distribution of alcohol products, including the wholesale, retail and transportation of alcohol products, are provided under the Measures for the Administration of Alcohol Circulation (《酒類流通管理辦法》), promulgated by MOFCOM on 7 November 2005.

Further, an enterprise registered in Guangdong Province and engaged in the distribution of alcohol shall obtain an Alcohol Wholesale Licence issued by an alcohol regulatory authority, as stated in the Regulation on the Administration of Alcohol Monopoly in Guangdong Province (《廣東省酒類專賣管理條例》) promulgated by the Standing Committee of the People's Congress of Guangdong Province on 13 October 2002.

PRC HYGIENE REGULATION

An enterprise engaged in the distribution and trading of food (including alcohol) is required to obtain a Hygiene Permit issued by a competent hygiene administration authority, according to the Law of the PRC on Food Hygiene (《中華人民共和國食品衛生法》) promulgated by the Standing Committee of the National People's Congress on 30 October 1995.

Further, an enterprise registered in Guangdong Province and engaged in the distribution of alcohol must obtain a Hygiene Permit issued by a competent hygiene administration authority, as required under the Regulation on the Administration of Alcohol Monopoly in Guangdong Province (《廣東省酒類專賣管理條例》) promulgated by the Standing Committee of the People's Congress of Guangdong Province on 13 October 2002.

PRC REGULATION ON PRODUCT LIABILITIES

Pursuant to the General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》) promulgated by the National People's Congress on 12 April 1986 and the Law of the PRC on the Protection of Consumers' Rights and Interests (《中華人民共和國消費者權益保護法》) promulgated by the Standing Committee of the National People's Congress on 31 October 1993, both manufacturers and distributors will be held jointly liable for losses and damage suffered by consumers caused by the defective products they manufacture and distribute.

REGULATORY OVERVIEW

Further, consumers who sustain losses or damages from defective products are entitled to be indemnified by either manufacturers or distributors according to the Law of the PRC on Products Quality (《中華人民共和國產品質量法》) promulgated by the Standing Committee of the National People's Congress on 22 February 1993 and amended on 8 July 2000. Nevertheless, if manufacturers are responsible for the defective products and the losses or damage caused thereby, the distributors which have indemnified consumers for their losses may seek claims on the indemnities against the manufacturers.

To impose further protection on consumers in connection with the purchase or use of food, the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (the "**PRC Food Safety Law**") was promulgated by the Standing Committee of the National People's Congress on 28 February 2009 and will take effect from 1 June 2009. According to the PRC Food Safety Law, (i) the food distributors may be subject to penalties, or even be required to cease operation if they fail to comply with the relevant food safety requirements; (ii) if the food distributors have caused any damage to the consumers or their assets, they shall compensate such consumers for the damage caused; and (iii) if the food distributors knowingly distribute unqualified food products, the consumers may claim for damages as well as compensation of up to ten times of the price of the unqualified food products.

During the Track Record Period, we shipped our products to our international customers in accordance with a customary international trade practice whereby we discharged our products at the ports of the countries where the international customers are located. Therefore, our Directors confirm that compliance with the relevant laws and regulations applicable to the sale of the products in such countries was the responsibility of the customers, but not the Group. Our Directors confirm that the Group has complied with all applicable laws and regulations in all material respects, and has obtained all necessary permits and licences, for the sale of the products for distribution whether in the PRC or international market.

OVERVIEW

We are principally engaged in the distribution of the Wuliangye Liquor Series (a popular and traditional high-end Chinese *baijiu* (白酒) liquor) for the PRC and international markets¹. According to the Wuliangye Group, the producer of the Wuliangye Liquor Series, we have been the largest distributor of the Wuliangye Liquor Series for the respective markets since 2000 as more particularly set out in the paragraph headed “Our distributorship” below. The Wuliangye Liquor Series accounted for 79.0%, 88.4%, 93.1% and 95.0% of our revenue for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, respectively. We also distribute various PRC brands of cigarettes for certain duty-free markets in Asia, which accounted for 21.0%, 11.0%, 6.5% and 4.6% of our revenue for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, respectively.

Our distribution of the Wuliangye Liquor Series in the international market commenced in 1997 and we expanded our business further in 2006 by commencing our distribution of the Wuliangye Liquor Series in the PRC market. For each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, our revenue generated from the international market accounted for 94.8%, 66.5%, 55.5% and 66.2%, respectively, of our total revenue. The remaining revenue represented our sales in the PRC market.

In February 2009, we were appointed by the Wuliangye Group as principal distributor to distribute the Wuliangye “Soy” Label Series, a “soy flavour type” (醬香型) Chinese *baijiu* (白酒) and one of the latest products of the Wuliangye Group, for the PRC duty-paid market. We intend to commence the marketing activities for this new product in or around the second quarter of 2009.

The Wuliangye Liquor Series

The principal product that we distribute is the Wuliangye Liquor Series, a popular and traditional Chinese *baijiu* (白酒) liquor in China. Wuliangye is a distilled liquor with a long history, enjoying widespread popularity throughout the Chinese communities in the PRC and internationally. High-end Chinese *baijiu* (白酒), including the Wuliangye Liquor Series, is regarded as a luxury product due to its scarcity.

Wuliangye liquor has been awarded the gold prize “National Famous Liquor” (國家名酒) in China on several occasions. Wuliangye liquor was awarded the “China Well-known Trademarks – Top 10” (中國馳名商標10大標王) in 2008. According to the Wuliangye Group, as early as 1915, Wuliangye liquor was awarded the gold prize at the Panama Pacific International Exposition (巴拿馬萬國博覽會) and was awarded the gold medal at the International Trade Fair in Panama (國際貿易博覽會) in 1995.

Note:

1 For the purpose of this prospectus, “international market” means the overseas market including the Hong Kong market but excluding the PRC market.

BUSINESS

More recently, the Wuliangye brand was recognised by the 2008 China Brand Value Report (2008年中國品牌價值報告) as the most valuable national brand (最有價值品牌) in 2008. The China Brand Value Report is issued by, among others, 北京名牌資產評估有限公司 (Beijing Brandname Appraisals Limited*), which, according to its website, is administered by the China Appraisal Society. In addition, the brand value of Wuliangye has ranked number one in the Chinese food and beverage industry for 14 consecutive years with an estimated brand value of over RMB45 billion in 2008. It was also regarded in the same report as the fourth most valuable PRC national brand (最有價值品牌) in 2008. In 2007, the Wuliangye Group was also recognised as a “National Quality Work Advanced Entity” (全國質量工作先進集體) by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局). The General Administration of Quality Supervision, Inspection and Quarantine of the PRC is a ministerial administrative organisation directly under the State Council of the PRC and is responsible for, among other things, national quality, entry-exit commodity inspection, import-export food safety, certification and accreditation, standardisation, as well as administrative law-enforcement.

Our Directors understand that the Wuliangye Liquor Series is a top-tier and principal product line of the Wuliangye Group among various other brands of liquor produced by the Wuliangye Group. Whilst Wuliangye 45% and Wuliangye 68% have a relative short history as compared to Wuliangye 39% and Wuliangye 52%, our Directors believe that Wuliangye 45% and Wuliangye 68% are important products of the Wuliangye Group and key components of the Wuliangye Liquor Series.

We have an established and long-standing relationship with the Wuliangye Group for over 10 years. The Wuliangye Group, comprising listed and unlisted arms, manufactures and sells different brands of liquor including the Wuliangye Liquor Series. The other brands of liquor of the Wuliangye Group include 五糧春 (Wuliangchun), 五糧醇 (Wuliangchun), 五糧神 (Wuliangshen) and 金六福 (Jinliufu), among others. The Wuliangye Group is based in Sichuan, the PRC. Members of the Wuliangye Group include, among others, 宜賓五糧液股份有限公司 (Wuliangye Yibin Co. Ltd.*), an A share company listed on the Shenzhen Stock Exchange, 四川省宜賓五糧液集團進出口有限公司 Sichuan Yibin Wuliangye Import and Export Co., Ltd.* (“**Wuliangye Import and Export**”) and 四川省宜賓五糧液供銷有限公司 Sichuan Yibin Wuliangye Supply and Sales Co., Ltd.* (“**Wuliangye Supply**”). We purchase the Wuliangye Liquor Series from Wuliangye Import and Export, a member of the unlisted arm of the Wuliangye Group, for sales in the international market, and from Wuliangye Supply, a member of the listed arm of the Wuliangye Group, for sales in the PRC market. Our distributorship arrangements with the Wuliangye Group can be traced back to 1997, when Silver Base Development was appointed to distribute the Wuliangye Liquor Series for onward distribution in certain countries in Southeast Asia. Since January 2001, we have been privileged to be the principal distributor of Wuliangye 52%, our best-selling product among the Wuliangye Liquor Series, for both duty-paid and duty-free international market. In November 2007, this distributorship was extended up to the end of 2020 subject to the terms and conditions of the distribution agreement. In 2006, we commenced our business in the PRC by obtaining the distributorship of Wuliangye 68% for the PRC and international markets. In 2007, we further expanded our access to the PRC market by obtaining the distributorship for Wuliangye 45% in the PRC duty-paid market. In February 2009, we further expanded our product range by obtaining the principal distributorship for the Wuliangye “Soy” Label Series, one of the latest products of the Wuliangye Group, in the PRC duty-paid market.

BUSINESS

Our distributorship arrangements with the Wuliangye Group are summarised as follows¹:

Product	Nature of distributorship	Markets				Period ³
		PRC		International		
		Duty-paid	Duty-free	Duty-paid	Duty-free	
1. Wuliangye 52%	Principal distributor ² (總經銷商)			✓	✓	1 January 2001 to 31 December 2020
2. Wuliangye 68%	Principal distributor ² (總經銷商)	✓	✓	✓	✓	1 January 2006 to 28 August 2017
3. Wuliangye 45%	Distributor ² (經銷商)	✓				16 March 2007 to 15 March 2012
4. The whole Wuliangye Liquor Series (39%, 45%, 52% and 68%)	Principal distributor ² (總經銷商)				✓	1 December 2000 to 31 December 2020
5. Wuliangye special labels (39% and 52%)	Non-exclusive (for bulk purchase by certain governmental departments and corporate entities)	✓				20 April 2007 to 19 April 2012
6. Wuliangye "Soy" Label Series (52% and 48%)	Principal distributor (總經銷商)	✓				6 February 2009 to 5 February 2019

For further details of our distributorship arrangements with the Wuliangye Group, please refer to the paragraph headed "Our distributorship – The Wuliangye Liquor Series" below.

Notes:

- In addition to the distributorship arrangements as stated in the table above, we have two other distribution agreements with the Wuliangye Group signed in September 2000 in relation to the distribution of the Wuliangye Liquor Series in Hong Kong and certain other countries (the "Old Agreements"). Whilst the Old Agreements, which will expire in July 2010 and September 2009, respectively, are not superseded by the subsequent distribution agreements, given that we were granted the distributorship of the Wuliangye Liquor Series for the international market under two other subsequent distribution agreements numbered 1 and 4 above, and both of which will last for a term of up to 31 December 2020, our Directors consider that it is not necessary for the Group to extend the Old Agreements upon expiry.
- The Wuliangye Group recognises us as the largest distributor of the Wuliangye Liquor Series for the products (other than the special label series) distributed in their respective markets as set out in the above table. The Wuliangye Group also confirmed that it has not appointed other distributors in respect of such markets and products for which we have been granted the distributorship and that it only conducts sales of such products (other than the special label series) in such markets through us.
- Please see the paragraph headed "Purchasing" below for details in relation to the termination of the distribution agreements.

DIMPLE

In June 2006, we were appointed by Diageo as the exclusive distributor of DIMPLE for the PRC duty-paid market¹. In early 2007, we were further appointed as the exclusive distributor of DIMPLE for the entire PRC duty-free market (excluding the Beijing and Shanghai airport concessions).

Our Directors believe that our track record and expertise in distribution of liquor products in the PRC were two of the main reasons Diageo selected us as the exclusive distributor of DIMPLE in the PRC market.

Cigarette products

In addition to high-end liquor, we have been distributing various PRC brands of cigarettes for certain duty-free markets in Asia on a non-exclusive basis since 1998. Since 2004, we have been appointed by the Hongta Group as the exclusive distributor of the Hongtashan Premium Series for the international market. In 2007 and 2008, "Hongtashan" was awarded the "Asian Brand Annual Award (亞洲品牌盛典年度大獎)". "Asian Brand Annual Award" is an award given at an event organised by, inter alia, 亞洲國際名優品牌認證監督管理中心 (Institute of Certification, Supervision and Management of Asian Outstanding Brands*) and 國務院國有資產監督管理委員會研究中心 (the SASAC Research Institute*). In 2007, "Hongtashan" was awarded the "China Brand Gold Score Award (品牌中國金譜獎) for the Top Ten Brands in the Tobacco Industry" in the Brand China Overall Board (品牌中國總評榜). The Brand China Overall Board is organised by 品牌中國產業聯盟 (Brand China Alliance*), formed by, inter alia, a number of media and advertising houses.

For further details of the 13 cigarette brands we distribute, please refer to the paragraph headed "Our distributorship – Cigarette products" below.

Our markets

Our Directors believe that we have a well-established distribution network in China. In the PRC market, for the six months ended 30 September 2008, we transacted with 263 customers, including wholesale distributors (also known as "**first-tier sub-distributors**") which purchase our liquor products for further distribution to sub-distributors (also known as "**second-tier sub-distributors**"). 227 of these customers had distribution agreements with us during the same period. The second-tier sub-distributors will then further distribute the liquor products to other sub-distributors or retail outlets in the PRC. We estimate that there are about 1,200 second and third-tier sub-distributors and about 13,000 retail outlets within our PRC distribution network. Our Directors believe in the importance of channel management and also believe that our well-established channel management in the PRC ensures that centralised distribution and pricing mechanisms are in place. Our Directors also believe channel management is one of the keys to our success in distributing the Wuliangye Liquor Series, DIMPLE and any other products we may distribute in the future.

Note:

1 We have an exclusive distributorship with Diageo to supply DIMPLE within the PRC duty-paid market, with the exception of certain outlets (namely, any outlet in the PRC, including bar, nightclub, pub, KTV or similar establishment (i) which caters predominately to the Korean expatriate market, or (ii) where Johnnie Walker Whisky products are sold), unless sales in such outlets do not adversely affect sales of other products supplied by Diageo in such outlets (other than red or white wines, beer and Chinese *baijiu* (白酒) products).

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We cooperate with certain members of our PRC distribution network in conducting marketing and promotional activities through selected retail outlets such as supermarkets and restaurants with a view to expanding our share of the PRC market.

In relation to the international market, we distribute our liquor and cigarette products to certain customers which purchase the products from us and export the same to different jurisdictions such as, principally, Vietnam, as well as other jurisdictions including Singapore and Malaysia. We also distribute our liquor and cigarette products to duty-free outlets directly.

For further details of our distribution in the PRC and international markets, please see the paragraph headed "Sales, marketing and promotion" below.

We generated a total revenue of HK\$575.3 million, HK\$983.9 million, HK\$1,485.1 million and HK\$878.4 million for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, respectively. The revenue from the distribution of the Wuliangye Liquor Series during the same periods was HK\$454.4 million, HK\$869.1 million, HK\$1,382.9 million and HK\$834.6 million, respectively, representing 79.0%, 88.4%, 93.1% and 95.0%, respectively, of our total revenue. During the same periods, our net profit was HK\$32.0 million, HK\$111.3 million, HK\$389.4 million and HK\$327.6 million, respectively.

Capitalising on our success in distributing the Wuliangye Liquor Series and other liquor and cigarette products and leveraging on our established distribution network, we intend to expand the coverage of our distribution network in the PRC market and to source other liquor and cigarette products for distribution in our core markets. Our goal is to become a leading distributor of liquor and cigarette products in the PRC and international markets.

COMPETITIVE STRENGTHS

Our Directors believe that our success is attributed to, among other things, the following competitive strengths:

Largest distributor of the Wuliangye Liquor Series and established relationship with the Wuliangye Group

We have been principally engaging in the distribution of the Wuliangye Liquor Series since our inception in 1997 and maintain a close relationship with the Wuliangye Group. We further expanded our business by commencing our PRC distribution of Wuliangye 68% in 2006 and Wuliangye 45% in 2007. We are recognised by the Wuliangye Group as the largest distributor of the Wuliangye Liquor Series for the PRC and international duty-paid and duty-free markets, as more particularly set out in the paragraph headed "Our distributorship" below.

We are the principal distributor of Wuliangye 52%, our best selling and the most popular product among the Wuliangye Liquor Series, for the international duty-paid and duty-free markets up to the end of 2020. We are also the principal distributor of Wuliangye 68% for the global duty-paid and duty-free markets. In early 2007, we became the distributor of Wuliangye 45%, one of the latest products among the Wuliangye Liquor Series for the PRC duty-paid market. In addition, we have been appointed as the principal distributor of the whole Wuliangye Liquor Series for the international duty-free market for a term of up to the end of 2020. In February 2009, we were appointed by the Wuliangye Group as the principal distributor to distribute the Wuliangye "Soy" Label Series, a "soy flavour type" (醬香型) Chinese *baijiu* (白酒) and one of the latest products of the Wuliangye Group, for the PRC duty-paid market. Please refer to the paragraph headed "Our distributorship" below for further information on our distributorship with the Wuliangye Group.

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As a distributor of the Wuliangye Liquor Series appointed by the Wuliangye Group, our Directors believe that we are one of the important channels of the Wuliangye Group to distribute the Wuliangye Liquor Series in various markets. The Wuliangye Group confirmed that it has not appointed any other distributors in respect of such products and markets for which we have been granted the distributorship and that it only conducts sales of such products in such markets through us, other than the special label series for which we are the non-exclusive distributor. Accordingly, our Directors believe that our sub-distributors will be unable to purchase such products (other than the special label series) in such markets from any other distributors appointed by the Wuliangye Group. On this basis, our Directors believe we can enjoy stronger bargaining power *vis-à-vis* our sub-distributors in both the PRC and international markets.

Whilst the PRC is the principal market of the Wuliangye Group for the Wuliangye Liquor Series, our Directors believe that we have made a significant contribution to the international development of the Wuliangye Group over the past years by, among other things, introducing the Wuliangye Liquor Series to the international duty-free and duty-paid markets, which enables the Wuliangye Group to establish an important platform for international expansion. We have attended various exhibitions and conferences organised by various industry participants including Tax Free World Association, a leading provider of exhibitions and related business support services to the duty free and travel retail industry, to promote the Wuliangye Liquor Series in the international duty-free market. Regarding the PRC market, our Directors believe that we have contributed to the Wuliangye Group by developing and managing a well-established distribution network in the PRC comprising a significant amount of retail points for the distribution of the Wuliangye Liquor Series. See the paragraph headed "Sales, marketing and promotion" below. In addition, our Directors consider that the continuous effort in marketing and promoting the Wuliangye Liquor Series, including among other things, advertisements on boarding passes and on billboards, has helped in strengthening the brand awareness of the Wuliangye Group. Our Directors also believe that timely feedback on market information to the Wuliangye Group has played and will continue to form a significant part in building our relationship with the Wuliangye Group both in the past and going forward.

As recognised by the Wuliangye Group, we have maintained a good relationship with the Wuliangye Group since the inception of our business relationship. Our Directors believe that our close relationship with the Wuliangye Group can be illustrated by, among other things, the appointment of us as the distributor and the principal distributor of Wuliangye 45% and the Wuliangye "Soy" Liquor Series, respectively, the latest products among the Wuliangye Liquor Series for the PRC duty-paid market. Furthermore, we were entrusted by the Wuliangye Group to arrange for the packaging of Wuliangye 45% and 68%.

Well-established distribution network in the PRC

Our Directors believe that one of our key competitive strengths is our well-established distribution network and channel management. In particular, our Directors believe that our expertise lies in our knowledge and experience of channel management specific to the PRC domestic market.

In the PRC market, for the six months ended 30 September 2008, we had 263 customers, including first-tier sub-distributors which purchase our liquor products for further distribution to other second-tier sub-distributors. 227 of these customers had distribution agreements with us during the same period. The second-tier sub-distributors will then distribute the liquor

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products to other sub-distributors or retail outlets in the PRC. Whilst we do not distribute products directly to the second-tier or other sub-distributors, our Directors believe in the importance of managing our distribution network through channel management. We estimate that there are about 1,200 second and third-tier sub-distributors and about 13,000 retail outlets within our PRC distribution network. For instance, with a view to ensuring that products are distributed throughout the distribution network in a coordinated manner, we emphasise compliance with our pricing policy by stipulating the minimum re-selling prices. To further enhance our channel management, we have adopted a policy under which each first-tier sub-distributor (and their sub-distributors) in our PRC distribution network shall distribute the products within certain designated territorial area(s). For details of our distribution network and channel management for the PRC market, please see the paragraph headed "Sales, marketing and promotion" below.

Our Directors believe that our well-established multi-level distribution network and channel management in the PRC help to ensure the implementation of the pricing policy and are the key to our success in distributing the Wuliangye Liquor Series, DIMPLE and any other products we may distribute in the future. Our Directors also believe that our distribution network, comprising first-tier sub-distributors and other sub-distributors of various tiers, has enhanced the penetration of products in the PRC market.

Established relationships with various suppliers

Capitalising on our success in distributing the Wuliangye Liquor Series, we have been appointed by Diageo as the exclusive distributor of DIMPLE for the PRC duty-paid market since June 2006. Since early 2007, we have also been appointed as the exclusive distributor of DIMPLE for the PRC duty-free market (excluding the Beijing and Shanghai airport concessions). Both exclusive distributorships with Diageo last until June 2011, unless otherwise terminated in accordance with the terms and conditions of the distribution agreements.

In addition to the Wuliangye Group and Diageo, we have established relationships with various PRC-based cigarette manufacturers. We currently distribute 13 PRC brands of cigarettes for the duty-free markets in certain countries in Asia. In particular, we are the exclusive distributor of the Hongtashan Premium Series for the international market. Please refer to the paragraph headed "Our distributorship – Cigarette products" below for the various brands of cigarettes we distribute.

Our Directors believe that our close and established relationships with the leading PRC and international suppliers of liquor and cigarette products help us to broaden the range of quality liquor and cigarette products we distribute.

Our effective marketing strategy in the PRC

Another critical competitive strength lies in our effective marketing and sales strategies. Our Directors believe that our market experience enables us to provide our suppliers with timely market information such as feedback on consumer preferences so that they may develop new products to cater for the changing market needs. We have collaborated with selected retail outlets such as supermarkets and restaurants in the PRC in launching marketing and promotional activities.

Our Directors believe that our effective marketing strategy and our market know-how have enhanced our relationships with both our suppliers and sub-distributors and have enabled us to create value for our distribution network.

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Our experienced management team has a proven track record

Our senior management is experienced in the distribution of liquor and cigarette products. Over the years, our senior management has gained in-depth knowledge of consumer preferences, market demands and market trends for liquor and cigarette products.

Most integral to the success of our team is Mr Liang, our Chairman and an executive Director, who has been engaged in the Chinese liquor distribution industry for over 10 years and has established close relationships with our business partners such as the Wuliangye Group. His experience, coupled with in-depth knowledge of Chinese consumer preferences, enables him to understand market demands and trends.

Consequently, our Directors believe that our sales managers and marketing staff have gained valuable experience in the liquor and cigarette distribution industries over the years and will continue to employ their in-depth knowledge in managing and expanding our distribution network.

Our Directors believe that our in-depth knowledge, experience and connections in the PRC liquor and cigarette industries serve as one of the fundamental pillars of our success and sustainability in the PRC and international markets.

STRATEGIES

Our goal is to become a leading distributor of liquor and cigarette products in the PRC and international markets. To this end, we plan to carry out, or are in the process of carrying out, the following strategies:

Reinforcing and expanding our distribution network in the PRC

We plan to continue focusing on the reinforcement and expansion of our distribution network in the PRC and to create a first-class distribution network for liquor and, possibly, other consumer products we may distribute in the future.

We plan to expand our existing distribution network in major PRC cities. We will continue developing in leading PRC cities such as Beijing, Guangzhou and Shenzhen and penetrating these major markets further by, for example, identifying additional first-tier sub-distributors. We will also continue expanding the geographical coverage of our distribution network by exploring new markets in other developed cities in the PRC such as Tianjin, Dalian, Chongqing and Chengdu. We also endeavour to increase the number of first-tier sub-distributors (which purchase the goods from us directly), as well as second-tier sub-distributors (which purchase the goods from the first-tier sub-distributors) and sub-distributors of other tiers.

At the same time, we intend to reinforce our relationships with the existing sub-distributors within our distribution network. We plan to implement our “Qualified Sub-distributorship Programme” by issuing certificates to these sub-distributors with a view to enhancing our ties with them and to promote their loyalty. Our Directors believe that reinforcing our relationships with sub-distributors of different tiers and providing marketing support to them help us coordinate with them and oversee the entire distribution network in an efficient and organised manner.

We currently assign our sales and marketing personnel to seven major regions in the PRC, namely southwestern China, southern China, eastern China, central China, northeastern China, northwestern China and northern China. We plan to recruit sales and marketing personnel in additional PRC cities and train such personnel to cater for each local market.

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Strengthening our relationships with existing suppliers and securing new suppliers

We intend to further expand our distributorship in the PRC market to strengthen our existing ties with our current suppliers. We also intend to actively seek additional quality suppliers of liquor, cigarettes and, possibly, other consumer products, although we have not identified any particular new supplier as at the Latest Practicable Date. Our Directors believe that potential cannibalisation can be managed by way of introducing new product lines to our product portfolio as and when appropriate. However, we do not intend to distribute products which may compete head-on-head with our existing products, particularly in light of the fact that, pursuant to our exclusive distribution agreements with Diageo, we are subject to certain restrictions by not distributing the Restricted Products in the PRC. Although our distribution agreements with the Wuliangye Group do not contain any provisions prohibiting the Group from distributing liquor products of other brands, we do not currently intend to distribute brands of high-end Chinese *baijiu* (白酒) manufactured by other suppliers which may compete with the Wuliangye Liquor Series.

Advertising, marketing and promoting our products

We intend to encourage sales of the products we distribute through advertising, marketing and promotion. Currently, we have already implemented various publicity campaigns such as magazine advertisements and other promotional activities. We will continue to strategically conduct advertising, marketing and promotions to boost sales of the products, as well as our own corporate image. We will also continue to place advertisements in different media to further strengthen brand awareness. To this end, we may engage well-known celebrities such as movie stars to enhance the character and identity of our brand in the public consciousness. We endeavour to organise various types of marketing and promotional activities by collaborating with retail distributors within our distribution network or otherwise.

We also intend to establish “Silver Base image stores” in different major PRC cities for marketing and building the image of the liquor products we distribute in the PRC. It is our intention that the image stores will principally act as show rooms to promote the products that we distribute in the PRC market, such as Wuliangye 45%, Wuliangye 68% and DIMPLE for marketing, bulk purchase and brand building purposes. Our Directors believe that these “Silver Base image stores” will enable us to establish a direct channel of communication with our PRC consumers and will serve as a platform for our promotional campaigns, such as liquor tasting. As a starting point, we intend to open “Silver Base image stores” in major PRC cities such as Beijing, Shanghai, Guangzhou and Shenzhen. Pending the results of the feasibility studies, our Directors expect that the first batch of “Silver Base image stores” will open in late 2009. We will also consider the possibility of developing joint venture image stores with our suppliers in the future. Given that the main purpose of establishing these image stores is for marketing, bulk purchase and brand building and that we do not intend to change our business model in the PRC as more particularly described in the paragraph headed “Sales, marketing and promotion” below, our Directors consider that no material business risks will be involved in this plan.

We also intend to organise other public relation activities such as liquor tasting gatherings on a regular basis with a view to strengthening our relationship with sub-distributors and consumers and to promote appreciation of *baijiu* (白酒) as part of the Chinese culture.

Evaluating the opportunities for integration and consolidation of distribution networks in the PRC

Whilst we do not have any particular target in mind, we are in the midst of considering merger and acquisition opportunities to consolidate our distribution network by way of vertical integration with first-tier sub-distributors and/or sub-distributors of other tiers in different locations in China.

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HISTORY AND REORGANISATION

Our Company was incorporated in the Cayman Islands on 12 September 2007. Through the Reorganisation, our Company became the holding company of our subsidiaries. As at the date of this prospectus, we are indirectly wholly-owned by Mr Liang, who holds his interests in us through Yinji Investments, a company he wholly owns. As at the date of this prospectus, we, through Richmind, own 100% of all of our subsidiaries.

History and development

The Wuliangye Liquor Series

In 1997, Mr Liang and Ms Luo Li (spouse of Mr Liang) co-founded Silver Base Development. In 2002, Ms Luo Li transferred the one share she held in Silver Base Development to Mr Liang Guoning (Mr Liang's brother), who held the share on trust in favour of Mr Liang. Silver Base Development currently focuses its business activities on international distribution of the Wuliangye Liquor Series and cigarettes.

At the beginning of our business relationship with the Wuliangye Group in early 1997, we distributed various products of the Wuliangye Liquor Series for the Southeast Asian market. We did not have long-term distribution agreements with the Wuliangye Group at that time. In late 1997, we entered into a long-term distribution agreement with the Wuliangye Group for distribution of the Wuliangye Liquor Series for the Southeast Asian market, which agreement expired in 2005. Our Directors believe that, over the years, we have gained the trust and confidence of the Wuliangye Group with our distribution network, our channel management, and our quality services. In 1999, we entered into a long-term distribution agreement with the Wuliangye Group for the distribution of the Wuliangye Liquor Series for the international market. In December 2007, both of our distributorships for Wuliangye 52% for the international duty-paid and duty-free markets and the whole Wuliangye Liquor Series for the international duty-free market were extended up to the end of 2020.

深圳市鴻騰達貿易有限公司 Shenzhen Hongtengda Trading Co., Ltd* ("**Shenzhen Hongtengda**") assigned its distributorship for Wuliangye 68% to Silver Base Trading (Shenzhen) with effect from 1 January 2006 at nil consideration and Silver Base Trading (Shenzhen) has distributed Wuliangye 68% in place of Shenzhen Hongtengda since then. On 27 July 2007, the parties confirmed the assignment in writing. The PRC legal advisers to the Company confirmed that the assignment is legal, valid and enforceable under the PRC laws and that Silver Base Trading (Shenzhen) has assumed the distributorship of Wuliangye 68% with effect from 1 January 2006, and ending on 28 August 2017. It is our understanding that the Wuliangye Group places emphasis on the development of Wuliangye 68%, being one of the latest products among the Wuliangye Liquor Series, in the PRC market. In this regard, our Directors believe that we have the competitive edge over Shenzhen Hongtengda in terms of the distribution network and management expertise, particularly in light of our track record and established relationship with the Wuliangye Group over the past years. Our Directors believe that, for this reason, we successfully obtained the distributorship of Wuliangye 68% from the Wuliangye Group in place of Shenzhen Hongtengda. Consequently, the Group purchased the remaining inventories of Wuliangye 68% then owned by 宜賓市鴻騰達商貿有限公司 Yibin Hongtengda Trading Co., Ltd.* ("**Yibin Hongtengda**"), which acted as the distributor of Wuliangye 68% on Shenzhen Hongtengda's behalf prior to 1 January 2006, by reference to the initial purchase cost to Yibin Hongtengda. For this reason, Yibin Hongtengda was one of the Group's top five suppliers in the financial year ended 31 March 2006. The Group has not purchased any goods from Yibin Hongtengda following the financial year ended 31 March 2007. Shenzhen Hongtengda is owned by Mr Liang Guosheng (Mr Liang's brother) as to 90% and Mr Liang Guojun (Mr Liang's cousin) as to 10%. Yibin Hongtengda is owned by Mr Liang

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Guoning (Mr Liang's brother) as to 98.79% and Mr Liang Guoming (Mr Liang's cousin) as to 1.21%. Save as aforesaid, none of our Directors or their respective associates or our existing Shareholders have any interest in any of our five largest suppliers.

Our Directors believe that our business relationship with Wuliangye is flourishing, which can be demonstrated by our various distribution agreements with the Wuliangye Group for a range of the Wuliangye Liquor Series for different markets and our rapid sales growth in the distribution of the Wuliangye Liquor Series.

In order to gain a foothold in the PRC liquor distribution market, we established Silver Base Trading (Shenzhen), a WFOE, in late 2005 to distribute the Wuliangye Liquor Series into the PRC market. Our revenue from sales of the Wuliangye Liquor Series in the PRC market accounted for 5.2%, 32.9%, 44.1% and 33.4% of our total revenue for each of the three financial years ended 31 March 2008 and six months ended 30 September 2008, respectively.

For further details of our distribution agreements with the Wuliangye Group, please refer to the paragraph headed "Our distributorship" below.

DIMPLE

On 6 June 2006, Shanghai Yincang Trading Co., Ltd.* (上海銀倉商貿有限公司) ("**Shanghai Yincang**"), a company beneficially-owned by Mr Liang Guofeng and Mr Liang Guoming, (both of whom are Mr Liang's cousins), was appointed as the exclusive distributor of DIMPLE for the PRC duty-paid market. On 20 June 2006, Shanghai Yincang assigned the distribution right of DIMPLE to Silver Base Trading (Shenzhen) at nil monetary consideration. Such right allows Silver Base Trading (Shenzhen) to distribute DIMPLE within the PRC duty-paid market, with the exception of certain outlets (namely, any outlet in the PRC, including bar, nightclub, pub, KTV or similar establishment (i) which caters predominately to the Korean expatriate market, or (ii) where Johnnie Walker Whisky products are sold), unless sales in such outlets do not adversely affect sales of other products supplied by Diageo in such outlets (other than red or white wines, beer and Chinese *baijiu* (白酒) products). On 15 April 2008, pursuant to a legal and valid novation and variation agreement among the relevant parties to the exclusive distribution agreement at nil monetary consideration, Shanghai Yincang and Silver Base Trading (Shenzhen) assigned to Silver Base Spirit (Shenzhen) the exclusive distribution rights under the terms and conditions of the underlying distribution agreement for the distribution of DIMPLE within the PRC duty-paid market.

On 27 February 2007, Silver Base Spirit entered into a distribution agreement with Diageo. Under this agreement, Silver Base Spirit obtained the exclusive distribution rights to distribute DIMPLE for the PRC duty-free market (other than the Beijing and Shanghai airport concessions).

For further details of our distributorship arrangements with Diageo, please refer to the paragraph headed "Our distributorship" below.

Cigarettes

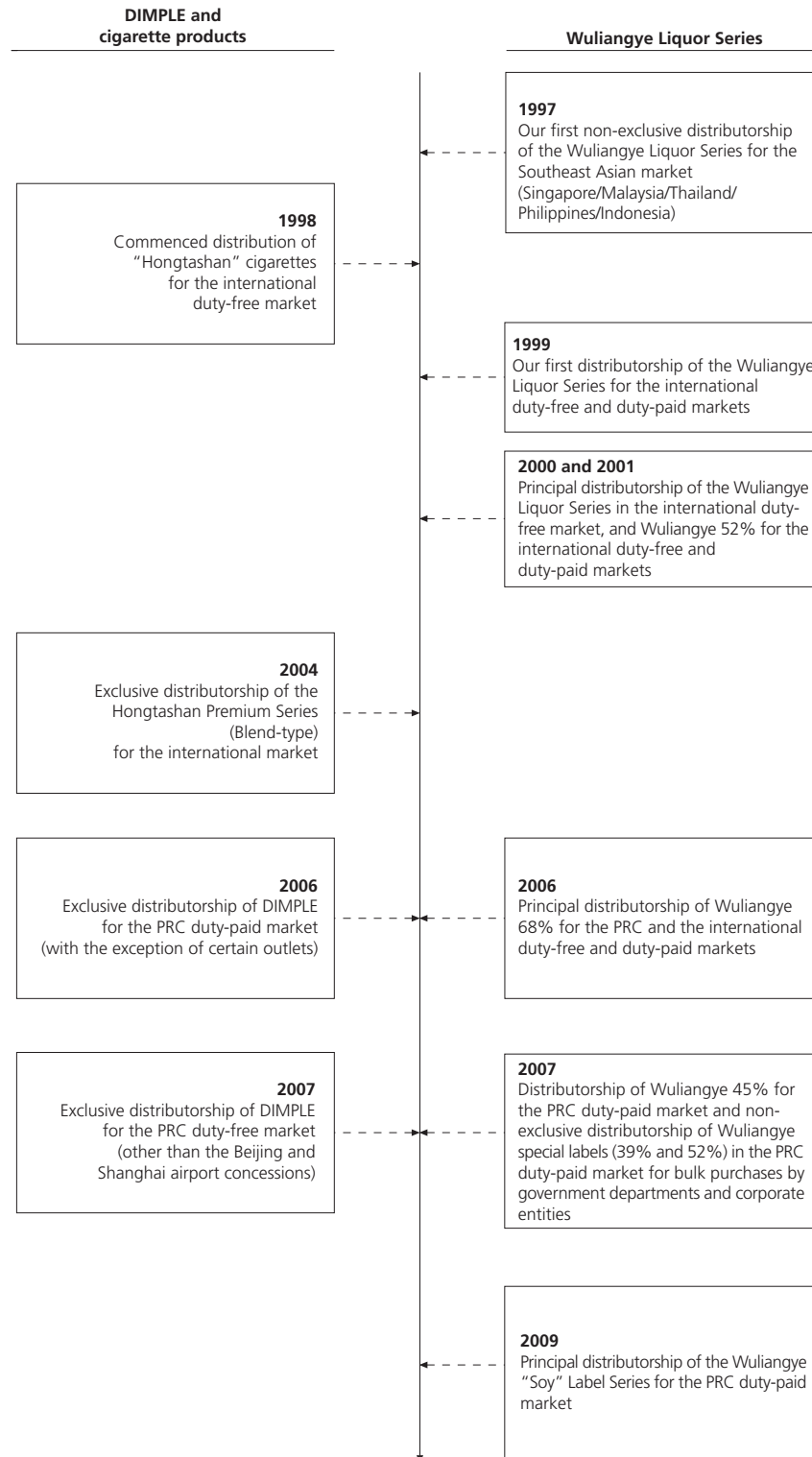
In 1998, we, through Silver Base Development, commenced our distribution of "Hongtashan" cigarettes for the international duty-free market. In 2004 and 2005, Silver Base Tobacco entered into long-term distribution agreements for the exclusive distribution of the Hongtashan Premium Series for the international market. We have developed our distribution of Chinese cigarettes and we are now an international distributor of 13 PRC brands of cigarettes.

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For further details of our cigarette distribution business, please refer to the paragraph headed “Our distributorship” below.

Business milestones

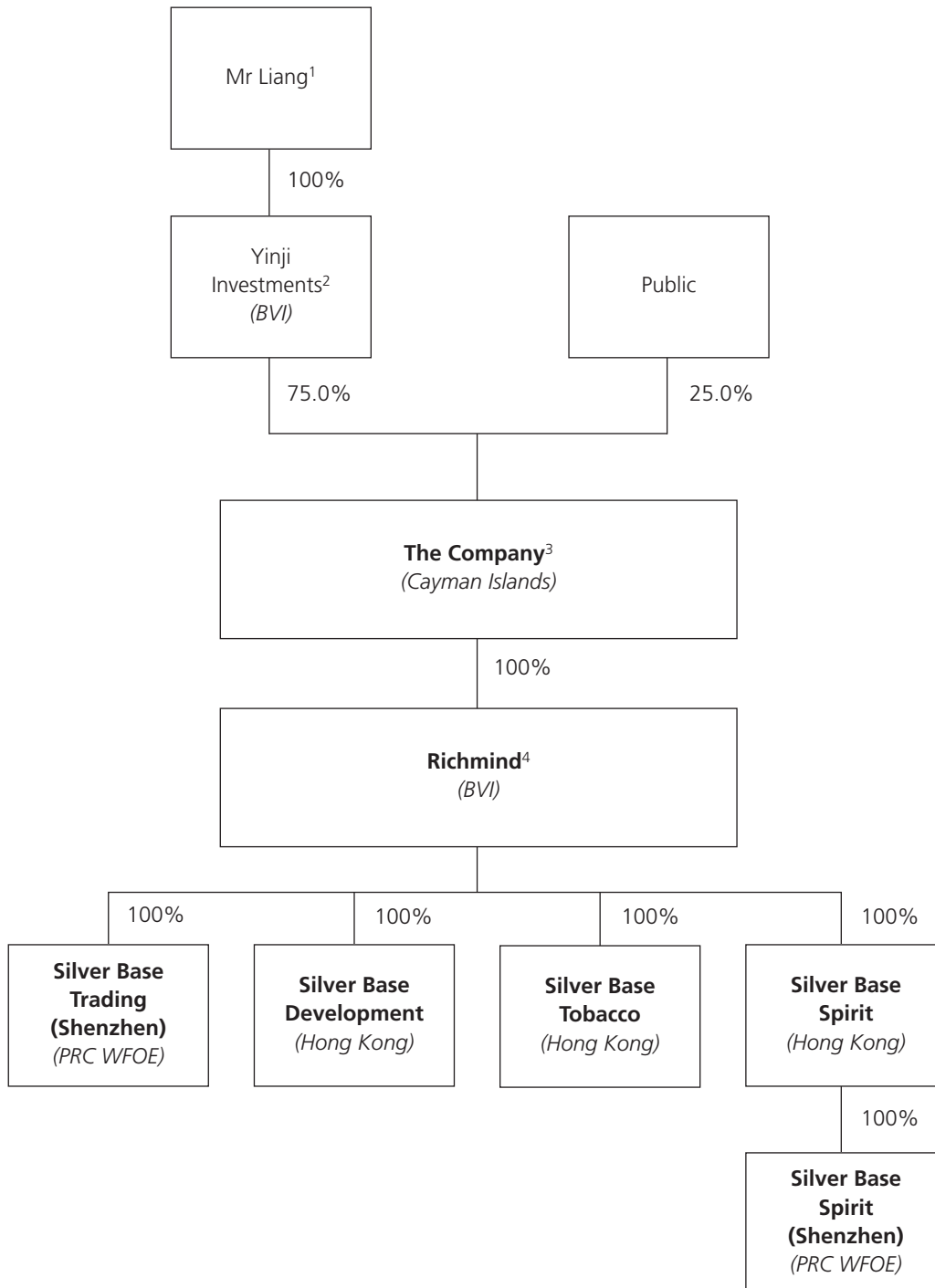
The following diagram depicts our major business development and achievements:



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Group structure

The shareholding structure of the members of the Group upon the completion of the Reorganisation, the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and no Shares are issued pursuant to any options which may be granted under the Share Option Scheme) is set out below:



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Notes:

- 1 Mr Liang, the Chairman and an executive Director.
- 2 Yinji Investments, a company incorporated in the BVI with limited liability on 11 September 2007, which is wholly-owned by Mr Liang. It is authorised to issue up to a maximum of 50,000 shares of one class without par value. On 12 September 2007, one share in Yinji Investments was allotted and issued to Mr Liang for US\$1.00.
- 3 The Company was incorporated in the Cayman Islands on 12 September 2007 with one Share allotted and issued to Yinji Investments and became the holding company of the companies comprising the Group upon completion of the Reorganisation in preparation for the Listing. Further details of the Reorganisation are set out in the paragraph headed "A. Further information about our Group – 5. Corporate reorganisation" in Appendix VI to this prospectus.
- 4 Pursuant to a share swap agreement dated 23 June 2008 entered into among Mr Liang, Yinji Investments and the Company, the Company acquired the entire issued share capital of Richmind from Mr Liang in consideration of the Company allotting, credited as fully paid up, 3,799,999 Shares to Yinji Investments at the direction of Mr Liang.

Subsidiaries of the Company and their principal business activities

Silver Base Development

Silver Base Development was incorporated in Hong Kong with limited liability on 21 February 1997 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On 6 March 1997, Kanway Service Limited and Century Corporate Services Limited each transferred one subscribers' share to Ms Luo Li and Mr Liang, respectively, for HK\$1.00 each. On 28 June 2002, Ms Luo transferred the one share she held to Mr Liang Guoning at nil consideration, who held one share on trust in favour of Mr Liang. Before the Reorganisation, Silver Base Development was beneficially wholly-owned by Mr Liang.

Silver Base Development focuses its business activities on the international distribution of the Wuliangye Liquor Series and cigarettes.

Silver Base Tobacco

Silver Base Tobacco was incorporated in Hong Kong with limited liability on 29 October 2003 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On incorporation, 9,999 shares of the company were held by Mr Liang and one share was held by Mr Liang Guofeng (Mr Liang's cousin). On 12 November 2003, its authorised share capital was increased to HK\$10,000,000 by the creation of an additional 9,990,000 shares of HK\$1.00 each, and those shares were allotted to Mr Liang for HK\$9,990,000. Before the Reorganisation, Silver Base Tobacco was held 99.99999% by Mr Liang (9,999,999 shares) and 0.00001% by Mr Liang Guofeng (one share).

Silver Base Tobacco currently engages in the distribution of the Hongtashan Premium Series for the international market.

Silver Base Trading (Shenzhen)

Silver Base Trading (Shenzhen) was established in the PRC as a limited liability company on 21 December 2005. Its registered capital is US\$2,200,000, which has been fully paid. Its operative term is 15 years (from 21 December 2005 to 21 December 2020). All the equity of Silver Base Trading (Shenzhen) is held by Richmind.

Silver Base Trading (Shenzhen) currently engages in the distribution of the Wuliangye Liquor Series for the PRC market.

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Richmind

On 21 March 2005, Richmind was incorporated in the BVI with limited liability with an authorised capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. Before the Reorganisation, Richmind was legally and beneficially wholly-owned by Mr Liang.

Richmind is an investment holding company of the Group and does not carry on any business.

Silver Base Spirit (Shenzhen)

On 28 August 2007, Silver Base Spirit (Shenzhen) was established in the PRC as a limited liability company. The registered capital is HK\$20,000,000, which has been fully paid. Its operative term is 15 years (from 28 August 2007 to 28 August 2022). All the equity of Silver Base Spirit (Shenzhen) is held by Silver Base Spirit.

Silver Base Spirit (Shenzhen) currently engages in the exclusive distribution of DIMPLE for the PRC duty-paid market, with the exception of certain outlets (namely, any outlet in the PRC, including bar, nightclub, pub, KTV or similar establishment (i) which caters predominately to the Korean expatriate market, or (ii) where Johnnie Walker Whisky products are sold), unless sales in such outlets do not adversely affect the sales of other products supplied by Diageo in such outlets (other than red or white wines, beer and Chinese *baijiu* (白酒) products).

Silver Base Spirit

On 11 April 2006, Silver Base Spirit was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each.

All the 10,000 shares in Silver Base Spirit were allotted and issued to Mr Liang as the subscriber for HK\$10,000.

On 15 May 2006, under various instruments of transfer and bought and sold notes, with a view to developing the business of Silver Base Spirit, Mr Liang transferred 500 shares, 2,800 shares and 1,000 shares in Silver Base Spirit to Kauri Wood Pte. Ltd. ("**Kauri Wood**"), Jake Pison Hawila ("**Mr Hawila**") and To Man Chung ("**Mr To**"), respectively, for HK\$1.00 for each of the transfers. After the transfers, Silver Base Spirit was held 57% (5,700 shares) by Mr Liang, 28% (2,800 shares) by Mr Hawila, 10% (1,000 shares) by Mr To and 5% (500 shares) by Kauri Wood. To the best of our Directors' knowledge, information and belief, Kauri Wood, Mr Hawila and Mr To are Independent Third Parties, other than in the case of Mr Hawila and Mr To, who were both substantial shareholders of Silver Base Spirit and directors of Silver Base Spirit (Shenzhen).

On 25 January 2008, each of Kauri Wood, Mr Hawila and Mr To entered into the respective sale and purchase agreements (together with instruments of transfer, and bought and sold notes) for the transfer of 500 shares, 2,800 shares and 1,000 shares, respectively, of Silver Base Spirit to Richmind for HK\$500, HK\$2,800 and HK\$1,000, respectively, in order to exit the business of Silver Base Spirit. On 25 January 2008, the loans due to each of Kauri Wood, Mr Hawila and Mr To by Silver Base Spirit were assigned to Richmind for HK\$4,004,621.96, HK\$22,425,928.96 and HK\$8,009,193.91, respectively, under the respective deeds of assignment.

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On 4 June 2008, under a share purchase agreement (together with instrument of transfer, and bought and sold note), Richmind purchased 5,700 shares in Silver Base Spirit from Mr Liang, representing 57% of the issued share capital of Silver Base Spirit, for HK\$1.00 each. After the sale and purchase, Silver Base Spirit became wholly-owned by Richmind.

The loans subject to the assignments were the loans from the shareholders which were made previously for the development of Silver Base Spirit. They were assigned to Richmind, the purchaser of the shares held by the minority shareholders of Silver Base Spirit as part of the Reorganisation. The considerations for the transfers of shares in Silver Base Spirit were based on the nominal value of the shares. The considerations for the assignments of the loans were based on the amount of the loans made by the relevant shareholder minus the share of the loss of each shareholder based on the percentage of his shareholding in Silver Base Spirit during the nine months ended 31 December 2007.

Currently, Silver Base Spirit's principal business is the exclusive distribution of DIMPLE for the PRC duty-free market (other than the Beijing and Shanghai airport concession). During the Track Record Period, Silver Base Spirit, as the holding company of Silver Base Spirit (Shenzhen), provided a performance guarantee and payment undertaking for the distribution business of DIMPLE.

Reorganisation

Further details of the Reorganisation are set out in the paragraph headed "A. Further information about our Group – 5. Corporate reorganisation" in Appendix VI to this prospectus.

THE PRODUCTS WE DISTRIBUTE

Overview

We are principally engaged in the distribution of high-end liquor for the PRC and international markets. We also distribute various PRC brands of cigarettes for certain duty-free markets in Asia. Our revenue generated from the distribution of the Wuliangye Liquor Series for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008 was HK\$454.4 million, HK\$869.1 million, HK\$1,382.9 million and HK\$834.6 million, representing 79.0%, 88.4%, 93.1% and 95.0%, respectively, of our total revenue.

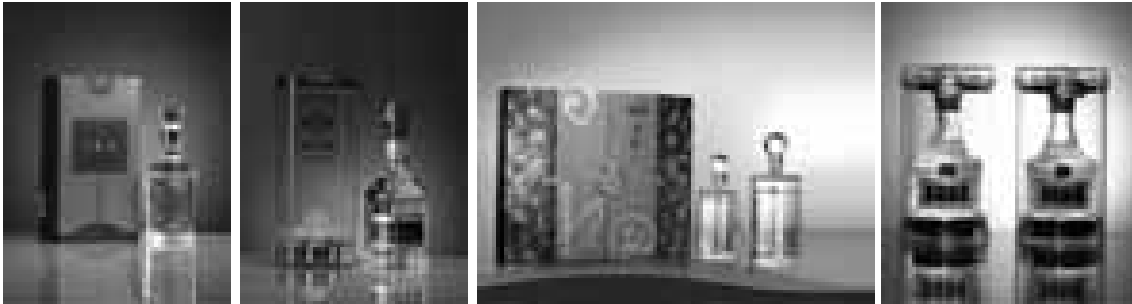
For each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, our revenue generated from the international market accounted for 94.8%, 66.5%, 55.5% and 66.2%, respectively, of our total revenue. The remaining revenue represented our sales in the PRC market.

Products we distribute

The products we distribute include the Wuliangye Liquor Series, variants of the DIMPLE brand of Scotch whisky and different brands of cigarettes manufactured in the PRC. Set out below is a brief introduction to the principal products we distribute:

The Wuliangye Liquor Series

Literally known as “five-grain liquid”, the Wuliangye Liquor Series is considered to be high-end Chinese *baijiu* (白酒) liquor in China. Wuliangye is brewed from five grains comprising broomcorn (高粱), corn (玉米), glutinous rice (糯米), rice (大米) and wheat (小麦). There are four different grades of liquor with the Wuliangye Liquor Series, according to the degree of fermentation and the alcohol content, namely, Wuliangye 39%, Wuliangye 45%, Wuliangye 52% and Wuliangye 68%. We are also authorised by the Wuliangye Group to distribute Wuliangye 52% and Wuliangye 39% with special labels exclusively catered for bulk purchases in the PRC by certain governmental departments and corporate entities and to distribute the Wuliangye “Soy” Label Series in the PRC duty-paid market.



DIMPLE

First produced from malted grains in Edinburgh in 1888 by John Aloysius Haig, DIMPLE is one of the most popular Scotch whiskies. We have the right to distribute three of the variants of the DIMPLE brand of Scotch whisky, namely, DIMPLE 12-year-old Scotch whisky, DIMPLE 15-year-old Scotch whisky and DIMPLE 18-year-old Scotch whisky.



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Cigarettes

We distribute various PRC brands of cigarettes for certain duty-free markets in Asia. In particular, we are the exclusive distributor of the Hongtashan Premium Series for the international market. For further details of the cigarette brands we distribute, please refer to the paragraph headed “Our distributorship – Cigarette products” below.

Revenue contributed by the products we distribute

Set out below is a breakdown of our revenue by products for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008:

	For the financial year ended 31 March						For the six months ended 30 September	
	2006		2007		2008		2008	
	Revenue HK\$ million	% of total revenue	Revenue HK\$ million	% of total revenue	Revenue HK\$ million	% of total revenue	Revenue HK\$ million	% of total revenue
Wuliangye Liquor Series								
PRC market	29.9	5.2	323.5	32.9	654.6	44.1	293.3	33.4
International market	424.5	73.8	545.6	55.5	728.3	49.0	541.3	61.6
DIMPLE								
PRC market	–	–	6.3	0.6	5.7	0.4	3.4	0.4
International market	–	–	–	–	0.4	–	–	–
Cigarettes								
PRC market	0.3	–	–	–	–	–	–	–
International market	120.6	21.0	108.5	11.0	96.1	6.5	40.4	4.6
Total	<u>575.3</u>	<u>100.0</u>	<u>983.9</u>	<u>100.0</u>	<u>1,485.1</u>	<u>100.0</u>	<u>878.4</u>	<u>100.0</u>

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OUR DISTRIBUTORSHIP

The Wuliangye Liquor Series

Our distributorships with the Wuliangye Group are summarised as follows¹:

Product	Nature of distributorship	Markets				Period ³
		PRC		International		
		Duty-paid	Duty-free	Duty-paid	Duty-free	
1. Wuliangye 52%	Principal distributor ² (總經銷商)			√	√	1 January 2001 to 31 December 2020
2. Wuliangye 68%	Principal distributor ² (總經銷商)	√	√	√	√	1 January 2006 to 28 August 2017
3. Wuliangye 45%	Distributor ² (經銷商)	√				16 March 2007 to 15 March 2012
4. The whole Wuliangye Liquor Series (39%, 45%, 52% and 68%)	Principal distributor ² (總經銷商)				√	1 December 2000 to 31 December 2020
5. Wuliangye special labels (39% and 52%)	Non-exclusive (for bulk purchases by certain governmental departments and corporate entities)	√				20 April 2007 to 19 April 2012
6. Wuliangye "Soy" Label Series (52% and 48%)	Principal distributor (總經銷商)	√				6 February 2009 to 5 February 2019

Notes:

- In addition to the distributorship arrangements as stated in the table above, we have two other distribution agreements with the Wuliangye Group signed in September 2000 in relation to the distribution of the Wuliangye Liquor Series in Hong Kong and certain other countries (the "Old Agreements"). Whilst the Old Agreements, which will expire in July 2010 and September 2009, respectively, are not superseded by the subsequent distribution agreements, given that we were granted the distributorship of the Wuliangye Liquor Series for the international market under two other subsequent distribution agreements numbered 1 and 4 above, and both of which will last for a term of up to 31 December 2020, our Directors consider that it is not necessary for the Group to extend the Old Agreements upon expiry.
- The Wuliangye Group recognises us as the largest distributor of the Wuliangye Liquor Series for the products (other than the special label series) distributed in their respective markets as set out in the above table. The Wuliangye Group also confirmed that it has not appointed other distributors in respect of such markets and products for which we have been granted the distributorship and that it only conducts sales of such products (other than the special label series) in such markets through us.
- Please see the paragraph headed "Purchasing" below for details in relation to the termination of the distribution agreements.

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Our revenue contributed from the distribution of the Wuliangye Liquor Series for the three financial years ended 31 March 2008 and the six months ended 30 September 2008 was HK\$454.4 million, HK\$869.1 million, HK\$1,382.9 million and HK\$834.6 million, respectively, representing 79.0%, 88.4%, 93.1% and 95.0%, respectively, of our total revenue.

DIMPLE

We are the exclusive distributor of DIMPLE for both the PRC duty-paid and duty-free markets (other than Beijing and Shanghai airport concessions). In June 2006, we obtained the exclusive distributorship of DIMPLE in the PRC duty-paid market for a term up to June 2011¹, unless otherwise terminated in accordance with the terms and conditions of the distribution agreement. In early 2007, we further obtained the exclusive distributorship of DIMPLE in the PRC duty-free market (excluding the Beijing and Shanghai airport concessions) up to 30 June 2011, unless otherwise terminated in accordance with the terms and conditions of the distribution agreement.

Our revenue generated from the distribution of DIMPLE for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008 were nil, HK\$6.3 million, HK\$6.1 million and HK\$3.4 million, representing nil, 0.6%, 0.4% and 0.4%, respectively, of our total revenue.

Cigarette products

We distribute various PRC brands of cigarettes for certain duty-free markets in Asia on a non-exclusive basis. In addition, we have been appointed by the Hongta Group as the exclusive distributor of the Hongtashan Premium Series for the international market. From February 2004 to February 2009, we were appointed by the Hongta Group as the exclusive distributor of the Hongtashan Premium Series (12 mg) for the international market. In July 2005, we entered into another exclusive distribution agreement with the Hongta Group for the exclusive distribution of the Hongtashan Premium Series (6 mg and 9 mg) for the international market for a term up to July 2020.

Note:

- 1 We have an exclusive distributorship with Diageo to supply DIMPLE within the PRC duty-paid market, with the exception of certain outlets (namely, any outlet in the PRC, including bar, nightclub, pub, KTV or similar establishment (i) which caters predominately to the Korean expatriate market, or (ii) where Johnnie Walker Whisky products are sold), unless sales in such outlets do not adversely affect sales of other products supplied by Diageo in such outlets (other than red or white wines, beer and Chinese *baijiu* (白酒) products).

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Set out below is a table showing our distributorships for cigarettes:

	Supplier	Cigarette brand	Chinese brand name	Markets	Nature of distributorship
1.	浙江中煙工業有限責任公司 China Tobacco Zhejiang Industrial Co., Ltd.*	Dahongying	大紅鷹	Singapore	Non-exclusive
		Liqun	利群	Singapore, Korea	
2.	中國煙草廣東進出口有限公司 China Tobacco Guangdong Import & Export Co., Ltd.*	Shuangxi (hard/soft packet)	雙喜 (硬/軟包)	Malaysia	Non-exclusive
3.	金葉卷煙廠(澳門)有限公司 Golden Leaf Macau Tobacco's Manufacturing Ltd.*	Shuangxi (hard/soft packet)	雙喜 (硬/軟包)	Malaysia	Non-exclusive
4.	雲南煙草國際有限公司 Yunnan Tobacco International Co., Ltd.*	Hongtashan Premium Series	君皇 紅塔山	International	Exclusive
		Hongtashan	紅塔山	Singapore, Malaysia	Non-exclusive
		Hongtashan (Golden)	金紅塔山	Singapore, Malaysia	Non-exclusive
		Yuxi	玉溪	Singapore, Malaysia	Non-exclusive
		Yuxi (Golden)	金玉溪	Singapore, Malaysia	Non-exclusive
		Yunyan (Special Edition)	極品雲煙	Malaysia	Non-exclusive
		Yunyan (Hong)	紅雲煙	Malaysia	Non-exclusive
	Yunyan (Chunxiang)	醇香雲煙	Malaysia	Non-exclusive	
5.	川渝中煙工業公司 China Tobacco Chuanyu Industrial Corporation*	Pride	嬌子	Singapore	Non-exclusive
6.	湖南中煙工業有限責任公司 China Tobacco Hunan Industrial Co., Ltd.*	Furongwang	芙蓉王	Singapore, Malaysia	Non-exclusive

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Our revenue contributed from the distribution of cigarettes for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008 was HK\$120.9 million, HK\$108.5 million, HK\$96.1 million and HK\$40.4 million, respectively, representing 21.0%, 11.0%, 6.5% and 4.6% of our total revenue.

PURCHASING

Our revenue generated from the distribution of the Wuliangye Liquor Series for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008 was HK\$454.4 million, HK\$869.1 million, HK\$1,382.9 million and HK\$834.6 million, representing 79.0%, 88.4%, 93.1% and 95.0%, respectively, of our total revenue. The Wuliangye Group is our single largest supplier. Purchases of liquor products from the Wuliangye Group accounted for approximately 72.6%, 84.4%, 83.7% and 82.7% of our total purchases, respectively, for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008. During the same periods, purchases from our five largest suppliers (including the Wuliangye Group) in aggregate accounted for approximately 95.0%, 97.3%, 95.5% and 95.9% of our total purchases, respectively. Accordingly, our results of operations and financial condition are significantly dependent on the continued supply of the Wuliangye Liquor Series from the Wuliangye Group.

We experienced a significant drop in revenue and our financial performance for the three months ended 31 December 2008 has significantly deteriorated when compared with that of the corresponding period in 2007. We also expect that our net profit in the second half of the financial year ending 31 March 2009 will reduce by over 70% as compared to that in the first half of the same financial year and that in the corresponding period in the financial year ended 31 March 2008. This significant drop in revenue for the three months ended 31 December 2008 was primarily due to a major delay in delivery of Wuliangye 52% that we ordered in May 2008 for distribution in the international market. As a result of this delay, our sales volume and value decreased for the international market, where the profit margins are higher than those in the PRC market, for the three months ended 31 December 2008 when compared with the three months ended 31 December 2007. According to the original delivery schedule, this product should have arrived by November 2008. However, only around 70% of this product had been delivered to us as at the date of this prospectus. We received Wuliangye 52% from the Wuliangye Group in October 2008 but not in the following months until February 2009. Accordingly, the quantities of Wuliangye 52% that the Group received during the period from October 2008 to January 2009 were lower than that in the corresponding period a year earlier. Taking into account the quantities of Wuliangye 52% sold from October 2008 to January 2009, our quantity of Wuliangye 52% stock available for sale decreased by approximately 90% as at 31 January 2009 as compared to 30 September 2008.

As a result of this delay, we had to postpone the performance of a number of confirmed orders that we originally entered into based on our timely receipt of the products from the Wuliangye Group, cancel a significant order that we placed with the Wuliangye Group and temporarily discontinue placing new orders with the Wuliangye Group until completion of the delivery which had been delayed. Our Directors understand that this delay was primarily due to a change of the Wuliangye Group's internal production schedule requiring them to arrange delivery of this product to us gradually in installments of varying sizes. Our Directors confirm that, out of Wuliangye 52% which delivery has been delayed, around 70% had already arrived as at the date of this prospectus. In the meantime, based on the existing sales contracts between the Group and its single largest customer, our Directors are of the view that the Group is not liable for any claim brought by such customer in relation to the aforesaid delay in delivery of Wuliangye 52% in the second half of the financial year ending 31 March 2009.

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Regarding the PRC market, the distributors in the PRC market increased their purchase of the Wuliangye Liquor Series prior to the effective date of the price increases in the PRC market for Wuliangye 45% (by 7%) and Wuliangye 68% (by 10%), which were announced by us in late September 2008. In addition, the amount of the Wuliangye Liquor Series supplied by the Wuliangye Group to us for the PRC market decreased as a result of, based on our Directors' understanding, the Wuliangye Group's internal production schedule as mentioned above. As a result, the sales volume and value decreased for the PRC market for the three months ended 31 December 2008 when compared with the three months ended 31 December 2007. We strategically maintained our inventory levels during the three months ended 31 December 2008 in anticipation of an increase in demand for, and consequently a higher selling price of, the Wuliangye Liquor Series products during the Chinese New Year season. For details, please see "Business – Seasonality" and "Financial Information – Our financial performance has significantly deteriorated for the three months ended 31 December 2008."

Having considered that about 70% of the delayed Wuliangye 52% for sale in the international market had already been delivered to us as at the date of this prospectus, as well as the Wuliangye Group granting us the principal distribution rights to a new product, namely the Wuliangye "Soy" Label Series, for the PRC market for a term of ten years, our Directors believe that the delay in the delivery of the Wuliangye Liquor Series does not indicate any deterioration in the relationship between the Group and the Wuliangye Group.

Pursuant to the various agreements between us and the Wuliangye Group, the Wuliangye Group is obligated to ensure timely delivery of goods. However, going forward, there is no assurance that delay in delivery will not occur again and such delay, if any, will not result in any loss to us. Please see "Risk Factors – The impact of shortage of or delay in the supply of the Wuliangye Liquor Series by the Wuliangye Group" and "Risk Factor – Our cashflow or working capital may be affected by a delay in delivery of the Wuliangye Liquor Series". Nevertheless, as at the Latest Practicable Date, we decided not to take any action against the Wuliangye Group for the temporary delay in delivery of Wuliangye 52% in the financial year ending 31 March 2009.

The Wuliangye Liquor Series

Purchase commitment

According to the distribution agreement for the distribution of Wuliangye 52% in the international duty-paid and duty-free markets, we must achieve an annual purchase amount of over US\$15 million. Similarly, the distribution agreement for the distribution of Wuliangye 45% in the PRC duty-paid market states that we must achieve an annual purchase amount of RMB50 million for the first 12 months of the agreement, subject to further adjustments in subsequent years. Our Directors confirmed that such minimum purchase commitments have been achieved during the Track Record Period. The distribution agreement for the distribution of the Wuliangye "Soy" Label Series in the PRC duty-paid market that we entered into in February 2009 states that we must achieve an annual purchase amount of RMB213 million for the first 12 months of the agreement, subject to a 10% increase per annum for the second and third years and a 20% increase per annum for the fourth to tenth years.

Regarding Wuliangye 68%, we were assigned the distributorship for the global duty-paid and duty-free markets pursuant to an assignment with effect from January 2006. According to the distribution agreement originally entered into between Shenzhen Hongtengda and the Wuliangye Group in August 2002 for the distribution of Wuliangye 68%, the distributor must achieve an annual purchase volume of 500 tonnes in the first year and such volume should increase annually up to an annual purchase volume of 2,000 tonnes. We obtained the

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distributorship of Wuliangye 68% in January 2006 and our Directors have confirmed that our purchase volume of Wuliangye 68% exceeded 500 tonnes in each of the calendar years in 2006 (being the first year of our distributorship) and 2007. Our Directors confirmed that we comply with our obligations under the distribution agreement for Wuliangye 68%.

Save as aforementioned, the distribution agreement for the distribution of the Wuliangye Liquor Series does not impose any minimum purchase commitments on us. In practice, for the international market, the annual purchase amount will be agreed between us and the Wuliangye Group at the end of each year. For the purpose of distributing the Wuliangye Liquor Series in the international market, in addition to the master distribution agreements, we enter into annual supply contracts with the Wuliangye Group conventionally at the end of each year which stipulate, among other things, the quantity of products that we will purchase from the Wuliangye Group during the next year. Our Directors confirmed that we have achieved these annual purchase quantities during the Track Record Period.

For the PRC market, we do not enter into any formal annual supply contracts with the Wuliangye Group for any agreed annual purchase quantities. Instead, we usually submit a purchase schedule to the Wuliangye Group setting out the estimated volume of the Wuliangye Liquor Series that we wish to purchase for distribution into the PRC market.

Restrictions

Certain distribution agreements with the Wuliangye Group state that we should not reduce the resale price without cause. The distribution agreements with the Wuliangye Group do not contain any provisions prohibiting us from distributing liquor products of other brands.

Termination

According to the three agreements for the distribution of Wuliangye 45%, the Wuliangye special label series and the Wuliangye "Soy" Label Series in the PRC duty-paid market, the Wuliangye Group will be entitled to terminate our distributorship if we are unable to fulfill our obligations under the agreements. Our other distribution agreements with the Wuliangye Group were silent on early termination. Our PRC legal advisers advised us that, according to Article 94 of the PRC Contract Law, a contract may be terminated under certain circumstances, namely (i) if it is impossible to achieve the purpose of the contract due to an event of force majeure; (ii) if, prior to expiry, a party expressly states or indicates through its conduct that it will not perform its major obligations under the contract; (iii) if a party fails to rectify the non-performance of its major obligations under the contract within a reasonable time despite being requested by the other party to do so; (iv) if a party delays to perform its obligations, or otherwise breaches the contract, rendering it impossible to achieve the purpose of the contract; or (v) other circumstances as provided by the law. As confirmed by the Wuliangye Group, we have maintained a good relationship with the Wuliangye Group and no contractual disputes relating to sales volume, price, product quality or otherwise have ever arisen nor has either party sought to recover any penalty or damages against the other. Our distributorships have never been terminated early by the Wuliangye Group. In fact, the Wuliangye Group has extended the terms of our two important distributorships, namely, Wuliangye 52% for the international duty-paid and duty-free markets and the Wuliangye Liquor Series for the international duty-free market. The two original agreements were signed in 2000 for an original term of up to 2010 and 2009, respectively. In November 2007 (approximately two to three years before the original expiry dates), the Wuliangye Group extended those distributorships for a term up to 31 December 2020 (effectively extending the term for an

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additional approximately 11 years). Our Directors believe that the successful extension of these two strategic agreements with the Wuliangye Group demonstrates the good working relationship between the parties and the recognition by the Wuliangye Group on our past performance.

DIMPLE

The exclusive distribution agreement with Diageo for the PRC duty-paid market states that, unless Diageo otherwise determines, the supply of DIMPLE 15-year-old Scotch whisky may be limited, due to global production shortages and that, during the first three years of the agreement, the supply of DIMPLE 12-year-old Scotch whisky is restricted to a maximum amount as set out therein. Similarly, the exclusive distribution agreement with Diageo for the PRC duty-free market sets out a maximum amount of DIMPLE 12-year-old Scotch whisky and DIMPLE 15-year-old Scotch whisky to be supplied by Diageo during the initial six-month period of the agreement. Following the expiry of this initial six-month period, the maximum amount of products to be supplied by Diageo shall be determined by the parties in good faith for each twelve-month period. The Group is not subject to any minimum purchase commitments under these two distribution agreements.

According to the distribution agreements, we shall place purchase orders with Diageo from time to time in writing. The initial price lists are set out in the distribution agreements and may be altered by Diageo once a year. In any event, Diageo shall discuss in good faith with us and must seek our opinion on any proposed price increases. We usually settle the payment by way of telegraphic transfer or letter of credit. For each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, we purchased DIMPLE from Diageo in the amount of nil, HK\$33.2 million, HK\$54.9 million and HK\$33.3 million, respectively. During the same periods, our revenue generated from the distribution of DIMPLE amounted to nil, HK\$6.3 million, HK\$6.1 million and HK\$3.4 million, respectively. Our Directors believe that, having considered the possible limited supply and possible price increases in the future, it is in our interest to purchase an adequate amount of DIMPLE to cater for future demands. In particular, we intend to launch various promotional and marketing activities later this year to promote the sales of DIMPLE in the PRC. Consequently, whilst sales of DIMPLE have not been substantial during the two financial years ended 31 March 2008 and the six months ended 30 September 2008, our Directors are of the view that sufficient amount of stock is necessary to cater for the possible increase in sales of DIMPLE as a result of the promotional and marketing activities to be launched by the Group. In anticipation of the launch of the promotional and marketing activities, and a possible increase in sales of DIMPLE, our Directors believe that the Group's stock level of DIMPLE will normalise in the future.

Our distribution agreements with Diageo may be terminated by either party, if, among other things, the other party is in breach of the agreement which is not capable of remedy, or which is capable of remedy but such party fails to remedy the breach after reasonable notice period. Our Directors believe that we have maintained a good working relationship with Diageo. Our distributorships have never been terminated by Diageo.

According to the two exclusive distribution agreements with Diageo, we are not allowed to distribute any Restricted Products in the PRC. Our Directors consider distributing DIMPLE in the PRC a good opportunity for us to further leverage on our existing distribution network in the PRC. Our Directors also consider obtaining the exclusive distributorship of DIMPLE for the PRC

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market a strategic move for us to further expand our product range to international brands of liquor and to reduce reliance on the Wuliangye Group as the single largest supplier. On this basis, although we are required by our distribution agreements with Diageo not to distribute the Restricted Products in the PRC and the revenue contribution from the sale of DIMPLE during the Track Record Period is relatively minimal as compared to our total revenue, our Directors consider that it is in our interest to obtain the distribution of DIMPLE for long-term development in the PRC market. Whilst there are certain restrictions under the agreements with Diageo as aforesaid, such restrictions do not conflict with the distribution of our principal products, namely the Wuliangye Liquor Series.

Cigarette products

For each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, our sales of the Hongtashan Premium Series amounted to HK\$9.7 million, HK\$4.2 million, HK\$6.3 million and HK\$3.4 million, respectively, representing 1.7%, 0.4%, 0.4% and 0.4% of our total revenue during the same periods.

Our two exclusive distribution agreements with the Hongta Group for the distribution of the Hongtashan Premium Series in the international market set out our minimum purchase commitments. Under the agreement dated February 2004 for the exclusive distribution of the Hongtashan Premium Series (12 mg), which expired in February 2009, the minimum purchase commitment for 2004 was 10,000 cases. Under the agreement dated July 2005 for the exclusive distribution of the Hongtashan Premium Series (6 mg and 9 mg), the minimum purchase commitment for the first year is 6,000 cases. The minimum purchase commitment under both agreements shall increase by 20% annually based on the volume purchased in the preceding year. The agreements do not impose any requirement or restriction on our resale price.

We were unable to fulfil the pro forma minimum purchase commitment under these two agreements during the Track Record Period which is arrived at as explained below. For each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, we achieved 71.4%, 1.3%, nil and nil, respectively, of the pro forma minimum purchase commitment for the Hongtashan Premium Series (12 mg). During the same periods, we achieved 15.9%, 17.2%, nil and nil, respectively, of the pro forma minimum purchase commitment for the Hongtashan Premium Series (6 mg) and 15.9%, 26.5%, nil and nil, respectively, of that for the Hongtashan Premium Series (9 mg). Our pro forma minimum purchase commitment per financial year is, for illustrative purposes only, based on a pro rata calculation of our minimum purchase commitment to the Hongta Group. According to our distribution agreements with the Hongta Group, the Hongta Group may terminate the agreements if we are unable to fulfill our obligations including, among other things, the minimum purchase commitment. However, the agreements do not state that we are subject to any penalty or fine in the event of such termination by the Hongta Group or non-fulfillment of the minimum purchase commitment. Accordingly, the possible consequences of the non-fulfillment of the minimum purchase commitment are that the Hongta Group may terminate the agreements or may compel us to fulfill the minimum purchase commitment. As advised by our PRC legal advisers, under PRC law, we may be responsible for the loss suffered by the Hongta Group, if any, in connection with the non-fulfillment of the minimum purchase commitment. The agreements also provide that, if we are unable to meet the minimum purchase commitment, the parties shall discuss and negotiate a mutually acceptable solution.

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Whilst no amended agreement in writing has been entered into by us and the Hongta Group in reducing the minimum purchase commitment, the Hongta Group has not compelled us to strictly comply with the original minimum purchase commitment in accordance with the distribution agreements. More importantly, the Hongta Group has not indicated to us of its intention to terminate any distribution agreement. Our Directors believe that we have maintained a good relationship with the Hongta Group notwithstanding the non-fulfillment of the minimum purchase commitment.

For our non-exclusive distribution of other brands of cigarettes, we have not entered into any distribution agreements with the cigarette manufacturers. We usually purchase from the suppliers on a quarterly basis. Our purchase contracts with the cigarette suppliers usually require us to settle the payment by way of telegraphic transfer prior to delivery of goods.

None of our cigarette product suppliers has set out any requirements on our resale prices and we are free to determine the re-selling prices from time to time.

Our Directors believe that we have maintained a good relationship with our cigarette suppliers and no contractual disputes have ever arisen nor has any party sought to recover any penalty or damages against the other. Our distributorships have never been terminated early by our cigarette product suppliers.

SALES, MARKETING AND PROMOTION

Our customers

Our five largest customers accounted for an aggregate of 88.9%, 64.9%, 63.8% and 69.7% of our total revenue for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, respectively. During the same periods, our single largest customer accounted for 53.2%, 47.6%, 54.1% and 50.7%, respectively, of our total revenue. None of our Directors or their respective associates or our existing Shareholder have any interest in any of our five largest customers.

Based on our Directors' understanding, our top five customers are engaged in, among other things, the trading and sub-distribution of liquor and/or cigarettes. Most of these top customers settle payment with us in cash by way of bank transfer prior to delivery of the goods and without a credit period.

For each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, our revenue generated from the international market accounted for 94.8%, 66.5%, 55.5% and 66.2%, respectively, of our total revenue. The remaining revenue represented our sales in the PRC market.

Our Directors believe that maintaining good relationships with customers and suppliers has been one of the critical success factors of the Group.

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PRC market

Our Directors believe that a well-established distribution network and channel management in the PRC are the keys to our success in the distribution of the Wuliangye Liquor Series, DIMPLE or any other products that we may distribute in the future. In the PRC market, we endeavour to oversee the distribution network primarily through pricing mechanisms, territorial restrictions and marketing incentives. With a view to avoiding the abuse of discounts by the sub-distributors and retailers during seasons of slow sales or during their own financial difficulties, in our contracts with the first-tier sub-distributors, we typically incorporate minimum selling prices for various levels of sub-distributors. In addition, we have adopted a policy under which, within a defined territorial area, we are usually only engaged with a limited number of first-tier sub-distributors. Finally, we provide a number of marketing incentives to the sub-distributors, such as marketing commissions which are based on their compliance with, among other things, the pricing mechanism and territorial restrictions, as well as rebates, discounts and promotional subsidies which are based on their purchase volume.

In the PRC market, we transacted with 83, 168, 252 and 263 customers during each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, of which 45, 79, 225 and 227 had distribution agreements with us during the same periods. Our Directors confirm that to the best of their knowledge, information and belief, other than Shenzhen Hongtengda, Shanghai Yincang, Beijing Yincang Trading Co., Ltd* (北京銀倉商貿有限公司) (“**Beijing Yincang**”) and Shenzhen Yinji Advertising Co., Ltd* (深圳銀基廣告有限公司) (“**Shenzhen Yinji**”), all customers are Independent Third Parties. Shenzhen Hongtengda is owned by Mr Liang Guosheng (Mr Liang’s brother) and Mr Liang Guojun (Mr Liang’s cousin). Shanghai Yincang and Beijing Yincang are beneficially owned by Mr Liang Guofeng and Mr Liang Guoming, both of whom are cousins of Mr Liang. Shenzhen Yinji is beneficially owned by Mr Liang Guosheng and Mr Liang Guoming. For each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, sales to these four companies amounted to HK\$0.5 million, HK\$1.9 million, HK\$1.5 million and nil million, respectively, representing 0.08%, 0.20%, 0.10% and nil of the Group’s total revenue during the same periods. Our Directors confirmed that the transactions with these companies were conducted on normal commercial terms. We currently do not intend to sell products to these companies following the Listing. Our PRC customers include first-tier sub-distributors which purchase our liquor products for further distribution to other second-tier sub-distributors. The second-tier sub-distributors will then distribute the liquor products to other sub-distributors or retail outlets in the PRC. Whilst we do not distribute products directly to the second-tier or other sub-distributors and we do not have any direct contractual relationship with them, we manage our distribution network through channel management.

We obtained information on the second-tier and other sub-distributors from our first-tier sub-distributors, with whom we have direct contractual relationships. Also, employees in our PRC sales and marketing team who are responsible for different major sales locations in the PRC will monitor the distribution activities by, among other methods, conducting on-site inspections at the retail outlets and liaising with certain sub-distributors at various levels to ensure that products are distributed in accordance with our pricing and territorial policies. As at 30 September 2008, we had over 160 employees in our PRC sales and marketing team. For the Wuliangye Liquor Series we distribute in the PRC, there is a special code printed on each package box which assists us in monitoring territorial delineation. By imposing the pricing and territorial restrictions on our first-tier sub-distributors, we believe that such first-tier sub-distributors will implement our policies by imposing the corresponding pricing and territorial

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restrictions to the onward sub-distributions, given that failure to comply with our pricing and territorial policies may result in termination of the relevant distribution agreement by us, deduction/forfeiture of the security deposit placed by the relevant first-tier sub-distributor with us or even commencement of legal proceeding by us.

Our agreements with the first-tier sub-distributors also set out the minimum purchase target with which the first-tier sub-distributors are expected to comply; otherwise the relevant first-tier sub-distributor may not be able to enjoy the sales rebates or discounts we offer and we may even terminate our agreements with them. However, these agreements provide that we are not obliged to supply the quantities of goods requested by the first-tier distributors. We provide a number of marketing incentives to the sub-distributors, such as marketing commissions, rebates, discounts and promotional subsidies. Such marketing incentives were HK\$1.8 million, HK\$27.0 million, HK\$32.4 million and HK\$1.5 million for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, respectively, which were offset against our revenue. In order to further strengthen and expand our distribution network, we intend to provide value-added services by matching up the sub-distributors in different tiers and referring certain retail distributors to the second-tier and third-tier sub-distributors, the third-tier sub-distributors to the second-tier sub-distributors and second-tier sub-distributors to the first-tier sub-distributors.

Our first-tier sub-distributors may request a refund for reasons related to the quality of the Wuliangye Liquor Series we distribute and the Wuliangye Group will be responsible for such quality problems. However, we have not encountered such refund requests during the Track Record Period. In occasional circumstances, the packaging of goods may become defective and our customers may request for an exchange of goods. In such circumstances, we may liaise with the logistics company for transportation. Exchange of goods pursuant to customer requests during the financial year ended 31 March 2008 was approximately HK\$0.7 million (representing 0.1% of our revenue generated from the PRC market during the same period). Save as aforesaid, we have not encountered such customer requests for the exchange of goods during the Track Record Period.

Our Directors estimate that there are about 1,200 second and third-tier sub-distributors and about 13,000 retail outlets within our existing PRC distribution network. We intend to strengthen and reinforce our relationships with the existing sub-distributors by implementing the "Qualified Sub-distributorship Programme" and issuing certificates to these sub-distributors. Our Directors believe that strengthening and reinforcing our relationships with sub-distributors of different tiers enables us to coordinate with them and oversee the distribution network in an efficient and organised manner.

International market

We have different sales models for the PRC and international markets. For instance, we do not distribute products to a large number of distributors in the international market (of which the single largest customer accounted for 56.2%, 71.6%, 97.5% and 76.6% of our total revenue generated from the international market during each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008) and we do not set out any contractual restrictions on pricing or other distribution policies for the international market. Instead, we distribute our liquor and cigarette products to certain customers who purchase products from us and export the same to different jurisdictions such as, principally, Vietnam,

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as well as other jurisdictions including Singapore and Malaysia. Whilst our Directors confirmed that we have informed our customers in the international market of our distribution policies for the international market pursuant to which, among other things, they should not purchase the products from us in Hong Kong and re-import the same in China, directly or indirectly, for further distribution, there is no contractual obligation imposed on them to adhere to such distribution policies. Unlike the PRC market, we are unable to obtain information from our customers in the international market on the information on the sub-distributors/customers of these customers. Please refer to "Risk Factors – We may not have adequate control over the pricing and distribution policies within the distribution network" and "Risk Factors – While a substantial proportion of our revenue is derived from sales to our single largest customer in the international market, we do not control the activities of any of our international customers, including our single largest customer in the international market. To the extent that any of our international customers are engaged in activities contrary to the terms of our distribution agreements with the Wuliangye Group, such as the re-import into China of liquor or other products we distribute in the international market, such activities may result in the termination of our distribution agreements or require us to terminate our relationship with the relevant customer (including our single largest customer in the international market) which would have a material adverse effect on our business prospects, results of operations or financial condition". Our PRC legal advisers confirm that the Wuliangye Group has no contractual rights to terminate the distribution agreements with us if our customers were found to be involved in the illegal re-importing activities without our involvement or require us to terminate our relationship with the relevant customer (including our single largest customer in the international market). Our Directors confirm that, if we become aware of any of our international customers (or their onward sub-distributors) acting against our distribution policies, we will terminate the business relationship with such customer immediately. Furthermore, our Directors have decided to formalise our arrangement with applicable customers in the international market by requiring each of them to undertake that it (i) will only distribute the products supplied by us in the designated jurisdictions and will not re-import such products to China (whether directly or indirectly); (ii) will use its best effort to ensure that its direct and indirect sub-distributors will adhere to such territorial restrictions in distributing the products; (iii) will be responsible for obtaining all necessary export permits from the Customs and Excise Department and completing all necessary procedures (including paying of customs duty) in relation to exporting the products out of Hong Kong and importing such products to the designated countries in accordance with the applicable laws and regulations; and (iv) shall provide us with copies of all export permits issued by the Customs and Excise Department and the customs cargo clearance notices (or equivalent documents) from the receiving countries for record purpose. If any customer fails to comply with any of these undertakings, we will terminate the business relationship with such customer immediately and may even commence legal actions against such customer for damages if necessary. Our Directors confirmed that the above arrangement has already been implemented.

For the international market, we understand that some of our customers which are wholesalers or trading companies will further distribute these products to other sub-distributors. Our customers for the international market also include duty-free outlets. Our Directors consider that we had accumulated approximately 49, 50, 59 and 63 customers, respectively, for the international market as at 31 March 2006, 2007 and 2008 and 30 September 2008, of which 34, 24, 29 and 22 customers, respectively, transacted with us during each of the three years ended 31 March 2008 and the six months ended 30 September 2008. During the same periods, our single largest customer, being a customer who purchased the Wuliangye Liquor Series and

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cigarettes from us in the international market and, as confirmed by our Directors, an Independent Third Party, accounted for 53.2%, 47.6%, 54.1% and 50.7%, respectively, of our total revenue, or 56.2%, 71.6%, 97.5% and 76.6%, of our revenue generated from the international market. Our revenue generated from this customer amounted to HK\$306.1 million, HK\$468.5 million, HK\$804.0 million and HK\$445.7 million, respectively, during the same periods. During the six months ended 30 September 2008, we commenced sales to two new customers which, in aggregate, accounted for 21.0% of our total revenue generated from sales in the international market during the same period. Our Directors confirmed that, to the best of their knowledge, information and belief, these two new customers are Independent Third Parties and they are independent third parties to each other. Please refer to “Risk Factors – We rely on key customers, in particular, our single largest customer which accounted for 53.2%, 47.6%, 54.1% and 50.7%, respectively, of our total revenue, or 56.2%, 71.6%, 97.5% and 76.6%, respectively, of our revenue generated from the international market during the Track Record Period”. We commenced a business relationship with our single largest customer in 1999. Based on our Directors’ understanding, our single largest customer is engaged in, among other things, trading and shipping businesses and our two new customers as mentioned above are independent from our single largest customer and are engaged in, among other things, trading business. Other than distributing the Wuliangye Liquor Series and different PRC brands of cigarettes supplied by us, our Directors understand that our single largest customer also distributes other brands of liquor supplied by other companies.

As part of our sales and marketing strategy for the international market, we conducted various kinds of overseas marketing and promotional activities from time to time. We attend international duty-free conferences, advertise in duty-free publications and participate in international duty-free shops’ promotional activities. For instance, we are a member of the Tax Free World Association (TFWA) which, according to its website, is a non-profit making international organisation and a leading provider of exhibitions and related business support services to the duty free and travel retail industry. We attended various exhibitions and conferences organised by Tax Free World Association, including TFWA Asia Pacific and TFWA World Exhibition, to promote the Wuliangye Liquor Series in the international duty-free market. In addition, we placed advertisements in duty-free magazines such as TFWA Daily, Frontier and China Duty Free. Also, our sales personnel for the international market visits certain sales locations in different countries and performs irregular on-site visits in the retail locations (such as duty-free shops).

Similar to the PRC market, the Wuliangye Group will be responsible for any quality problems which may arise in the products that we sell to our customers in the international market. However, we have not encountered any requests for goods refund or an exchange of goods, whether due to quality problems or not, from our customers in the international market during the Track Record Period.

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Major difference between the sales model of our PRC market and the international market
Set out below is a summary of the major difference between the sales model of our PRC market and the international market:

	PRC market	International market
Sales model	Emphasises on distribution network and channel management through pricing mechanisms, territorial restrictions and marketing incentives.	Ordinary trading business model.
Supervision and control of the distribution network	Yes	No ¹
Territorial restrictions	Yes	No
Minimum pricing requirements	Yes	No
Minimum purchase targets	Yes	No
Supervision and control of the distribution network	Yes	No
Number of customers	Larger number of customers	Smaller number of customers

Note:

- 1 Please refer to the paragraph headed "International market" above for details in relation to our arrangement with the customers by, among other things, imposing territorial restrictions on their distribution activities.

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	PRC market	International market
Customer concentration	The five largest customers in the PRC market accounted for an aggregate of 1.1%, 9.6%, 10.9% and 8.9% of our total revenue for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, respectively. The largest customer in the PRC market accounted for 0.2%, 3.3%, 2.9% and 3.0% of our total revenue during the same periods.	The five largest customers in the international market accounted for an aggregate of 88.9%, 64.0%, 55.1% and 65.4% of our total revenue for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008, respectively. The largest customer in the international market accounted for 53.2%, 47.6%, 54.1% and 50.7% of our total revenue during the same periods.
Marketing and promotional activities	Places advertisements at the back of boarding passes and selected in-flight magazines; offers gifts to customers in selected retail outlets; attends industry conventions in the PRC.	Attends various international exhibitions and conferences organised by various industry participants including Tax Free World Association.

Credit policy

For the international market, except duty-free shops, where a credit period of up to 90 days is granted, the goods are usually delivered on receipt of advance payment. For the PRC market, with the exception of some long-term customers with good financial background where a credit period up to 90 days is granted, the goods are usually delivered when the full payments or promissory notes endorsed by banks have been received. Our Directors consider that we have not experienced high credit risk during the Track Record Period. As at 31 March 2006, 31 March 2007, 31 March 2008 and 30 September 2008, trade receivables in the amount of HK\$0.3 million, HK\$0.8 million, HK\$0.8 million and nil, respectively, were impaired.

Our sales and marketing team

We have adopted various business models for both the PRC and international markets. Our Directors consider that our multi-tier distribution approach in the PRC requires higher staffing of employees; by contrast, our selling approach to the international market does not require high staffing of employees. Therefore, the majority of our employees in the sales and marketing team concentrates on the PRC market. As at 30 September 2008, we had over 160 members of staff in our PRC sales and marketing team which consists of seven sales teams each being responsible for a different region in the PRC, namely, southwestern China, southern China, eastern China, central China, northeastern China, northwestern China and northern China. For the international market, our sales and marketing team comprises seven members of staff as at the same date.

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Our Directors believe that our dedicated sales and marketing teams for the PRC and international markets supervised by Mr Liang are experienced in the liquor and cigarette distribution industries. As our growth depends on the capability and expertise of our sales and marketing team, we endeavour to train our sales and marketing team on a continuing basis. For instance, we invited representatives from the Wuliangye Group and Diageo, two of our major suppliers, to provide product training. We have also engaged a training consultancy firm to provide sales and marketing training.

Marketing and promotion

The Wuliangye Group, as the manufacturer of the Wuliangye Liquor Series, conducts various advertising and marketing campaigns when promoting the Wuliangye brand. The promotional campaigns conducted by the Wuliangye Group include engaging a renowned celebrity actress for corporate endorsements through television commercials. The Wuliangye Group also places advertisements to promote its brand name through various forms of media such as magazines, billboards and television. Our Directors believe that we, as the largest distributor of the Wuliangye Liquor Series, also benefit from these promotional campaigns.

In addition to the promotional campaigns conducted by our suppliers, we endeavour to strategically run publicity campaigns to promote the brands of products we distribute as well as our own corporate image. We intend to enhance the popularity, recognition and sophisticated appeal of the brands of products we distribute, particularly the Wuliangye Liquor Series and DIMPLE, through various promotion means including magazine advertisements, as well as through various other marketing and promotional events.

The Wuliangye Liquor Series

In respect of the advertising campaigns for Wuliangye 45% and Wuliangye 68% for which we are recognised by the Wuliangye Group as the largest PRC distributor and the largest worldwide distributor, respectively, and the Wuliangye "Soy" Label Series for which we have obtained the principal distributorship in the PRC duty-paid market in February 2009, our marketing plan as endorsed by the Wuliangye Group includes, among other things, advertising Wuliangye 45% and Wuliangye 68% at the back of boarding passes for international and domestic flights from certain airports in the PRC and at selected in-flight magazines published by various airline companies.

In addition, we collaborate with selected retail outlets within our distribution network such as supermarkets and restaurants in conducting marketing and promotional campaigns from time to time. For instance, we conducted a promotional campaign for the Mid-autumn Festival in 2007 pursuant to which we offered gifts to certain consumers who purchased Wuliangye 45% and Wuliangye 68% in the designated retail outlets.

As part of our marketing campaign, we also attended "糖酒會" (the Confectionery and Alcohol Convention*) in the PRC to promote our liquor products. We sponsored a booth at the convention with the aim of promoting and attracting potential sub-distributors to join our distribution network in the PRC.

The subsidy provided by the Wuliangye Group for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008 in the amount of HK\$0.4 million, HK\$11.0 million, HK\$11.6 million and HK\$6.1 million, respectively, has been net-off against our cost of sales.

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We intend to commence the marketing activities for the Wuliangye “Soy” Label Series in or around the second quarter of 2009.

DIMPLE

As DIMPLE is a relatively new product for the PRC market, we believe promotional and marketing activities are important means to enhance its popularity and recognition in the PRC market. In this regard, according to our exclusive distribution agreement with Diageo, Diageo shall support our sales and marketing activities by making available certain advertising budget for our promotional and marketing activities as endorsed by Diageo. According to the two exclusive distribution agreements, Diageo and we shall meet to discuss the implementation of the advertising activities for DIMPLE in the PRC. During the Track Record Period, we have implemented advertising and promotional activities for DIMPLE in the PRC. We are currently in discussions with Diageo regarding the advertising budget for such advertising and promotional activities for DIMPLE in the PRC and advertising budget of approximately RMB5.9 million has been paid to us prior to 31 December 2008. We expect to finalise the promotion and marketing plan (and the budget therefor) with Diageo shortly to facilitate various promotional and marketing activities to be launched by us in promoting DIMPLE in the PRC. Furthermore, with a view to understanding market receptiveness to this new product, we have already commenced sales of DIMPLE in the PRC although the amount involved is not substantial as compared to our total revenue.

Cigarette products

Due to legal restrictions on the promotion of tobacco products, we are not pursuing any advertisement campaign for our cigarette products. However, we have placed advertisements in magazines circulated at international duty-free conferences.

INSURANCE

We have taken out insurance for, among other things, our inventories. We have also taken out other general insurance such as insurance to cover employee compensation. We do not maintain product liability insurance and we have not had any material product liability claims made against us in the past. During the Track Record Period, we did not submit any material insurance claims. Our Directors believe that the coverage of the insurances taken out by us is adequate and sufficient for our operations.

INVENTORY CONTROL AND LOGISTICS

We usually purchase liquor and cigarette products from our suppliers from time to time having considered our customers’ needs, our inventory levels as well as the availability of stocks from our suppliers. Accordingly, we may purchase goods from our suppliers even in the absence of confirmed orders from the customers. We perform stock inspections upon receipt of goods from our suppliers. For our PRC customers, we may arrange for delivery of products to our customers. Alternatively, our PRC customers may choose to collect the products from the warehouses operated by our warehouse service providers in the PRC.

For the international market, we purchase the Wuliangye Liquor Series and the Hongtashan Premium Series from the Wuliangye Group and the Hongta Group, respectively, for distribution. Our Directors confirm that the Wuliangye Group and the Hongta Group, as the case may be, are responsible for completing the procedures in relation to export of products out of the PRC and fulfilling all quarantine procedures in accordance with the PRC laws and

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regulations. Once we obtain an import permit from the Customs and Excise Department, we arrange for the products to be delivered from the container terminals to our designated bonded warehouses in Hong Kong for storage. No person may collect such products from the bonded warehouses unless either an export permit is obtained from the Customs and Excise Department (in the case of exporting the products to other countries) or the applicable Hong Kong customs duty is paid (in the case of distribution in Hong Kong). In usual practice, upon agreeing on the terms and conditions with our international customers, the customers arrange for settlement in cash by way of bank transfer. Once we receive the cash payment, we provide a delivery order to the customers which may then, upon production of such delivery order, collect the goods at a designated bonded warehouse in Hong Kong. If the customers intend to export the products to other jurisdictions, they must obtain the necessary export permit from the Customs and Excise Department. If the customers intend to sell the products in Hong Kong, they must pay the customs duty to the Customs and Excise Department. Our Directors confirmed that it is the responsibilities of the Group's customers to obtain the necessary export permits from the Customs and Excise Department and to pay the customs duty to the Customs and Excise Department, as the case may be, although the Group has assisted some of its customers in obtaining the export permits in certain occasions. For the non-exclusive distribution of the other brands of cigarettes, upon agreeing on the terms and conditions with our international customer, our customers will usually arrange for payment in cash by way of bank transfer. Once we receive the cash payment, we liaise with the relevant cigarette suppliers in the PRC to arrange for delivery of the goods directly to the customers in the designated location. On this basis, our Directors considered that, for the distribution of the Wuliangye Liquor Series and the Hongtashan Premium Series in the international market, sales by us to our customers are completed when the customers collect the goods at the bonded warehouses in Hong Kong, while for the distribution of other PRC brands of cigarettes in the international market, sales by us to our customers are completed when our suppliers load the goods in the PRC for shipment to the overseas ports designated by our customers.

Warehouse services are provided to us by the Wuliangye Group in its factory located in Sichuan, the PRC. We also receive warehouse services from our warehouse service providers in Beijing, Shanghai and Hong Kong. Whilst we intend to minimise our inventory level, our Directors believe in the importance of maintaining certain inventory in these warehouses to satisfy our customers' needs.

SEASONALITY

We are principally engaged in the distribution of the Wuliangye Liquor Series, a traditional Chinese liquor, and our Directors believe that the spending behaviours of our Chinese consumers are generally subject to seasonality, which are intensified by seasonal traveling patterns during New Year and Chinese New Year in winter, the Labour Day holiday in early May, the summer months, the Mid-autumn Festival in autumn and the National Day "Golden Week" holiday in early October. As a common practice in the distribution industry, we often increase our inventories in advance of the major festivals in anticipation of the increase in demand. This may result in significant fluctuations in our inventory level as well as sales volume near such major festivals. We therefore typically record higher sales in winter. Please refer to "Risk Factors – Our sales may be affected by seasonality, weather conditions, economic downturn and a number of other factors" for details. Nevertheless, our sales in the winter of 2008 significantly decreased as a result of the unexpected delay in delivery of the Wuliangye Liquor Series from the Wuliangye Group. Please refer to "– Purchasing" and "Risk Factors – The impact of shortage of or delay in the supply of the Wuliangye Liquor Series by the Wuliangye Group".

LEGAL PROCEEDINGS AND OTHER LEGAL MATTERS

Our Directors believe that we maintain a good relationship with both our suppliers and customers and we have not been subject to any material litigation or arbitration proceedings during the Track Record Period.

Legal proceedings

Liquor products that we purchase from the Wuliangye Group for the international market are stored in our bonded warehouses in Hong Kong. We are required to obtain permits from the Customs and Excise Department for such arrangements. These permits usually contain a condition that, for vanning or devanning of goods, the permittee will send a notification to the Customs and Excise Department detailing the particulars of the vanning or devanning operation 24 hours before such operation begins. Separate notification will be sent for any subsequent change in the particulars of that operation at least four hours before the change takes effect. We were fined for our failure to comply with the aforesaid conditions and missed such deadlines on three occasions during the Track Record Period due to administrative oversights at the operational level. We have not received any further notice from the Customs and Excise Department regarding these cases following our payment of a fine totalling HK\$12,000. Following the occurrence of these isolated incidents, we will ensure that sufficient manpower be in place in order to deal with such customs and excise issues.

Save as aforesaid, during the Track Record Period and as at the Latest Practicable Date, we were not subject to any material legal or arbitration proceedings (including any proceedings arising from counterfeit or parallel imports of products that we distribute).

Other legal matters

PRC foreign loan

In 2006 and 2007, Silver Base Trading (Shenzhen), one of our PRC subsidiaries, purchased DIMPLE from Diageo for a total purchase price of RMB96,334,000¹, such amount being settled by Silver Base Spirit. Our PRC legal advisers have advised us that such payment arrangement may potentially be deemed by SAFE as “foreign loans” borrowed by Silver Base Trading (Shenzhen) from Silver Base Spirit. As such loan has not been registered with SAFE, this is against the PRC laws on foreign exchange control and, pursuant to the Regulations of the PRC on the Management of Foreign Exchange (《中華人民共和國外匯管理條例》), the maximum penalty, if any, that may be imposed on Silver Base Trading (Shenzhen) is RMB500,000. Accordingly, provision of RMB500,000 based on the maximum possible penalty has been made in the accounts for the financial year ended 31 March 2008. Our PRC legal advisers have also confirmed that no other penalty and/or punishment (including imprisonment) which may have an impact on the Group would be imposed on the Group and/or the relevant personnel solely due to such non-compliance. Our Directors confirmed that such non-compliance, being an isolated incident and not an established practice adopted by the Group, was not intentional but merely due to administrative oversight. None of the personnel of the Group was aware of such non-compliance until having been advised by our PRC legal advisers during the

Note:

1 Since the Group was appointed as the exclusive distributor of DIMPLE for the PRC market, our Directors consider that sufficient inventory is necessary to cater for future business development. For this reason, the amount of DIMPLE we purchased from Diageo in 2006 and 2007 is larger than the amount of revenue generated from sales of DIMPLE during the corresponding period.

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preparation process for the Listing. Upon advice from its PRC legal advisers, the Company has made provisions in its consolidated financial statement for the financial year ended 31 March 2008, based on the amount of maximum penalty, and our Directors consider such provision adequate. As at the Latest Practicable Date, we had not received any notice from SAFE or other government authority regarding the investigation into or penalty relating to payment of the above.

Reclassification of entertainment expenses

Background

In early March 2007, Silver Base Development made a voluntary notification to the Inland Revenue Department for the purpose of revising the Employer's Returns previously filed by it in respect of Mr Liang for the years of assessment 2001/02 to 2006/07, as a result of Silver Base Development reclassifying certain expenses it incurred during the aforesaid years of assessment as Mr Liang's allowance (being a director of Silver Base Development) in order for it to constitute part of the taxable income of Mr Liang for Hong Kong salaries tax purposes. Expenses so reclassified amounts to HK\$60.5 million, including entertainment expenses of HK\$57.9 million and travelling expenses of HK\$2.6 million. Before the reclassification, Mr Liang's remuneration as a director of Silver Base Development amounted to HK\$0.9 million and HK\$1.0 million for each of the two financial years ended 31 March 2007, respectively. After the reclassification, Mr Liang's remuneration as a director of Silver Base Development increased to HK\$15.3 million and HK\$14.9 million for each of the two financial years ended 31 March 2007, respectively. Mr Liang has also made a voluntary submission to the Inland Revenue Department in March 2008 in relation to the undercharged salaries tax as a result of the above re-classification.

Reasons for the re-classifications

In preparing the Accountants' Report for the Company for the purpose of the Listing, our reporting accountants discussed with us as to whether the existing supporting documents in respect of our entertainment and travelling expenses were sufficient to demonstrate that these expenses during the Track Record Period were incurred in relation to the business of Silver Base Development and whether the original invoices (in addition to the credit card slips or monthly credit card statements customarily maintained by us) are available. However, our Directors believe that it is impractical for us to collect and produce such original invoices in respect of various expenditures incurred in the past. Whilst our reporting accountants advised that there is no requirement under the Companies Ordinance or accounting principles that original invoices (instead of other documentary evidence such as credit card slips or credit card monthly statements) must be in place in support of entertainment or travelling expenses for accounting purposes, after reviewing the available evidence supporting certain entertainment and travelling expenses incurred by Mr Liang which amounted to HK\$60.5 million, our Directors are of the view that such expenses should be reclassified as part of salaries and allowances to Mr Liang as a matter of prudence and for the purpose of proper accounting treatment. Therefore, Silver Base Development has decided to re-classify certain expenses it incurred for the years of assessment 2001/02 to 2006/07 as Mr Liang's allowance forming part of the taxable income of Mr Liang for Hong Kong salaries tax purposes.

Mr Liang confirmed that, due to administrative inadvertence, he had not been aware of the tax treatment of such entertainment and travelling expenses until the last quarter of the 2007 fiscal year when the Group prepared for the Listing and, therefore, such administrative inadvertence continued when submitting employees' returns.

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Additional salaries tax assessed on Mr Liang

On 31 March 2008 and 7 May 2008, Mr Liang received an additional tax assessment issued by the Inland Revenue Department in accordance with the revised salaries tax computation for the years of assessment 2001/02 of HK\$1.2 million, and for years of assessment 2002/03 to 2006/07 of HK\$8.3 million. The total additional salaries tax of HK\$9.5 million has been settled by Mr Liang.

Proposal for final settlement with the Inland Revenue Department

In order that the matter could be brought to a final and complete settlement, Mr Liang and Silver Base Development have agreed with the Inland Revenue Department for a compound penalty of HK\$1.9 million for Silver Base Development and HK\$1.9 million for Mr Liang for the full settlement of any actions that may be taken by the Commissioner of the Inland Revenue against Silver Base Development as an employer and Mr Liang for the years of assessment 2001/02 to 2006/07 under Part XIV of the Inland Revenue Ordinance. Each of Mr Liang and Silver Base Development has paid the aforesaid amount to the Inland Revenue Department on 20 June 2008. Full provision for the amount paid by Silver Base Development to the Inland Revenue Department as aforesaid has been made by the Company for the financial year ended 31 March 2008.

Directors' view

Taking into account that Silver Base Development has already paid HK\$1.9 million to the Inland Revenue Department for full and final settlement, which our Directors consider immaterial and full provision for which has been made by the Company for the financial year ended 31 March 2008, our Directors consider that the consequence of the tax issues arising from the reclassification of expenses as aforesaid will not result in any material adverse impact on the Group's operations and financial condition.

On initially becoming aware of this issue, Silver Base Development disclosed the case voluntarily to the Inland Revenue Department for the correction of the past years' employer's return and made provision in relation to the potential penalty on the Group. Silver Base Development has also agreed with the Inland Revenue Department for final settlement as aforesaid. We will ensure that only entertainment or travelling expenses related to the business development of the Group supported by original invoices can be classified as entertainment or travelling expenses for accounting purposes. Upon occurrence of this incident, with a view to preventing the re-occurrence of similar incidents, we have also increased the number of staff to assist in the Group's accounting matters. Our Directors believe that similar accounting incidents will not occur in the future.

Internal controls measures going forward

To prevent the reoccurrence of similar incidents, our Company has adopted a series of internal control measures to enhance our corporate governance and accounting practices.

In response to the loan incident, our Company hired a PRC employee with legal background to conduct investigations, particularly on non-regular PRC businesses, and to review contracts entered into with non-PRC entities. This employee will receive training and support to enable him or her to monitor and identify potential legal issues. In addition, our Company will have access to PRC legal counsel to address any potential legal issues. This employee will specifically consider if loans made to any person in the PRC comply with PRC laws and regulations; and in the event that a loan-related issue arises requiring legal attention, such employee will work with our Company to obtain PRC legal advice on the matter.

BUSINESS

In August 2007, our Company hired a financial manager to monitor our Company's accounting practices. In addition, in January 2008, our Company revised its internal claims policy to require claims submissions by our Directors for entertainment or travelling expenses over HK\$5,000 to be reviewed and approved by an independent Director. Also, claims for entertainment or travelling expenses can now only be recorded if original invoices and disclosure of the purpose of the entertainment or travelling expense are also submitted. Furthermore, monthly, quarterly and annual financial statements must be reviewed by the Chief Financial Officer.

In addition to these particular incident-specific reform measures, our Company has also adopted several internal control measures to strengthen our Group's overall corporate governance and accounting systems.

In August 2007, our Company engaged an internal control consultant ("**Internal Control Consultant**") to assess the existing internal control system of our Group and to advise on the measures that should be adopted by our Group to enhance our corporate governance practice and internal control system. The Internal Control Consultant conducted a review and evaluation of our internal control system, the scope of which included reviews of company level controls (e.g., values and principles, human resource strategy and organisational structure), financial reporting and transparency controls, and controls over business processes. The Internal Control Consultant confirmed that no material weakness in the Company's business processes and internal control systems were noted during its review. After the Listing Date, our Company will again engage an Internal Control Consultant for at least one year.

We intend to establish an internal audit department ("**Internal Audit Department**") before the Listing to be responsible for compliance matters of our Group at an operational level and to provide day-to-day management of the compliance and control environment of our Group. The Internal Audit Department will be led by our Chief Financial Officer, currently Mr Chung Wai Man, who, as our Company secretary and an executive director of our Company, has the qualifications and experience to lead the Internal Audit Department. The Internal Audit Department will work closely with our Board on control and compliance matters and report to the Audit Committee on a quarterly basis.

On 23 June 2008, we established a compliance committee ("**Compliance Committee**") before the Listing to oversee the compliance and control environment of our Group and issue recommendations to the Board to improve the effectiveness of our Group's internal controls. The Compliance Committee comprises three independent non-executive Directors and our Chief Executive Officer, currently Mr Chen Sing Hung Johnny. As part of its functions, the Compliance Committee reviews the regular reports of the Internal Audit Department and has the power to request further information from the Internal Audit Department as well as require the Internal Audit Department to prepare specific reports dealing with particular internal controls or compliance issues for review by the Compliance Committee as and when necessary.

The Compliance Committee and the Audit Committee will report their findings in the annual and interim reports if (i) the findings reveal any significant or material costs or damages to the Company, (ii) the findings reveal any material non-compliance with laws or regulations or standard principles of accounting, or (iii) the findings reveal any potential significant or material risks to the Company.

In addition, our Company will appoint external advisors, such as tax and legal advisors, as required on a case-by-case basis to ensure that our Group complies with the requirements under the relevant laws and regulations.

BUSINESS

Our Company will also engage officers, preferably with experience in dealing with listed companies' compliance matters or experience in similar types of work, to assist the Internal Audit Department with the compliance matters of our Group (including compliance with the Listing Rules and other relevant laws and regulations).

PRC REGULATORY APPROVALS

Our PRC legal advisers have confirmed that we have obtained all approvals, consents and licences in accordance with the PRC laws and regulations which are necessary for our business operations in the PRC.

LAND AND PROPERTIES

We own properties with a total gross floor area of 119.29 sq.m. in Hong Kong. We also lease two properties with a total gross floor area of 1,270.53 sq.m. and one property with a saleable area of 31.8 sq.m. in Hong Kong and four properties with a total gross floor area of 920.68 sq.m. in the PRC. These properties are mainly occupied by us as offices. Please refer to the section headed "Connected Transactions" for further details regarding the rental of properties by us from a company wholly-owned by Mr Liang. Please also see Appendix IV to this prospectus for further details regarding the properties that we own or lease.

INTELLECTUAL PROPERTY

We have applied for the registration of certain trademarks in the PRC and have assigned the respective trademarks to Silver Base (Holdings), under trade mark assignment agreements dated 21 January 2008, from whom we subsequently obtained a licence to use the respective trademarks under a trade mark licence agreement dated 10 March 2008. We also obtained a licence from Silver Base (Holdings) to use the respective trademarks in Hong Kong under the same licence agreement dated 10 March 2008. We have obtained two design patents in the PRC. For further details of our intellectual property rights, please see the paragraph headed "B. Further information about our business – 2. Intellectual property rights" in Appendix VI to this prospectus. As our Group is principally engaged in the distribution of liquor and cigarette brands which we do not own, our Directors are of the view that these trademarks are not significant to our business.

COMPETITION

Our Directors believe that we are the market leader in distributing Wuliangye 39% and Wuliangye 52% in the international market, Wuliangye 68% in the PRC and international markets and Wuliangye 45% in the PRC market. Being appointed by the Wuliangye Group as its principal distributor for certain products in the Wuliangye Liquor Series for the respective markets, our Directors believe that we provide an important channel for the Wuliangye Group to distribute the Wuliangye Liquor Series in various markets. The Wuliangye Group confirmed that it has not appointed any other distributors in respect of such products and markets for which we have been granted the distributorship and that it only conducts sales of such products in such markets through us, other than for the special label series, for which we are the non-exclusive distributor. With a view to further strengthening our competitiveness, we commenced our business in the PRC and obtained the distributorship in the PRC for Wuliangye 68% in 2006 and subsequently for Wuliangye 45% in 2007. However, Wuliangye 45% and Wuliangye 68% may compete with the two other products in the Wuliangye Liquor Series, namely Wuliangye 39% and Wuliangye 52%, distributed by other distributors or the Wuliangye Group in the PRC market.

BUSINESS

In view of our well-established relationship with the Wuliangye Group and our track record in distributing the Wuliangye Liquor Series since the inception of our business relationship, our Directors believe that we have an acute competitive edge against other distributors and the Wuliangye Group continues to recognise us as the largest distributor of the Wuliangye Liquor Series. With our wealth of experience in the liquor distribution industry, our Directors also believe that we have the capability to distribute DIMPLE successfully in the PRC.

Capitalising on our success of the distribution of the Wuliangye Liquor Series and other liquor and cigarette products and leveraging on our established distribution network, we intend to penetrate further into our core markets, particularly the PRC market, in the distribution of our existing products (such as the Wuliangye Liquor Series and DIMPLE) and to source other liquor and cigarette products and, possibly, other consumer products for distribution in our core markets so as to further strengthen our position in the market.

However, our PRC expansion plans may be constrained by our exclusive distribution agreements with Diageo, pursuant to which we are subject to certain restrictions in the PRC restricting us from distributing the Restricted Products in the PRC. The Wuliangye Group has not imposed similar restrictions on us.

Our Directors also consider that entry barriers to the distribution industry are relatively low as compared to other industries, such as certain manufacturing industries which require technical know-how and/or substantial capital expenditures. There are no specific pre-requisite conditions to be satisfied in order to become a qualified distributor.

CONNECTED TRANSACTIONS

A. CONTINUING CONNECTED TRANSACTIONS

1. Background

- (a) On 22 February 2008, we (through Silver Base Development) entered into a lease agreement ("**Agreement A**") with Silver Base (Holdings) to lease the 27th floor, car parking space no. 37 on the 2nd floor and car parking space no. 47 on the 3rd floor of The Sun's Group Centre, 200 Gloucester Road, Hong Kong ("**Property A**");
- (b) On 22 February 2008, we (through Silver Base Development) entered into a lease agreement ("**Agreement B**") with Silver Base (Holdings) to lease House No. 8, No. 33 Island Road, Hong Kong ("**Property B**");
- (c) On 20 February 2008, we (through Silver Base Trading (Shenzhen)) entered into a lease agreement ("**Agreement C**") with Mr Liang to lease Room 5709, Shun Hing Square, Jiefang Road, Luohu District, Shenzhen City, the PRC ("**Property C**");
- (d) On 20 February 2008, we (through Silver Base Spirit (Shenzhen)) entered into a lease agreement ("**Agreement D**") with Mr Liang to lease Room 5713, Shun Hing Square, Jiefang Road, Luohu District, Shenzhen City, the PRC ("**Property D**"); and
- (e) On 10 March 2008, we (through Silver Base Development) entered into a licence agreement ("**Agreement E**") with Silver Base (Holdings) under which Silver Base (Holdings) has granted a licence to our Group to use certain trademarks owned by it (including applications).

2. Connected persons and transactions

As Silver Base (Holdings) is wholly-owned by Mr Liang, it is a connected person of our Company for the purpose of the Listing Rules. Mr Liang is a director and sole owner of Yinji Investments (together with himself, our Controlling Shareholders). He is also a connected person of our Company for the purpose of the Listing Rules.

Agreement A, Agreement B, Agreement C, Agreement D and Agreement E will continue after the Listing and will constitute continuing connected transactions of the Company under Rule 14A.14 of the Listing Rules.

CONNECTED TRANSACTIONS

3. Particulars of the connected transactions

The key terms of the above connected transactions are summarised below:

	Agreement A	Agreement B	Agreement C	Agreement D	Agreement E
Date:	22 February 2008	22 February 2008	20 February 2008	20 February 2008	10 March 2008
Parties:	Silver Base Development (as tenant)	Silver Base Development (as tenant)	Silver Base Trading (Shenzhen) (as tenant)	Silver Base Spirit (Shenzhen) (as tenant)	Silver Base Development (as licensee)
	Silver Base (Holdings) (as landlord)	Silver Base (Holdings) (as landlord)	Mr Liang (as landlord)	Mr Liang (as landlord)	Silver Base (Holdings) (as licensor)
Subject matter:	Property A with a gross floor area of approximately 676.98 sq.m. excluding car parking spaces	Property B with a gross floor area of approximately 593.55 sq.m. and 208.75 sq.m. for the garden	Property C with a gross floor area of approximately 248.69 sq.m.	Property D with a gross floor area of approximately 128.29 sq.m.	Trademarks owned by Silver Base (Holdings)
Term:	A fixed term of three years from 1 April 2007 to 31 March 2010	A fixed term of three years from 1 April 2007 to 31 March 2010	A fixed term from 1 April 2008 to 31 March 2010	A fixed term from 1 April 2008 to 31 March 2010	Duration of the trademarks
Payment:	Monthly rent at HK\$239,000 (exclusive of management fee, rates and all other outgoings and with a two months' rental deposit)	Monthly rent at HK\$480,000 (exclusive of management fee, rates and all other outgoings and with a two months' rental deposit)	Monthly rent at RMB37,000 (exclusive of management fee and all other outgoings)	Monthly rent at RMB19,000 (exclusive of management fee and all other outgoings)	A fixed sum of HK\$10

CONNECTED TRANSACTIONS

4. Pricing

The monthly rents payable under Agreement A, Agreement B, Agreement C and Agreement D are determined by reference to the market rent. Vigers Appraisal & Consulting Limited, our property valuer, has confirmed to us that the rental payments to be made by us under Agreement A, Agreement B, Agreement C and Agreement D are in line with the prevailing market rates of comparable premises, and are fair and reasonable. A fixed sum of HK\$10 has been paid by Silver Base Development to Silver Base (Holdings) under Agreement E.

5. Reasons for the connected transactions

Property A serves as our principal place of business in Hong Kong, and Property B serves as residences in Hong Kong for Mr Liang. Property C and Property D are the offices of Silver Base Trading (Shenzhen) and Silver Base Spirit (Shenzhen), respectively, in the PRC. The trade mark licence under Agreement E enables our Group to use the trademarks such as “Silver Base” for our business.

Our Directors (including the independent non-executive Directors) confirm that Agreement A, Agreement B, Agreement C, Agreement D and Agreement E are conducted in the ordinary and usual course of business of our Group, reflect normal commercial terms, and the terms of which are fair and reasonable to our Group and are in the interests of our Shareholders as a whole.

B. WAIVERS

The transaction under Agreement E constitutes a de minimis transaction for our Company under Rule 14A.33(3) of the Listing Rules (the “**De Minimis Transaction**”) and is exempt from the reporting, announcement and independent shareholders’ approval requirements.

The transactions under Agreement A, Agreement B, Agreement C and Agreement D constitute continuing connected transactions for our Company under Rule 14A.34 of the Listing Rules (the “**Exempt Transactions**”) and are subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules following the Listing.

Pursuant to Rule 14A.42(3) of the Listing Rules, our Company has applied for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with announcement requirements under Rule 14A.47 of the Listing Rules in respect of the Exempt Transactions.

The aggregate amounts of the Exempt Transactions during the Track Record Period are set out below, and for the financial years ending 31 March 2009 and 2010 shall not exceed the following annual caps:

Transactions ¹	Historical figures for					
	the financial years ended 31 March			the six months ended 30 September		Annual caps for the financial years ending 31 March ²
	2006	2007	2008	2008	2009	2010
Property A	HK\$2,280,000	HK\$2,520,000	HK\$2,868,000	HK\$1,434,000	HK\$2,868,000	HK\$2,868,000
Property B	0	0	HK\$5,760,000	HK\$2,880,000	HK\$5,760,000	HK\$5,760,000
Property C	0	RMB350,000	RMB600,000	RMB222,000	RMB444,000	RMB444,000
Property D	0	0	RMB105,000	RMB114,000	RMB228,000	RMB228,000

CONNECTED TRANSACTIONS

Notes:

- 1 The proposed caps for the transactions under Agreement A, Agreement B, Agreement C and Agreement D are based on the respective amount stipulated in the relevant agreement.
- 2 The Company is not proposing to seek a waiver for the year 2011 because the above agreements will expire on 31 March 2010. When the agreements are renewed, a fresh waiver application has to be made to the Stock Exchange. For this reason, the above cap does not include the estimated cap amount for the year 2011.

Our Directors confirm the proposed annual caps for the Exempt Transactions are fair and reasonable.

If any of the above annual caps is exceeded or if there is a material change to the terms of the relevant agreement, we will re-comply with the reporting and announcement, and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Stock Exchange has indicated that a waiver would be granted from strict compliance with the Listing Rules subject to the condition that we will comply with Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules, and the amount payable under Agreement A, Agreement B, Agreement C and Agreement D does not exceed the respective proposed caps above.

C. Confirmation from the Sponsor

The Sponsor has reviewed the relevant documentation, information and historical data provided by our Company and has participated in the due diligence and discussions among our Company and has also considered representations and confirmations from our Company and our Directors to satisfy itself of the reliability of the information provided in relation to the Exempt Transactions. Based on the above, the Sponsor is of the view (i) that the Exempt Transactions for which waivers are sought have been entered into in the ordinary and usual course of business of our Company on normal commercial terms and are fair and reasonable and in the interests of our Shareholders as a whole; and (ii) that the proposed annual caps for the Exempt Transactions are fair and reasonable.

D. Related party transactions

Certain transactions, that are continuing or discontinuing in nature, have occurred during the Track Record Period, which constitute or constituted related party transactions of the Company pursuant to Hong Kong Accounting Standard 24 "Related Party Disclosures". Our Directors are of the view that the related party transactions are and were carried out in the ordinary and usual course of business and on normal commercial terms. Please refer to note 30 of section II to the Accountants' Report as set out in Appendix I to this prospectus for details of the significant related party transactions.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately upon completion of the Capitalisation Issue and the Global Offering (assuming any options which may be granted under the Share Option Scheme are not exercised), Yinji Investments (which is wholly-owned by Mr Liang) is entitled to exercise, or control the exercise of, 30% or more voting rights in general meetings of our Company. Therefore, our Controlling Shareholders are Yinji Investments and Mr Liang. Further details of the shareholding interest of our Controlling Shareholders are set out in the corporate structure chart in the paragraph headed “C. Further information about our Directors, substantial shareholders and experts – 2. Substantial shareholders” in Appendix VI to this prospectus.

INDEPENDENCE TO OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on its business independently from our Controlling Shareholders and their associates (other than the Group) because there is no competing business between our Controlling Shareholders (including their associates) and our Group, and the Controlling Shareholders have entered into non-compete undertakings in our favour.

As confirmed by our Directors, none of the Controlling Shareholders, our Directors or the directors of any of our subsidiaries has any interest in a business, other than our business, which competes or is likely to compete, either directly or indirectly, with our business.

Silver Base (Holdings) is beneficially wholly-owned by Mr Liang and is a properties holding company. It does not carry on any business which competes or is likely to compete, either directly or indirectly, with our business.

NON-COMPETITION UNDERTAKING

The Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company (for itself and as trustee for the benefit of its subsidiaries), under which the Controlling Shareholders have undertaken to our Company that they will not, and will procure that none of their respective associates (other than members of our Group) will, during the Restricted Period (as defined below), directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business in the PRC or elsewhere in the world which is or may be in competition with our core business, and any other new business which our Group may undertake from time to time after the Listing (the “**Restricted Business**”).

For the purpose of the Deed of Non-competition, our core business means the sale and distribution of Chinese *baijiu* (白酒) and cigarettes and “associates” has the meaning ascribed to it under Rule 1.01 of the Listing Rules.

The non-competition undertaking does not apply to the relevant Controlling Shareholders in the circumstances where it or he has:

- (a) any interests in the shares of any member of our Group; or
- (b) interests in the shares of a company other than our Group provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating to any Restricted Business) accounts for less than 30% of that company's consolidated sales or consolidated assets, as shown in that company's latest audited accounts; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (ii) the total number of shares held by the Controlling Shareholders and their associates in aggregate does not exceed 30% of the issued shares of that class of the company in question and the Controlling Shareholders and their associates are not entitled to appoint a majority of the directors of that company.

The "Restricted Period" stated in the Deed of Non-competition refers to the period during which:

- (a) our Shares remain listed; and
- (b) the Controlling Shareholders and their associates (other than members of our Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of our Company; or
- (c) the Controlling Shareholders or the relevant associates remain as a director of any member of our Group.

The Controlling Shareholders have further undertaken to procure that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business (the "**New Opportunity**") identified by or offered to the Controlling Shareholders and/or any of their associates (other than members of our Group) (the "**Offeror**") is first referred to us in the following manner:

- (a) The Controlling Shareholders are required to, and shall procure their associates (other than members of our Group) to, refer, or procure the referral of, the New Opportunity to us, and shall give written notice to us of any New Opportunity containing all information reasonably necessary for us to consider whether (i) the New Opportunity would constitute competition with our core business and/or any other new business which our Group may undertake at the relevant time, and (ii) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the "**Offer Notice**").
- (b) The Offeror will be entitled to pursue the New Opportunity only if (i) the Offeror has received a written notice from us declining the New Opportunity and confirming that the New Opportunity would not constitute competition with our core business, or (ii) the Offeror has not received the notice from us within 10 business days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror will refer the New Opportunity as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we will seek opinions and decisions from a committee of our Board consisting of Directors who do not have a material interest in the matter as to whether (a) such New Opportunity would constitute competition with our core business, and (b) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunity.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Further undertakings

The Controlling Shareholders have further undertaken to:

- (a) procure all relevant information relating to the implementation of the Deed of Non-competition in their possession and/or the possession of any of their associates to be provided to us;
- (b) allow, subject to confidentiality restrictions imposed by any third party, our representatives and those of our auditors to have access to their financial and corporate records as may be necessary for us to determine whether the non-competition undertakings have been complied with by the Controlling Shareholders and their associates; and
- (c) provide us, within 10 business days from the receipt of our written request, with a written confirmation in respect of their compliance and that of their associates with the non-competition undertakings and consent to the inclusion of such confirmation in our annual report.

The Controlling Shareholders, for themselves and on behalf of their associates (except any members of our Group), have also acknowledged that we may be required by the relevant laws, regulations, rules of the stock exchange(s) on which we may be listed and the regulatory bodies to disclose, from time to time, information on the New Opportunity, including but not limited to disclosure in public announcements or our annual report or decision made by us to pursue or decline the New Opportunity and has agreed to the disclosure to the extent necessary to comply with any such requirement.

Assessment of compliance with non-competition undertakings

Our Directors who have no material interest in the matters discussed will, based on the information available to them, including information and confirmation provided by or obtained from the Controlling Shareholders and their associates (other than members of our Group) as described above, review on an annual basis (a) the compliance with the non-competition undertakings; and (b) all the decisions taken in relation to whether to exercise the option under the Deed of Non-competition and whether to pursue any business opportunities which may be referred or offered to us by the Controlling Shareholders or their associates (other than members of our Group) under the Deed of Non-competition. Findings of such review will be disclosed in our annual report after the Listing.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

Our Board consists of eight members, three of whom are independent non-executive Directors. The table below shows certain information in respect of our Directors:

Name	Age	Position
Mr Liang Guoxing (梁國興)	43	Chairman and executive Director
Mr Chen Sing Hung Johnny (陳陞鴻)	41	Chief Executive Officer and executive Director
Mr Chung Wai Man (鍾偉文)	45	Chief Financial Officer and executive Director
Ms Cheung Mei Sze (章美思)	36	Executive Director
Mr Wu Jie Si (武捷思)	57	Non-executive Director
Mr Hung Sui Kwan (洪瑞坤)	39	Independent non-executive Director
Mr Guan Huanfei (關浣非)	51	Independent non-executive Director
Mr Ma Lishan (馬立山)	57	Independent non-executive Director

Executive Directors

Mr Liang Guoxing (梁國興), aged 43, is our founder and Chairman, and has been an executive Director of our Company since 12 September 2007. Mr Liang is also the Chairman of Silver Base Development (since February 1997), Silver Base Tobacco (since October 2003), Silver Base Trading (Shenzhen) (since September 2005), Richmind (since April 2005), Silver Base Spirit (since April 2006) and Silver Base Spirit (Shenzhen) (since July 2007). Mr Liang is primarily responsible for the overall corporate strategies, planning and business development of our Group. Mr Liang has over 10 years of experience in the sales and distribution of Chinese liquor and cigarettes and was involved in the distribution of liquor and cigarettes before founding our Group. Mr Liang is a standing committee member of the 11th Session of the Chinese People's Political Consultative Conference, Zhanjiang and a member of the 10th Session of the Chinese People's Political Consultative Conference, Guangdong Province. He is also a fellow member of the Hong Kong Institute of Directors.

Mr Chen Sing Hung Johnny (陳陞鴻), aged 41, is our Chief Executive Officer and has been an executive Director since 12 September 2007. Mr Chen is also the Chief Executive Officer and director of Silver Base Development. Mr Chen joined us in January 2007 as the Chief Executive Officer of Silver Base Development and has been an executive Director of our Company since September 2007. He is responsible for the overall strategic implementation, business development and daily operations and management of our Group. Mr Chen has extensive knowledge and experience in business development, international trade and project management in sales and distribution of electrical, mechanical and consumer products. Prior to joining our Group, Mr Chen was the general manager of Faithful Trading (H.K.) Ltd. from April 2005 to December 2006, and the operations controller of GOME Home Appliances (H.K.) Ltd (國美電器(香港)有限公司) from July 2002 to February 2005. Further, Mr Chen held a number of executive positions with the subsidiaries of Chevalier International Holdings Limited (其士國際集團有限公司) (stock code: 00025), which is listed on the Main Board of the Stock Exchange, from September 1993 to July 2002 during which he was responsible for the China market and different overseas markets such as the United States, Vietnam, Myanmar, Philippines and Japan. Mr Chen is a member of the 13th Session of the Chinese People's Political Consultative Conference, Yueshou District, Guangzhou City. He is also a fellow member of the Hong Kong Institute of Directors. Mr Chen obtained a bachelor's degree in Arts in 1990, and a bachelor's degree in Administrative Studies and a certificate in Management in 1992, all from York University.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr Chung Wai Man (鍾偉文), FCCA, CPA, aged 45, is our Chief Financial Officer and has been an executive Director since 12 September 2007. Mr Chung is also the Chief Financial Officer and director of Silver Base Development. Mr Chung joined us in May 2004 as the Chief Financial Officer of Silver Base Development and has been an executive Director of our Company since September 2007. He is responsible for overseeing the investment, legal and financial affairs, and general business development of our Group. Mr Chung has over 15 years of experience in accounting, taxation and finance. Prior to joining our Group, Mr Chung was the chief financial officer of Venturepharm Laboratories Limited (萬全科技藥業有限公司) (stock code: 08225), which is listed on the GEM Board of the Stock Exchange, from August 2002 to September 2003. Mr Chung was also the chief financial officer of Artel Solutions Group Holdings Limited (宏通集團控股有限公司) (stock code: 00931), which is listed on the Main Board of the Stock Exchange, from August 2000 to August 2002. Prior to August 2000, Mr Chung held a managerial position with Deloitte Touche Tohmatsu for about five years. He became an associate member of the Hong Kong Institute of Certified Public Accountants (then known as the Hong Kong Society of Accountants) in 1995 and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom in 1999. In December 1989, Mr Chung obtained a bachelor's degree (honours) in Social Sciences from the University of Hong Kong, and, in November 1998, a master's degree in International Business Management from the City University of Hong Kong.

Ms Cheung Mei Sze (章美思), aged 36, has been our executive Director since 6 March 2008. Ms Cheung is also the Head of Finance and director of Silver Base Development. Ms Cheung joined our Group in September 2000 and is responsible for the financial and accounting affairs of the Group. Prior to joining our Group, Ms Cheung was an assistant supervisor in Ting Ho Kwan & Chan, a CPA firm. Ms Cheung holds a bachelor's degree in Arts majoring in Accountancy from the Hong Kong Polytechnic University.

Non-executive Director

Mr Wu Jie Si (武捷思), aged 57, has been our non-executive Director since 6 March 2008. Mr Wu has over 20 years of experience in finance and corporate management in the PRC. From 1984 to 1995, Mr Wu served in numerous positions in the Industrial and Commercial Bank of China ("ICBC"), including the president of ICBC Shenzhen Branch. From 1995 to 1998, Mr Wu served as the deputy mayor of the Shenzhen Municipal Government. From 1998 to 2000, Mr Wu served as the assistant to the governor of Guangdong Province. From 12 February 2000 to 8 May 2001, Mr Wu joined Guangdong Enterprise (Holdings) Limited ("GDE") as a director during the process of assisting its debt restructuring. Mr Wu ceased to be a director of GDE shortly after the closing of its debt restructuring on 22 December 2000. From 2000 to 2005, Mr Wu was appointed as the chairman of Guangdong Yue Gang Investment Holdings Company Limited (廣東粵港投資控股有限公司) and GDH Limited (廣東控股有限公司). Mr Wu has been appointed in various positions in companies listed on the Stock Exchange and the New York Stock Exchange. Mr Wu served as the chairman of Guangdong Investment Limited (粵海投資有限公司) (stock code: 00270) ("GDI") from March 2000 to March 2001, as a director of GDI from March 2000 to April 2005 and as the honorary president of GDI from March 2001 to April 2005. Mr Wu also served as a director and honorary president of Guangdong Tannery Limited (粵海制革有限公司) (stock code: 01058) from February 2004 to April 2005. Both companies are listed on the Main Board of the Stock Exchange. While Mr Wu was serving as the chairman and then an honorary president of GDI, GDI and its subsidiaries underwent a debt restructuring, details of which were included in GDI's announcements dated

DIRECTORS, SENIOR MANAGEMENT AND STAFF

23 December 2000 and 6 May 2003. From April 2005 to January 2008, Mr Wu was appointed as the executive director and from June 2005 to January 2008, Mr Wu was appointed as the managing director and the chief executive officer of Hopson Development Holdings Limited (合生創展集團有限公司) (stock code: 00754), which is listed on the Main Board of the Stock Exchange. From May 2007 to August 2008, Mr Wu also served as an independent non-executive director of Yingli Green Energy Holding Company Limited (英利綠色能源控股有限公司) (Stock Code: YGE), which is listed on the New York Stock Exchange. Mr Wu is currently an independent non-executive director of Beijing Enterprises Holdings Limited (北京控股有限公司) (stock code: 00392), China Merchants Bank Co., Ltd. (招商銀行股份有限公司) (stock code: 03968) and China Insurance International Holdings Company Limited (中保國際控股有限公司) (stock code: 00966), companies listed on the Main Board of the Stock Exchange. Mr Wu is also a non-executive director of China Water Affairs Group Limited (中國水務集團有限公司) (stock code: 00855) and Shenzhen Investment Limited (深圳控股有限公司) (stock code: 00604), and an executive director and vice chairman of China Aoyuan Property Group Limited (中國奧園地產集團股份有限公司) (stock code: 3883), all of which are companies listed on the Main Board of the Stock Exchange. Mr Wu obtained a master's degree in Economics in 1984 and a doctor's degree in Economics in 1996, both from Research Institution of the People's Bank of China. Mr Wu completed post-doctoral research work in Theoretical Economics at Nankai University in 1998-2000 and was qualified as a professor in theoretical economics (理論經濟) in Nankai University in 2001.

As advised by Mr Wu, he will be able to dedicate sufficient time and attention in discharging his duties as a non-executive Director. Given Mr Wu's extensive experience in the Hong Kong financial market, he is fully aware of the responsibilities of being a director of a public listed company in Hong Kong. Based on the above fact, our Directors and the Sponsor concur with the view of Mr Wu that he is able to satisfy the requirements under rules 3.08 and 3.09 and the Code Provision under A.5.3 of Appendix 14 to the Listing Rules.

Independent non-executive Directors

Mr Hung Sui Kwan (洪瑞坤), aged 39, has been our independent non-executive Director since 6 March 2008. From January 1995 to April 1997, Mr Hung worked with the audit division of Coopers & Lybrand Certified Public Accountants (now known as PricewaterhouseCoopers) and was a Supervisor. In 1997, he started his own practice under the name "Hung Sui Kwan Certified Public Accountant". In March 2000, Mr Hung joined Get Nice Securities Limited ("**Get Nice Securities**") (formerly known as "Get Nice Investment Limited", a subsidiary of Get Nice Holdings Limited (結好控股有限公司) ("**Get Nice**") (stock code: 00064), a company listed on the Main Board of the Stock Exchange) as a senior management. During the period from January 2001 to September 2002, he was appointed as an executive director of Get Nice. He is currently the company secretary of Get Nice and is registered as Responsible Officer of Get Nice Capital Limited (a subsidiary of Get Nice) under the SFO (for regulated activity "advising on corporate finance"). From January 2005 to August 2006, Mr Hung was appointed as an independent non-executive director of Century Legend (Holdings) Limited (世紀建業(集團)有限公司) (stock code: 00079), a company listed on the Main Board of the Stock Exchange. In 1991, Mr Hung obtained a Bachelor of Science degree from the University of Hong Kong. In 1996, he became an associate member of the Hong Kong Institute of Certified Public Accountants (then known as the Hong Kong Society of Accountants). In 1997, he became an associate member of The Association of Chartered Certified Accountants in the United Kingdom. Mr Hung currently holds a practising certificate issued by the Hong Kong Institute of Certified Public Accountants.

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As advised by Mr Hung, he will be able to dedicate sufficient time and attention in discharging his duties as an independent non-executive Director. Given Mr Hung's extensive experience in the Hong Kong financial market, he is fully aware of the responsibilities of being a director of a public listed company in Hong Kong. Based on the above fact, our Directors and the Sponsor concur with the view of Mr Hung that he is able to satisfy the requirements under rules 3.08 and 3.09 and the Code Provision under A.5.3 of Appendix 14 to the Listing Rules.

Mr Guan Huanfei (關浣非), aged 51, has been our independent non-executive Director since 6 March 2008. Mr Guan is experienced in the finance and insurance industry in Hong Kong and the PRC. Mr Guan served various senior managerial positions in the People's Insurance Company of China (Jilin Branch) (中國人民保險公司吉林省分公司), the business department of Hong Kong and Macao Regional Office of China Insurance Group (中國保險港澳管理處), Ming An Insurance Company (Hong Kong) Limited (香港民安保險有限公司) and China Pacific Insurance Co., (HK) Ltd. (中國太平洋保險(香港)有限公司). Mr Guan also held offices with the Bank of Communications, including the deputy chairman of the risk asset management committee (風險資產管理委員會副主任委員), deputy chairman of credit asset management committee (信貸資產管理委員會副主任委員), chairman of loan verification committee (貸款審查委員會主任委員) and deputy general manager of the Bank of Communications Hong Kong Branch, the director of Bank of Communications Trustee Limited (交通銀行信託有限公司) and the chairman and chief executive of China BOCOM Insurance Co., Ltd. (中國交銀保險有限公司). Mr Guan is also an economic and technical adviser to the People's Government of Jilin province, the PRC (吉林省人民政府經濟技術顧問). Mr Guan obtained a doctor's degree in Economics in 2000 from Wuhan University and was a post-doctoral researcher in Theoretical Economics with Fudan University from 2000 to 2002. Mr Guan has been a part-time researcher (兼職研究員) of the Insurance Research Centre of Fudan University since 2004.

As advised by Mr Guan, he will be able to dedicate sufficient time and attention in discharging his duties as an independent non-executive Director. Given Mr Guan's extensive experience in the Hong Kong financial market, he is fully aware of the responsibilities of being a director of a public listed company in Hong Kong. Based on the above fact, our Directors and the Sponsor concur with the view of Mr Guan that he is able to satisfy the requirements under rules 3.08 and 3.09 and the Code Provision under A.5.3 of Appendix 14 to the Listing Rules.

Mr Ma Lishan (馬立山), aged 57, has been our independent non-executive Director since 6 March 2008. Mr Ma is experienced in corporate management. Prior to joining our Group, Mr Ma served various senior managerial positions in the PRC food, edible oils and wine industries. Mr Ma was appointed as an executive director from January 1996, was appointed as director and managing director from May 1997 and was appointed from April 2002 to June 2003 as the managing director of China Foods Limited (中國食品有限公司) (stock code: 00506) (formerly known as "China Foods Holdings Limited (中國食品發展集團有限公司)" and "COFCO International Limited (中國糧油國際有限公司)"), which is listed on the Main Board of the Stock Exchange. In 2000, he was appointed as the deputy general manager of China Foods Import and Export (Group) Co., Ltd. (中國糧油食品進出口(集團)有限公司). From June 2003 to July 2005, Mr Ma was the deputy managing director of COFCO (Hong Kong) Limited (中國糧油食品集團(香港)有限公司). From June 2008 to January 2009, Mr Ma was an executive director of Sino Resources Group Limited (carrying on business in Hong Kong as Sino Gp Limited) (神州資源集團有限公司) (formerly known as Kenfair International (Holdings) Limited (建發國際(控股)有限公司)) (stock code: 00223), which is listed on the Main Board of the Stock Exchange. In 1975, Mr Ma graduated from the University of Foreign Languages in Beijing.

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As advised by Mr Ma, he will be able to dedicate sufficient time and attention in discharging his duties as an independent non-executive Director. Given Mr Ma's extensive experience in the Hong Kong financial market, he is fully aware of the responsibilities of being a director of a public listed company in Hong Kong. Based on the above fact, our Directors and the Sponsor concur with the view of Mr Ma that he is able to satisfy the requirements under rules 3.08 and 3.09 and the Code Provision under A.5.3 of Appendix 14 to the Listing Rules.

Save as disclosed, each of our Directors confirms with respect to him or her that: (i) he or she has not held any directorships, current or past, since the beginning of the Track Record Period up to the date of this prospectus in any public companies, the securities of which are listed on any securities market in Hong Kong and/or overseas; (ii) he or she is not related to any other Director, senior management or substantial or controlling shareholders of the Company; (iii) there is no information to be disclosed for him or her pursuant to the requirements under rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; (iv) there are no other matters that need to be brought to the attention of holders of securities of the Company; and (v) all the requirements under Rule 13.51(2) of the Listing Rules have been fulfilled.

SENIOR MANAGEMENT

Our senior management comprises our executive Directors, our company secretary and the following persons:

Ms Zhao Xin (趙鑫), aged 31, is the Chief Operation Officer for the PRC market of our Group. She joined our Group in February 2006 and is responsible for the daily business operation and management of Silver Base Trading (Shenzhen). Prior to joining our Group, Ms Zhao was the Media Supervisor (媒介主管) of the advertisement division of Henan Provincial Foodstuffs Co., Ltd. (河南省副食品公司) and the client liaison manager (客戶主管) of the Henan liaison department of "National Confectionery and Alcohol Affair (全國糖酒會)". She is an advanced-level sales and marketing personnel (高級營銷師) registered with the Henan Provincial Sales and Marketing Committee (河南省營銷協會) and is certified by the Ministry of Personnel of the PRC (中華人民共和國人事部) as specialised in elementary business administration (初級商業管理). Ms Zhao holds a diploma in Interior Arts (裝潢藝術) from the Henan Provincial Employee's University of Light Industry (河南省輕工業職工大學) in the PRC.

Ms Chan Sing Doris (陳星), aged 34, is the Manager of Administration and Human Resources of Silver Base Development. Ms Chan joined our Group in November 1997 and is responsible for formulating and implementing our Group's human resources policies and advising strategic and tactical human resources issues. Prior to joining the Group, Ms Chan served various secretarial and administrative roles in a number of corporations in Hong Kong. Ms Chan enrolled in a course on corporate administration at Hong Kong Technical College.

Ms Kong Wai Man (江為民), aged 40, is the Marketing Manager of Silver Base Development. Ms Kong joined our Group in September 2004 and is responsible for marketing development of international tobacco and liquor markets. Ms Kong has over 10 years of experience in marketing. Prior to joining our Group, she worked for one of the global leading international tobacco companies as a brand marketing manager. Ms Kong has a bachelor's degree in Chinese and English Bilingual Secretarial Management from Jinan University (暨南大學) in the PRC.

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Ms Luk Wan Sang Oriana (陸韻生), aged 37, is the Business Manager of Silver Base Development. Ms Luk joined our Group in December 2002 and is responsible for business development of PRC tobacco division. Ms Luk has over 10 years of work experience in trading companies. Ms Luk has a bachelor's degree in Business Administration from the Royal Melbourne Institute of Technology University (RMIT University).

Mr Tse Chung Leung (謝仲良), aged 36, is the Sales Manager of Silver Base Development. Mr Tse joined our Group in September 2000. Mr Tse is responsible for, and has knowledge in, the sales and distribution of liquor and cigarettes in the Southeast Asian and PRC duty-free markets.

Ms So Hiu Tung Miranda (蘇曉彤), aged 38, is the Senior Finance Manager of Silver Base Development. Ms So joined our Group in August 2007 and is responsible for financial reporting affairs and assisting the Board in formulating internal control procedures of the Group. She has about 12 years of experience in financial and accounting with different corporations. In 1998, she became a Certified Practising Accountant registered with CPA Australia (then known as the Australian Society of Certified Practising Accountants) and an associate member of the Hong Kong Institute of Certified Public Accountants (then known as the Hong Kong Society of Accountants). Ms So holds a bachelor's degree in Commerce majoring in Accounting from the University of Canberra, Australia and a master's degree in Business Administration from the University of Portsmouth in the United Kingdom.

Company secretary

Mr Chung Wai Man (鍾偉文), aged 45, is our company secretary and Chief Financial Officer. He is employed by our Group on a full-time basis. His biographical details are set out in the above paragraph headed "Executive Directors".

Management continuity

In addition to Mr Liang, Mr Chung Wai Man, Ms Cheung Mei Sze and Mr Chen Sing Hung Johnny, our core management, for the purpose of the management continuity requirements under the Listing Rules, comprise the above three members of the senior management. Six of the members of the senior management have been with our Group throughout the Track Record Period and none of the senior management members of our Group has left (other than one individual who resigned on his own request and left our Group on 31 March 2008).

On 3 January 2007, Mr Chen Sing Hung Johnny, who has been with our Group for almost half of the Track Record Period, was appointed Chief Executive Officer of our Company. This post was newly created for the purposes of the Listing and was not occupied prior to Mr Chen Sing Hung Johnny joining our Group. He was considered above the other members of the senior management for the position because his academic and professional credentials and extensive knowledge and experience in business development, international trade and project management in sales and distribution are expected to contribute significantly to the development of our Company's business management and operations.

AUDIT COMMITTEE

We established an audit committee on 23 June 2008 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Audit Committee are to provide our Board with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by our Board. The Audit Committee consists of three independent non-executive Directors, Mr Hung Sui Kwan (being the chairman with professional qualifications in accountancy), Mr Guan Huanfei and Mr Ma Lishan.

REMUNERATION COMMITTEE

We established a remuneration committee on 23 June 2008 with written terms of reference in compliance with paragraph B1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to our Directors on our policy and structure for all remunerations of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of our Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme. The Remuneration Committee consists of five members, including Mr Liang (as the chairman of the Remuneration Committee), Mr Chen Sing Hung Johnny and all the independent non-executive Directors (being Mr Hung Sui Kwan, Mr Guan Huanfei and Mr Ma Lishan).

DIRECTORS' REMUNERATION

Each of the executive Directors has entered into a service agreement with us commencing from 12 September 2007 (except Ms Cheung Mei Sze, who entered into a service agreement with us commencing from 6 March 2008) for an initial term of three years which may be terminated by either party by serving on the other party a prior written notice of not less than three months. Under the service agreements, the executive Directors are entitled to an aggregate annual basic salary of approximately HK\$27.3 million (or its equivalent in other currencies). Each of the executive Directors is also entitled to a discretionary bonus as determined by the Remuneration Committee by reference to the performance of our Group. Particulars of the terms of the above service contracts are set out in the paragraph headed "C. Further information about our Directors, substantial shareholders and experts – 3. Particulars of service contracts" in Appendix VI to this prospectus.

The aggregate amount of fees, salaries, bonuses, housing allowances, other allowances, benefits in kind and contributions to pension schemes we paid to the relevant Directors in respect of each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008 were approximately HK\$16.4 million, HK\$16.5 million, HK\$23.6 million and HK\$11.0 million, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in note 10 of section II to the Accountants' Report as set out in Appendix I to this prospectus.

Our directors' remuneration included the amounts of Mr Liang's remuneration reclassified from entertainment and travelling expenses in aggregate of HK\$14.4 million and HK\$13.9 million for each of the two financial years ended 31 March 2007, respectively. Further information about the reclassification of the entertainment and travelling expenses are set out in the section headed "Business – Legal proceedings and other legal matters" in this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

During the Track Record Period, no remuneration was paid to our Directors as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, our Directors or past Directors during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ended 31 March 2008 was HK\$23.6 million and for the financial year ending 31 March 2009 will be approximately HK\$25.3 million. In addition, a discretionary bonus in the aggregate amount of HK\$1.2 million was paid to the non-executive Director and the three independent non-executive Directors for their services rendered during the financial year ending 31 March 2009.

The five highest paid individuals of our Group for the Track Record Period included three Directors whose remunerations are included in the aggregate amount of fees, salaries, bonuses, housing allowances, other allowances, benefits in kind and contributions to pension schemes we paid to the relevant Directors set out above. Excluding such Directors, the aggregate amount of fees, salaries, bonuses, housing allowances, other allowances, benefits in kind and contributions to pension schemes to the five highest paid individuals by our Group in respect of each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008 were approximately HK\$1.6 million, HK\$1.9 million, HK\$2.0 million and HK\$1.5 million, respectively.

During the Track Record Period, no remuneration was paid to the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by such individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

Save as disclosed above, no other payments have been paid or are payable in respect of the three financial years ended 31 March 2008 and the six months ended 30 September 2008 to our Directors by our Group.

COMPLIANCE ADVISER

We have appointed Sun Hung Kai International Limited, as our compliance adviser, pursuant to Rule 3A.19 of the Listing Rules to advise us on the following matters in accordance with Rule 3A.23 of the Listing Rules:

1. before the publication of any regulatory announcement, circular or financial report;
2. where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
3. where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this prospectus; and

DIRECTORS, SENIOR MANAGEMENT AND STAFF

4. where the Stock Exchange makes an inquiry of us of unusual movements in the price or trading volume of our listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the Listing Date and end on the date on which we send our financial results as required under Rule 13.46 of the Listing Rules for the first full financial year commencing after the Listing Date.

STAFF

As at 30 September 2008, we had a total of 217 full-time members of staff. The analysis by function of our staff (excluding temporary staff, one non-executive Director and three independent non-executive Directors) is as follows:

Functions	Number of staff members
Finance, administration and human resources	47
Sales and marketing	<u>170</u>
Total	<u><u>217</u></u>

Our relationship with staff

Our Directors believe that our staff are among the most valuable assets of our Group and have contributed to the success of our Group. We provide training to individual employees according to their own job description. In particular, we provide in-house training to our staff to enhance their knowledge of the products we distribute, corporate culture and sales techniques.

Since we were established, we have not experienced any significant turnover of staff or any disruption to our business operations due to labour disputes. Our Directors consider that we have maintained a good relationship with our staff.

Staff benefits

Our employees in Hong Kong have joined a defined contribution Mandatory Provident Fund retirement benefits scheme (the “**MPF Scheme**”) in accordance with the arrangements prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Our employees in Hong Kong and our Group are required to contribute 5% of the relevant employee’s monthly wage (up to a maximum contribution of HK\$1,000 by us for each employee in Hong Kong) on a monthly basis to the fund, respectively. The employees may contribute more than 5% into the fund. The assets of the MPF Scheme are held separately from those of our Group in an independently administered fund. The employer contributions vest fully with the employees when contributed into the MPF Scheme. Our contributions under the MPF Scheme are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. Contributions to the MPF Scheme are only relevant to our Group in respect of Silver Base Development. The contributions paid by us for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008 were approximately HK\$0.4 million, HK\$0.4 million, HK\$0.5 million and HK\$0.3 million, respectively.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

In the PRC, in accordance with the relevant national and local labour and social welfare laws and regulations, we are required to pay, in respect of our employees in the PRC, various social security funds including basic pension insurance (基本養老保險), basic medical insurance (綜合醫療保險), unemployment insurance (失業保險), occupational injury insurance (工傷保險), hospital insurance (住院醫療保險) and insurance for maternity leave (生育醫療保險). According to the current applicable local regulations, the percentages of the various insurances applicable to us are set out below:

Social security funds	Percentage of the relevant employees' average monthly salary
Basic pension insurance	11% for employees who are residents in Shenzhen and 10% for non-local residents
Basic medical insurance	6.5% for employees who are residents in Shenzhen
Unemployment insurance	Approximately 0.4%
Occupational injury insurance	0.5% to 1.5%
Hospital insurance	Approximately 1% for employees who are not residents in Shenzhen
Insurance for maternity leave	0.5% for employees who are residents in Shenzhen

The contributions we paid for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008 were approximately RMB46,000, RMB0.4 million, RMB1.0 million and RMB1.1 million, respectively.

During the Track Record Period, the Group has underpaid compulsory social insurance contributions for certain employees in the PRC.

As advised by our PRC legal advisers, if the relevant PRC subsidiaries within our Group fail to pay the social insurance contributions in accordance with the relevant requirements, the administrative department of labor and social security or the tax authority may order such PRC subsidiaries to settle the outstanding contributions within a prescribed time limit; otherwise such PRC subsidiaries may be subject to a late payment fine of 0.2% on the outstanding contributions computed on a daily basis from the due date and up to two years. As at the Latest Practicable Date, we had not received any notice from the relevant PRC authorities for imposition of such fine on us.

As a remedial measure, we have arranged for the supplementary filing and payment of the outstanding contributions so far as possible. Such supplemental filing and payment were accepted by the Shenzhen Social Insurance Funding Administration Bureau (深圳市社會保險基金管理局) and subsequently settled in May 2008. However, mainly due to the fact that some of the relevant employees have left the Group before having opened an account at the Shenzhen Social Security Bureau, it is practically impossible for the Group to settle the outstanding social insurance contributions in respect of the employees which amounts to approximately RMB94,000. As advised by our PRC legal advisers, we may be subject to the late payment fine of 0.2% on such outstanding contributions calculated on a daily basis. Our Directors estimate the late payment fine up to 28 February 2009 to be approximately RMB0.1 million.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Having considered the amount involved to be relatively small, our Directors believe that such amount will not result in any material adverse effect on the Group as a whole.

In the future, additional administrative efforts will be taken by the Group to ensure the Group and its employees have taken all necessary measures to make the required social insurance contributions in time as required under the relevant rules and regulations, including but not limited to regular visits to the relevant social insurance bureau to discuss contributions made by the Group.

Save as aforesaid, our PRC subsidiaries have complied with the PRC laws on labour and social insurance in all material respects.

Staff costs

The staff costs of our Group (including staff welfare expenses but excluding our Directors' remunerations, which are set out in the paragraph headed "Directors' Remuneration" above) for each of the financial years ended 31 March 2008 and the six months ended 30 September 2008 were approximately HK\$7.7 million, HK\$16.2 million, HK\$22.4 million and HK\$14.0 million, respectively.

SHARE OPTION SCHEME

We conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised under the paragraph headed "D. Share Option Scheme" in Appendix VI to this prospectus.

Pursuant to the Regulations on the Foreign Exchange System of the PRC (《外匯管理條例》) which was promulgated by the State Council on 29 January 1996 and amended on 5 August 2008, the Measures for Individual-related Foreign Exchange Administration (《個人外匯管理辦法》), which was promulgated by the PBOC on 25 December 2006 and became effective 1 February 2007, the Implementing Rules for the Measures for Individual-related Foreign Exchange Administration (《個人外匯管理辦法實施細則》), which was promulgated by SAFE on 5 January 2007 and became effective 1 February 2007, if any of our PRC employees intends to participate in the Share Option Scheme after the Listing, they must, through their employer company or such employer company's agent in the PRC, make necessary registration with and obtain prior approval by SAFE. However, prior to the Listing, the PRC employees are not required to register with or obtain approval from SAFE for participating in the Share Option Scheme. Under the Share Option Scheme, the Company will not grant options if doing so would cause the Company to be in breach of any relevant laws or regulations. In addition, for an employee who is a PRC resident, the employee may not exercise options unless (i) the employee is in compliance with PRC legal or regulatory restrictions or conditions on such issuances, and (ii) the employee represents and warrants to the Company that he or she satisfies the relevant legal and regulatory requirements on foreign exchange control in exercising such options.

SHARE CAPITAL

SHARE CAPITAL

Our Company's authorised and issued share capital immediately following the Capitalisation Issue and the Global Offering will be as follows:

<i>Authorised share capital:</i>	<i>HK\$</i>
100,000,000,000 Shares	10,000,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised):

	<i>HK\$</i>
3,800,000 Shares in issue at the date of this prospectus	380,000
896,200,000 Shares to be issued under the Capitalisation Issue	89,620,000
300,000,000 Shares to be issued pursuant to the Global Offering	30,000,000
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1,200,000,000 Total	120,000,000
<hr/> <hr/>	<hr/> <hr/>

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering (assuming that the Over-allotment Option is exercised in full):

	<i>HK\$</i>
3,800,000 Shares in issue at the date of this prospectus	380,000
896,200,000 Shares to be issued under the Capitalisation Issue	89,620,000
345,000,000 Shares to be issued pursuant to the Global Offering	34,500,000
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1,245,000,000 Total	124,500,000
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Assumptions

The above table assumes that the Capitalisation Issue and the Global Offering have become unconditional.

It takes no account of any Shares (a) which may be issued upon the exercise of any options that may be granted under the Share Option Scheme or (b) which may be allotted, issued or repurchased by us under the general mandates granted to our Directors as referred to below.

SHARE CAPITAL

Ranking

The Offer Shares will rank pari passu in all respects with all Shares now in issue or to be issued as mentioned in this prospectus, and will qualify in full for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus other than participation in the Capitalisation Issue.

CAPITALISATION ISSUE

Under the written resolutions of our sole Shareholder passed on 20 February 2009, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares under the Global Offering, our Directors are authorised to allot and issue a total of 896,200,000 Shares credited as fully paid at par to the shareholder(s) whose name(s) appear(s) on the register of members of our Company at the close of business on 20 February 2009 by way of capitalisation of the sum of HK\$89,620,000 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued under this resolution shall rank pari passu in all respects with the existing issued Shares.

GENERAL MANDATES

General mandate to issue Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

1. 20% of the aggregate nominal value of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering, excluding the Shares which may be issued under the Over-allotment Option; and
2. the aggregate nominal value of Shares repurchased by us under the authority referred to in the paragraph headed "General mandate to repurchase Shares" below.

The Issuing Mandate does not apply to situations where our Directors allot, issue or deal with Shares by way of rights or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or under the exercise of any options which may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the grant or issue to officers and/or employees of our Company and/or any of its subsidiaries of Shares or rights to acquire Shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by our Shareholders in our general meeting.

The Issuing Mandate will expire:

- at the conclusion of our Company's next annual general meeting;
- at the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or

SHARE CAPITAL

- when varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

For further details of the Issuing Mandate, see the paragraph headed “A. Further information about our Group – 4. Written resolutions of the sole Shareholder” in Appendix VI to this prospectus.

General mandate to repurchase Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with nominal value of up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering.

The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “A. Further information about our Group – 7. Repurchase of our own securities” in Appendix VI to this prospectus.

The Repurchase Mandate will expire:

- at the conclusion of our Company’s next annual general meeting;
- at the expiration of the period within which our Company’s next annual general meeting is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or
- when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of the Repurchase Mandate, see the paragraph headed “A. Further information about our Group – 4. Written resolutions of the sole Shareholder” in Appendix VI to this prospectus.

Share Option Scheme

We conditionally adopted the Share Option Scheme. A summary of the principal terms is set out in the paragraph headed “D. Share Option Scheme” in Appendix VI to this prospectus.

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*You should read this section in conjunction with our consolidated financial statements as at and for each of the three financial years ended 31 March 2008 and the six months ended 30 September 2007 (unaudited) and 2008, including the notes thereto as set out in Appendix I to this prospectus (the “**Consolidated Financial Statements**”). The Consolidated Financial Statements have been prepared in accordance with HKFRS, which may differ in significant respects from generally accepted accounting principles in other jurisdictions, including the United States.*

The consolidated income statement for the six months ended 30 September 2007 has been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements include all adjustments, consisting only of normal and recurring adjustments that we consider necessary to fairly present our financial positions for the periods indicated.

Our historical results do not necessarily indicate results expected for any future periods. Our results as at, and for, the six months ended 30 September 2008 may not be indicative of our results as at, and for, the financial year ending 31 March 2009. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to, those described under “Risk Factors” and elsewhere in this prospectus.

OVERVIEW

We are principally engaged in the distribution of the Wuliangye Liquor Series (a popular and traditional high-end Chinese *baijiu* (白酒) liquor) for the PRC and international markets. According to the Wuliangye Group, we have been the largest distributor of the Wuliangye Liquor Series for the respective markets since 2000 as more particularly set out in “Business – Our distributorship”. The Wuliangye Liquor Series accounted for 79.0%, 88.4%, 93.1% and 95.0% of our total revenue for each of the three financial years ended 31 March 2008 and for the six months ended 30 September 2008, respectively. We also distribute various PRC brands of cigarettes for certain duty-free markets in Asia, which accounted for 21.0%, 11.0%, 6.5% and 4.6% of our revenue for each of the three financial years ended 31 March 2008 and for the six months ended 30 September 2008, respectively. In February 2009, we were appointed by the Wuliangye Group to distribute the Wuliangye “Soy” Label Series, a “soy flavour type” (醬香型) Chinese *baijiu* (白酒) and one of the latest products of the Wuliangye Group, for the PRC duty-paid market. We intend to commence the marketing activities for this new product in or around the second quarter of 2009.

BASIS OF PRESENTATION

The Consolidated Financial Statements have been prepared as if our current group structure had been in existence throughout the Track Record Period or where a Group company was incorporated during the Track Record Period, since the date of incorporation of that company. All significant intra-group transactions and balances have been eliminated on consolidation.

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COMPARABILITY OF OUR RESULTS OF OPERATIONS OVER THE TRACK RECORD PERIOD

Our results of operations for any period may not be comparable with other periods within the Track Record Period primarily due to the following reasons:

- Our exclusive right to distribute DIMPLE in the PRC duty-paid and duty-free markets (excluding the Beijing and Shanghai airport concessions) commenced in June 2006 and February 2007, respectively. As a result, we did not generate any substantial revenue from our distribution of DIMPLE for the financial year ended 31 March 2006. Sales of DIMPLE accounted for only 0.6%, 0.4% and 0.4% of our revenue for each of the two financial years ended 31 March 2008 and for the six months ended 30 September 2008, respectively.
- Our business activities in the PRC market significantly expanded after Silver Base Trading (Shenzhen), our wholly-owned subsidiary, commenced distribution of various products of the Wuliangye Liquor Series in early 2006. We only generated limited revenue from sales in the PRC for the financial year ended 31 March 2006. Revenue derived from our sales of the Wuliangye Liquor Series in the PRC market increased significantly from HK\$29.9 million for the financial year ended 31 March 2006 to HK\$323.5 million for the financial year ended 31 March 2007 and further to HK\$654.6 million for the financial year ended 31 March 2008. Revenue derived from our sales of the Wuliangye Liquor Series in the PRC market for the six months ended 30 September 2008 was HK\$293.3 million. The sales of the Wuliangye Liquor Series in the PRC market accounted for 5.2%, 32.9%, 44.1% and 33.4% of our total revenue for each of the three financial years ended 31 March 2008 and for the six months ended 30 September 2008, respectively.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial position and results of operations are significantly affected by a number of factors, many of which may not be within our control. A discussion of these factors is set out below.

Reliance on the Wuliangye Group

We are primarily engaged in the distribution of the Wuliangye Liquor Series in both the PRC and international markets. The Wuliangye Group has been our largest supplier over the Track Record Period. For each of the three financial years ended 31 March 2008 and for the six months ended 30 September 2008, our purchases of the Wuliangye Liquor Series directly and indirectly from the Wuliangye Group accounted for 93.4%, 94.9%, 93.6% and 91.5% of our total liquor purchases, respectively; our revenue derived from the distribution and sale of the Wuliangye Liquor Series accounted for 79.0%, 88.4%, 93.1% and 95.0% of our total revenue for the respective periods. Therefore, our financial condition, results of operations and business prospects are directly affected by our relationship with the Wuliangye Group.

Our revenue derived from the distribution of the Wuliangye Liquor Series is determined by the quantity of products we purchase from the Wuliangye Group and the price at which we sell those products. Our gross margin and operating profit are substantially affected by the price at which we purchase the Wuliangye Liquor Series and the price at which we sell the Wuliangye Liquor Series to the sub-distributors in the PRC and international markets.

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Quantity

Our results of operations and financial condition are significantly dependent on the continued supply of the Wuliangye Liquor Series from the Wuliangye Group, which determines the volumes of the Wuliangye Liquor Series that we distribute. Our ability to grow our business is also dependent on our ability to increase supplies from the Wuliangye Group. The table below sets forth our quarterly sales volume of the Wuliangye Liquor Series during the Track Record Period and the three months ended 31 December 2008:

	For the three months ended														
	Jun 05	Sep 05	Dec 05	Mar 06	Jun 06	Sep 06	Dec 06	Mar 07	Jun 07	Sep 07	Dec 07	Mar 08	Jun 08	Sep 08	Dec 08
	(bottles in million)														
Wuliangye Liquor Series															
International market	0.50	1.05	1.14	0.72	1.21	0.88	0.70	0.81	0.72	0.50	0.87	0.50	0.45	0.84	0.01
PRC market	-	-	-	0.10	0.09	0.33	0.39	0.26	0.22	0.46	0.51	0.76	0.19	0.45	0.08
	<u>0.50</u>	<u>1.05</u>	<u>1.14</u>	<u>0.82</u>	<u>1.30</u>	<u>1.21</u>	<u>1.09</u>	<u>1.07</u>	<u>0.94</u>	<u>0.96</u>	<u>1.38</u>	<u>1.26</u>	<u>0.64</u>	<u>1.29</u>	<u>0.09</u>

For the purpose of distributing the Wuliangye Liquor Series in the international market, we have entered into both long-term master distribution agreements and annual supply contracts with the Wuliangye Group at the end of each year. The master distribution agreements set out the territorial restrictions and terms of the distribution rights of various types of products within the Wuliangye Liquor Series. The annual supply contracts typically set out the estimated quantity and price of the product that we will purchase from the Wuliangye Group in the next year for our distribution in the international market.

We have also entered into distribution agreements with the Wuliangye Group for distribution of the Wuliangye Liquor Series in the PRC market. However, we have not entered into any formal annual supply contracts with the Wuliangye Group for distribution of the Wuliangye Liquor Series in the PRC market. Instead, we usually submit a purchase schedule to the Wuliangye Group setting out estimated quantity of the Wuliangye Liquor Series that we wish to purchase for the year for distribution in the PRC market.

As a result, the quantity of the Wuliangye Liquor Series that we purchase from the Wuliangye Group is subject to private and commercial negotiation between the Wuliangye Group and us. From our past experiences in dealing with the Wuliangye Group, our Directors believe the main factors that the Wuliangye Group considers when it determines the quantity of the products sold to us each year include, but are not limited to: the amount of liquor it produced in the previous year, market demand (especially for the international market) as well as our and its sales performance during the previous year. Our Directors believe the historically stable supply of the Wuliangye Liquor Series to us is primarily due to the Wuliangye Group's increasing focus on export and expansion into the international market and its dedication to promoting new brands of the Wuliangye Liquor Series, such as Wuliangye 45% and Wuliangye 68%, in the PRC market. Any decline or interruption in supply from the Wuliangye Group will materially and adversely affect our financial condition, results of operations and business prospects.

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Pricing

Our Directors consider our selling price of the Wuliangye Liquor Series in the international market generally reflects the demand for the Wuliangye Liquor Series in the international market, particularly Wuliangye 52%, which accounted for 90.5%, 99.6%, 99.2% and 99.6%, respectively, of our total revenue derived from sales of the Wuliangye Liquor Series in the international market during each of the three financial years ended 31 March 2008 and for the six months ended 30 September 2008. In addition, our Directors believe that it is a common practice in the PRC liquor distribution industry to price liquor products according to the degree of alcoholic content. Our selling price of Wuliangye 45% and 68% in the PRC market is also substantially determined by our knowledge and judgment of the market conditions, in particular by reference to the retail price of other products of the Wuliangye Liquor Series (mainly Wuliangye 39% and 52%) that the Wuliangye Group distributes by itself and through its other PRC distributors. However, our policy of pricing Wuliangye 45% and 68% by reference to similar products of the Wuliangye Liquor Series is not restrictive. Sales of Wuliangye 45% and 68%, collectively, accounted for approximately 99.4%, 98.8%, 95.5% and 94.0%, respectively, of our total revenue derived from sales of the Wuliangye Liquor Series in the PRC market during each of the three financial years ended 31 March 2008 and for the six months ended 30 September 2008.

Our gross margin increased from 17.8% for the financial year ended 31 March 2006 to 24.1% for the financial year ended 31 March 2007 and further to 37.7% for the financial year ended 31 March 2008. Our gross margin for the six months ended 30 September 2008 was 51.7%. Such steady growth of gross margin primarily reflected the fact that increases in our revenue derived from sales of the Wuliangye Liquor Series outpaced the increases in our purchase costs, which in turn were due to:

- the increasing selling price of the Wuliangye Liquor Series and the high demand for the products in both the PRC and international markets, and
- our ability to sustain relatively stable purchase costs of the Wuliangye Liquor Series as a result of our distributorship with the Wuliangye Group.

The average selling price of the Wuliangye Liquor Series increased by 43.6% from the financial year ended 31 March 2006 to the financial year ended 31 March 2007, by 63.7% from the financial year ended 31 March 2007 to the financial year ended 31 March 2008 and further by 41.5% from the financial year ended 31 March 2008 to the six months ended 30 September 2008. The table below sets forth the quarterly change of the average selling price of the Wuliangye Liquor Series we distributed during the Track Record Period:

	For the three months ended													
	Jun 05	Sep 05	Dec 05	Mar 06	Jun 06	Sep 06	Dec 06	Mar 07	Jun 07	Sep 07	Dec 07	Mar 08	Jun 08	Sep 08
Wuliangye Liquor Series	-	0.20%	3.07%	17.37%	(0.87)%	34.83%	7.46%	(5.60)%	13.05%	26.58%	8.77%	13.23%	17.01%	1.77%

The average cost of sales of the Wuliangye Liquor Series increased by 33.3% from the financial year ended 31 March 2006 to the financial year ended 31 March 2007, by 32.3% from the financial year ended 31 March 2007 to the financial year ended 31 March 2008 and further by 6.8% from the financial year ended 31 March 2008 to the six months ended 30 September 2008.

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Performance of annual supply contracts and renewal of master distribution agreements

Our Directors believe that our results of operations are also significantly affected by the Wuliangye Group's performance of its annual supply contracts and renewal of the master distribution agreements that we enter into with the Wuliangye Group. Accordingly, any future interruption or delay in the Wuliangye Group's performance of any of the annual supply contracts could materially and adversely affect our results of operations, financial condition and business prospects. In addition, our distribution agreements with the Wuliangye Group will expire on 15 March 2012 for Wuliangye 45% in the PRC duty-paid market, 19 April 2012 for Wuliangye special labels (39% and 52%) in the PRC duty-paid market, 28 August 2017 for Wuliangye 68% in both the PRC and international markets, 5 February 2019 for the Wuliangye "Soy" Label Series in the PRC duty-paid market and 31 December 2020 for Wuliangye 52% in the international market and all products within the Wuliangye Liquor Series in the international duty-free market. Although our Directors believe we have established long-term and stable business relationship with the Wuliangye Group, there is no absolute assurance that the Wuliangye Group will always honour such distributorship after the master distribution agreements expire.

Distribution channels

Our Directors believe that our results of operations are also significantly affected by our ability to exercise effective and efficient control over our distribution channels for the Wuliangye Liquor Series and our other products, particularly the first-tier sub-distributors in both the PRC and international markets.

Our distribution channel is highly concentrated. Our five largest customers accounted for an aggregate of 88.9%, 64.9%, 63.8% and 69.7% of our total revenue for each of the three financial years ended 31 March 2008 and for the six months ended 30 September 2008, respectively. In addition, our largest customer accounted for 53.2%, 47.6%, 54.1% and 50.7% of our total revenue during the same periods, respectively.

We have not entered into any long-term distribution agreement with our sub-distributors so that we can enjoy more flexibility and control in terms of both the quantity and selling price of the Wuliangye Liquor Series we sell through our sub-distributors.

In the PRC market, we endeavour to oversee the distribution network for the Wuliangye Liquor Series primarily through a pricing mechanism, territorial restrictions and marketing incentives. With a view to avoiding the abuse of discounts by the sub-distributors and retailers to their customers in slow seasons or during their own financial crisis, in our contracts with the first-tier sub-distributors we typically build in the minimum selling prices that various levels of sub-distributors are required to adhere. In addition, we have adopted a policy that within a defined geographical area, we are usually engaged with only a limited number of first-tier sub-distributors. Finally, we provide a number of marketing incentives to the sub-distributors such as marketing commissions which are based on their compliance with, among other things, the pricing mechanism and territorial restrictions, as well as rebates, discounts and promotion subsidies which are based on their purchase volume. Such marketing incentives were HK\$1.8 million, HK\$27.0 million, HK\$32.4 million and HK\$1.5 million for each of the three financial years ended 31 March 2008 and for the six months ended 30 September 2008, respectively, which were offset against our revenue as "allowances for returns and trade discounts".

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Product mix

Our Directors believe that our results of operations, particularly our gross profit margins, are also affected by changes to the product mix. The principal product we distribute is the Wuliangye Liquor Series, including Wuliangye 39%, Wuliangye 45%, Wuliangye 52% and Wuliangye 68%. During each year in the Track Record Period, we generated revenue from sales of Wuliangye 39% and Wuliangye 52%. We started to distribute two new products, Wuliangye 68% and Wuliangye 45%, in the PRC market in January 2006 and November 2006, respectively. In June 2006, we began distributing DIMPLE in the PRC market. In 2009, we further expanded range of the products we distribute by obtaining a principal distributorship for the Wuliangye “Soy” Label Series, one of the latest products of the Wuliangye Group, in the PRC duty-paid market. In addition to high-end liquor, we distribute various PRC brands of cigarettes in the international market. As a result, our results of operations and financial condition have been affected by the changes in the product mix and the sales performance of these products, in particular the Wuliangye Liquor Series.

The following table sets forth the geographical breakdown of our revenue by products during the Track Record Period.

	For the financial year ended 31 March						For the six months ended 30 September			
	2006		2007		2008		2007		2008	
	Revenue HK\$ million	% of total revenue	Revenue HK\$ million	% of total revenue	Revenue HK\$ million	% of total revenue	Revenue HK\$ million	% of total revenue	Revenue HK\$ million	% of total revenue
	(Unaudited)									
Wuliangye Liquor Series										
PRC market	29.9	5.2	323.5	32.9	654.6	44.1	220.5	40.4	293.3	33.4
International market	424.5	73.8	545.6	55.5	728.3	49.0	271.6	49.7	541.3	61.6
DIMPLE										
PRC market	-	-	6.3	0.6	5.7	0.4	3.4	0.6	3.4	0.4
International market	-	-	-	-	0.4	-	-	-	-	-
Cigarettes										
PRC market	0.3	-	-	-	-	-	-	-	-	-
International market	120.6	21.0	108.5	11.0	96.1	6.5	50.5	9.3	40.4	4.6
Total	<u>575.3</u>	<u>100.0</u>	<u>983.9</u>	<u>100.0</u>	<u>1,485.1</u>	<u>100.0</u>	<u>546.0</u>	<u>100.0</u>	<u>878.4</u>	<u>100.0</u>

We intend to continue to expand the product mix by seeking additional quality suppliers of liquor, cigarettes and, possibly, other consumer products. To the extent we secure any of such new suppliers and products, the product mix and sources of revenue may be further diversified. As a result, our results of operations and financial condition over the Track Record Period may not be indicative of our performance in the future.

Seasonality

Our business operations are seasonal in nature. Our Directors believe that the spending behaviours of our Chinese consumers are generally subject to seasonality, which are intensified by seasonal travelling patterns during New Year and Chinese New Year in winter, the Labour Day holiday in early May, the summer months, the Mid-autumn Festival in autumn and the National Day “Golden Week” holiday in early October. As a common practice in the distribution industry, we often increase our inventories in advance of the major festivals in

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anticipation of the increase in demand. This may result in significant fluctuations in our inventory level as well as sales volume near such major festivals. We typically record higher sales during New Year and Chinese New Year in winter. Nevertheless, our sales in the winter of 2008 significantly decreased as a result of the unexpected delay in delivery of Wuliangye products from the Wuliangye Group. Please refer to “Risk Factors – The impact of shortage of or delay in the supply of the Wuliangye Liquor Series by the Wuliangye Group”.

Recent economic developments

Our results of operations and financial performance could be materially and adversely affected by conditions in the global capital or credit markets and the economy generally, both in the PRC and elsewhere around the world. The pressure experienced by global capital or credit markets that began in the second half of 2007 continued and substantially increased during the second half of 2008. Recently, concerns over the availability and cost of credit, the US mortgage market, energy costs, inflation, and a declining US real estate market have contributed to increased volatility and diminished expectations for the economy and the market going forward. These factors, combined with declining business and consumer confidence and increased unemployment in the United States and Europe, have precipitated an economic slowdown and fears of a possible recession. Initially, the concerns on the part of market participants were focused on the sub-prime segment of the mortgage-backed securities market. However, these concerns have expanded to include a broad range of mortgage-backed, asset-backed and other fixed income securities.

The PRC and international equity markets have also been experiencing heightened volatility. These events and the continuing upheavals may result in economic slowdown and decrease in consumer confidence. Our Directors believe our premium liquor products, being the main products distributed by us, are less prone to the cyclical downturns of the economy, as our Directors consider that demand for our products in our target market, which includes mainly upper-middle class consumers as well as large enterprises and governmental organisations in the PRC, is relatively more resilient to the economic downturn and less price elastic. Nevertheless, our revenue and profit margins may still be adversely impacted as demand for our premium liquor and cigarette products is directly related to the level of consumption in the PRC and international markets. Our Directors anticipate that both the purchase prices and the selling prices of our products will continue to increase in the coming years. However, in light of the recent global economic developments, our Directors anticipate that the rising momentum may not be as great as that in the past.

Currently, our Directors are not aware of any significant impact of the worldwide financial crisis on the Group’s business, on the basis that the actual sales in respect of each product conducted by us since the financial crisis in late 2008 to early 2009 generally did not show any material decrease in selling price as compared to sales of the same product in the past and, based on our Directors’ confirmation, there is currently no significant decrease in the demand for the Wuliangye Liquor Series from our customers. As disclosed elsewhere in this prospectus, however, the volume of the Wuliangye Liquor Series sold dropped significantly during the period. To be prudent, our Directors have decided to take a more conservative approach in managing the Group’s business in the near future in light of such crisis, including, for example, adjusting the selling prices of the Wuliangye products in the international market and acquiring DIMPLE inventories in 2009. Having said that, our Directors do not anticipate that the purchase prices and the selling prices of our products will suffer high volatility in the near future. See “Risk Factors – Our sales may be affected by seasonality, weather conditions, economic downturn and a number of other factors”.

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Furthermore, liquidity concerns have resulted in banks and other lenders imposing more stringent restrictions on lending in order to preserve their capital in light of the increased volatility of the global financial markets. This slowdown in lending has had an adverse effect on corporate capital expenditure projects around the world, many of which have been cancelled or postponed, and we believe that these negative effects will continue in the near term. As noted below under “– Liquidity and Capital Resources”, going forward, our Directors believe our liquidity requirements will be satisfied by using a combination of cash provided by operating activities, short-term or long-term indebtedness and the proceeds from the Global Offering. Other than trust receipt loans used to purchase the Wuliangye Liquor Series from the Wuliangye Group, as at 30 September 2008, we had no borrowing. In the future, if we pursue other forms of financing, the contraction in bank and other forms of lending may hinder our ability to meet our liquidity requirements.

Given the rapid and dramatic change in the overall global capital and credit markets and economy, we are unable to predict how the deterioration of the financial markets will impact on our business in the markets where we operate. See “Risk Factors – Prolonged disruptions to the global credit and capital markets and global economy may materially and adversely affect our liquidity, results of operations, financial condition, prospects and future expansion plans”.

OUR FINANCIAL PERFORMANCE HAS SIGNIFICANTLY DETERIORATED FOR THE THREE MONTHS ENDED 31 DECEMBER 2008

We experienced a significant drop in revenue for the three months ended 31 December 2008 due to a major delay in the delivery of the Wuliangye Liquor Series as described below. Since certain of our costs, such as selling and marketing and administrative expenses, did not decline proportionally, our financial performance has significantly deteriorated for this three-month period as compared to that of the corresponding period in 2007. Our average selling price and gross margin also decreased significantly in comparison with the corresponding period in 2007, as the delay in delivery resulted in lower sales volume of the Wuliangye Liquor Series in the international market, where our average selling price and margin are higher than in the PRC domestic market. We expect that our net profit in the second half of the financial year ending 31 March 2009 will reduce by over 70% as compared to that in the first half of the same financial year and that in the corresponding period in the financial year ended 31 March 2008.

This significant drop in revenue for the three months ended 31 December 2008 was primarily due to a major delay in delivery of Wuliangye 52% that we ordered in May 2008 for distribution in the international market. According to the original delivery schedule, this product should have arrived by November 2008. However, only around 70% of this product had been delivered to us as at the date of this prospectus. We received Wuliangye 52% from the Wuliangye Group in October 2008 but not in the following months until February 2009. Accordingly, the quantities of Wuliangye 52% that the Group received during the period from October 2008 to January 2009 were lower than that in the corresponding period a year earlier. Taking into account the quantities of Wuliangye 52% sold from October 2008 to January 2009, our quantity of Wuliangye 52% stock available for sale decreased by approximately 90% as at 31 January 2009 as compared to 30 September 2008.

As a result of this delay, we had to postpone the performance of a number of confirmed orders that we originally entered into based on our timely receipt of the products from the Wuliangye Group, cancel a significant order that we placed with the Wuliangye Group and temporarily

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discontinue placing new orders with the Wuliangye Group until completion of delivery which had been delayed. Our sales volume for the international market decreased by approximately 99.1% (representing approximately 0.86 million bottles) and accordingly the sales value also decreased for the same market, where the profit margins are higher than those in the PRC market, for the three months ended 31 December 2008 when compared with the three months ended 31 December 2007. Our Directors understand that this delay was primarily due to a change of the Wuliangye Group's internal production schedule requiring them to arrange delivery of these products to us gradually in installments of varying sizes. Our Directors confirm that, out of Wuliangye 52% which delivery has been delayed, around 70% had already arrived as at the date of this prospectus.

Regarding the PRC market, the distributors in the PRC market increased their purchase of the Wuliangye Liquor Series products prior to the effective date of the price increases in the PRC market for Wuliangye 45% (by 7%) and Wuliangye 68% (by 10%), which were announced by us in late September 2008. In addition, the amount of the Wuliangye Liquor Series supplied by the Wuliangye Group to us for the PRC market decreased as a result of, based on our Directors' understanding, the Wuliangye Group's internal production schedule as mentioned above. As a result, the sales volume and value decreased for the PRC market for the three months ended 31 December 2008 when compared with the three months ended 31 December 2007.

Having considered that about 70% of the delayed Wuliangye 52% for sale in the international market had already been delivered to us as at the date of this prospectus, as well as the Wuliangye Group granting us the principal distribution rights to a new product, namely the Wuliangye "Soy" Label Series, for the PRC market for a term of ten years, our Directors believe that the delay in the delivery of the Wuliangye Liquor Series does not indicate any deterioration in the relationship between us and the Wuliangye Group.

We strategically maintained our inventory levels during the three months ended 31 December 2008 in anticipation of an increase in demand for, and consequently a higher selling price of, the Wuliangye Liquor Series products during the Chinese New Year season. Going forward, we intend to increase our safety inventory level to reduce the impact of any future delay. There is no assurance that we will not experience a similar or even more severe delay in delivery of the Wuliangye Liquor Series by the Wuliangye Group in the future. Please see "Risk Factors – The impact of shortage of or delay in the supply of the Wuliangye Liquor Series by the Wuliangye Group".

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The discussion and analysis of our financial position and results of operations are based on the Consolidated Financial Statements prepared in accordance with the significant accounting policies set out in the Accountants' Report included in Appendix I to this prospectus. Preparation of our individual and consolidated financial information requires us to make estimates and judgments in applying certain critical accounting policies which may have a significant impact on our consolidated results. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ from these estimates under different assumptions and conditions. Our management has identified below the accounting policies, estimates and judgments that are most critical to our Consolidated Financial Statements.

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Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to us and when the revenue can be measured reliably, on the following bases:

- (1) for sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that we maintain neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (2) for rental income, on a time proportion basis over the lease terms; and
- (3) for interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

We recognise revenue from sales of products when delivery has occurred and the risks and rewards of the products have been transferred to the customers. For products collected by the customers from our warehouses, we recognise revenue upon collection of the products by the customers. For products we arrange for shipment to the customers, we recognise revenue upon shipment.

Inventories

Inventories represent merchandise and packaging materials purchased for resale and are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Impairment of assets

We have to exercise judgment in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by us to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the ageing and estimated net realisable value of inventories. The assessment of the write-down amount requires management's estimates and judgment. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of inventories and write-down charge or write-back of inventories in the period in which such estimate has been changed.

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We review the carrying value of our inventories on an annual basis and make write-down charge or write-back based on the inventory's ageing and estimated net realisable value. During the three financial years ended 31 March 2008, we made write-down charges only to the Hongtashan Premium Series that had been held as inventories for a period of more than 12 months; we did not make any write-down charge to our liquor products, including both the Wuliangye Liquor Series and DIMPLE, because according to our management's estimates and judgment, the market value of our liquor products has never been lower than their purchase costs due to the increasing demand, shortages of supply and the nature of the liquor products.

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires our estimates and judgments. Where the actual outcome is different from the original estimate, such differences will impact the carrying values of the trade receivables and impairment loss in the period in which such estimate has been changed.

Property, plant and equipment and depreciation

Property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future, economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

- Land and building Over the shorter of lease term and 50 years
- Leasehold improvements 5 years
- Furniture and fixtures 5 years
- Office equipment 5 years
- Motor vehicles 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

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Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, and we have to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on our experience with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

Revenue represents the net invoiced value of goods sold after deduction of relevant taxes and allowances for returns and trade discounts provided to our customers, and elimination of intra-group sales. We generate revenue primarily from the distribution of the Wuliangye Liquor Series in both the PRC and international markets as well as the distribution of various PRC brands of cigarettes in the international market. We also generate revenue from the distribution of DIMPLE in the PRC market.

Cost of sales

Cost of sales represents primarily the cost of finished products purchased from our suppliers. With respect to the Wuliangye Liquor Series distributed in the PRC market, cost of sales is recorded after deduction of the rebate provided by the Wuliangye Group based on our sales volume during the previous year.

Other revenue and gain

Other revenue and gain consist primarily of gross rental income from the lease of a residential property located in Hong Kong, interest income, gain on disposal of property, plant and equipment and other items such as insurance claims payment for loss of goods in transportation.

Selling and distribution costs

Selling and distribution costs consist primarily of salary and benefit expenses for our marketing and sales staff, entertainment expenses in connection with marketing and promotion, warehouse storage and management service fees, travelling expenses, meeting expenses, promotional expenses and duty charges for products sold in the international market from our bonded warehouses.

Salary and benefit expenses included allowances to Mr Liang in the amount of HK\$14.4 million and HK\$13.9 million for the financial years ended 31 March 2006 and 2007, respectively, which were historically classified as our entertainment expenses and therefore had not been included in our filing of employer's returns with the Hong Kong Inland Revenue Department as taxable income of Mr Liang for salary tax purposes. We made a voluntary notification to the Inland Revenue Department in early March 2008 to revise the Employers' Return we previously filed as Mr Liang's employer and to report the reclassification made in our accounts. Based on

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the estimated amount of salaries tax undercharged on Mr Liang in respect of the years of assessment 2001/02 to 2006/07 and the practice of the Inland Revenue Department, we have made a provision in relation to the potential penalty in our financial statements for the financial year ended 31 March 2008, which, in the view of our Directors, represents a best estimate of the amount of penalty or additional tax that may be payable. For details, please see “Business – Legal proceedings and other legal matters”.

Before the reclassification, Mr Liang’s remuneration as a director of Silver Base Development amounted to HK\$0.9 million and HK\$1.0 million for the financial years ended 31 March 2006 and 2007, respectively. After the reclassification, Mr Liang’s remuneration as a director of Silver Base Development increased to HK\$15.3 million and HK\$14.9 million for the financial years ended 31 March 2006 and 2007, respectively. For the financial year ended 31 March 2008 and the six months ended 30 September 2008, although no such reclassification is required, Mr Liang’s remuneration was HK\$20.8 million and HK\$9.5 million, respectively. Our Directors are of the view that such increased amount of remuneration is fair and reasonable in light of the scale and growth of our Group and Mr Liang’s contribution to our Group. Accordingly, there was an increase in Mr Liang’s remuneration after the reclassification and our Directors consider that Mr Liang’s remuneration may maintain at such level going forward. On the assumption that our internal system on reimbursement of entertainment and travelling expenses will be implemented pursuant to the new internal control system as more particularly described in “Business – Legal proceedings and other legal matters”, our Directors consider that similar expenses, to be incurred in relation to the business development of our Group, will be recorded as our entertainment and travelling expenses and therefore the amount of our entertainment and travelling expenses going forward will maintain at a level comparable to those in the past years prior to the reclassification. In other words, the amount of our entertainment and travelling expenses going forward will be increased as compared to those in the past years after the reclassification.

Administrative expenses

Administrative expenses primarily consist of salary and benefit expenses for our administrative staff, rental expenses and office expenses, depreciation of property, plant and equipment, travelling expenses and entertainment expenses, legal and professional service fees incurred for administrative purposes and others.

Other (expenses)/income

Other expenses or income primarily consists of write-down of inventories to net realisable value, reversal of impairment loss on an investment property, impairment of trade receivables, foreign exchange differences and other expense items. We make impairment of trade receivables based on an assessment of the recoverability of trade receivables. We make impairment of investment property based on the estimated recoverable amount. Foreign exchange differences are the financial impact of fluctuations of foreign exchange rates over transactions and balances that are denominated in a currency other than HK dollars, which is our functional currency. Also included in other expenses were certain one-off expenses, such as charitable donations we made in the PRC and provision for the potential liabilities. The table below shows a breakdown of our other (expenses)/income over the Track Record Period.

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	For the financial year ended 31 March			For the six months ended 30 September	
	2006	2007	2008	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
(Write-down)/reversal of write-down of inventory to net realisable value.	(2,924)	(7,683)	(525)	502	2,078
Impairment of trade receivables	(261)	(554)	–	–	–
Reversal of impairment loss on an investment property	209	559	84	–	–
Exchange gain	1,113	964	7,709	108	2,861
(Provision)/reversal of penalty expenses ¹	–	–	(3,064)	(3,044)	634
Others ²	–	(2,278)	(5)	–	(2,000)
	<u>(1,863)</u>	<u>(8,992)</u>	<u>4,199</u>	<u>(2,434)</u>	<u>3,573</u>

Notes:

- 1 The amount during the financial year ended 31 March 2008 represented a provision for a penalty related to the incorrect filing of employer's returns of HK\$2,534,000 which was settled in June 2008, and a provision for a penalty of RMB500,000 related to violations of the Regulations of the PRC on Foreign Exchange Control. See the section headed "Risk Factors". The amount during the six months ended 30 September 2008 represented the reversal of the provision for the penalty related to the incorrect filing of employer's returns of HK\$634,000.
- 2 The amount during the financial year ended 31 March 2007 primarily included the donations of HK\$980,000 for re-constructing Martyr Commemoration Park and HK\$870,000 to the China Youth Development Foundation for Project Hope (希望工程). The amount for the six months ended 30 September 2008 primarily included donations of HK\$1.0 million for the Liaison Office of the Central People's Government in Hong Kong in connection with the Sichuan earthquake and HK\$1.0 million for the The Community Chest of Hong Kong.

Finance costs

Finance costs primarily consist of interest expenses on bank loans used to finance two of our residential properties located in Hong Kong and finance leases in connection with several motor vehicles leased for our operation. The finance leases and bank loans have been fully repaid in January 2006 and January 2008, respectively.

Tax

Tax consists of Hong Kong profits tax expense and PRC income tax expense. Hong Kong profits tax has been charged at the rate of 17.5% for each of the three financial years ended 31 March 2008 and at the rate of 16.5% for the six months ended 30 September 2008 on the estimated assessable profits in Hong Kong.

PRC income tax has been charged at the rate of 15% for the financial years ended 31 March 2006 and 2007, and nine months ended 31 December 2007, and 18% for the nine months ended 30 September 2008 on the taxable income of Silver Base Trading (Shenzhen), one of our wholly-owned subsidiaries incorporated in the PRC. On the other hand, Silver Base Spirit

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(Shenzhen), another wholly-owned subsidiary in the PRC, had not generated taxable income since it was incorporated in the PRC in August 2007. Before 1 January 2008, the statutory national and local PRC enterprise income tax rates were 30% and 3%, respectively, of the assessable income as determined in accordance with the relevant PRC income tax rules and regulations. However, PRC national and local tax laws provide for various types of preferential tax treatments applicable to foreign invested enterprises.

According to Article 7 of *Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises*, all foreign invested enterprises incorporated in special economic zones, such as Shenzhen Special Economic Zone, were entitled to EIT at a preferential rate of 15%, before the EIT Law became effective 1 January 2008. This preferential tax treatment was automatically applicable to all foreign invested enterprises incorporated in special economic zones. It was not necessary to obtain any approval from PRC tax authorities for the entitlement to such treatment. Therefore, as foreign invested enterprises incorporated in Shenzhen Special Economic Zone, both Silver Base Trading (Shenzhen) and Silver Base Spirit (Shenzhen) were entitled to EIT at a preferential rate of 15% before 1 January 2008.

Furthermore, according to the EIT Law and *The Notice on the Policy of Enforcing Transitional Preferential Treatment of Enterprise Income Tax* promulgated on 26 December 2007 by the State Council, enterprises such as Silver Base Trading (Shenzhen) and Silver Base Spirit (Shenzhen) which enjoyed a preferential EIT rate of 15% before 2008 will be subject to the rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% from 2012 onwards.

For further information regarding risk relating to a change in our tax treatment in the PRC, see “Risk Factors – Any change in our tax treatment may have a negative impact on the results of our operations”.

Except as otherwise disclosed in this prospectus, we have made all the required tax filings and have paid all outstanding tax liabilities with the relevant tax authorities, and do not have any dispute or potential dispute with the relevant tax authorities.

Profit and profit margin

Profit for the year is calculated as gross profit and other revenue and gain minus selling and distribution costs, administrative expenses, finance costs and tax expenses after taking into account other income and expenses.

Profit margin shows profit for the year or period as a percentage of our revenue. Periodic changes in our profit margin are primarily driven by the product mix, cost of inventories and selling prices of the products. During the Track Record Period, our profit margin was 5.6%, 11.3%, 26.2% and 37.3%, respectively. The increases in profit margin primarily reflected the increasing demand for the products we sold, as well as our business expansion into the PRC market in 2006.

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RESULTS OF OPERATIONS

The following table sets forth the consolidated income statement data for the Track Record Period derived from our Consolidated Financial Statements set out in the Accountants' Report included in Appendix I to this prospectus.

	For the financial year ended 31 March			For the six months ended 30 September	
	2006	2007	2008	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Revenue	575,254	983,944	1,485,054	546,042	878,442
Cost of sales	(472,973)	(746,564)	(925,889)	(366,806)	(424,321)
Gross profit	102,281	237,380	559,165	179,236	454,121
Other revenue and gain	747	1,401	34,577	1,204	596
Selling and distribution costs .	(44,416)	(64,856)	(70,782)	(31,368)	(33,309)
Administrative expenses	(16,562)	(21,879)	(46,085)	(20,770)	(29,033)
Other (expenses)/income	(1,863)	(8,992)	4,199	(2,434)	3,573
Finance costs	(710)	(792)	(635)	(375)	–
Profit before tax	39,477	142,262	480,439	125,493	395,948
Tax	(7,481)	(30,932)	(90,995)	(23,943)	(68,389)
PROFIT FOR THE YEAR/ PERIOD.	<u>31,996</u>	<u>111,330</u>	<u>389,444</u>	<u>101,550</u>	<u>327,559</u>
Attributable to:					
Equity holders of the Company	31,996	111,334	399,724	101,550	327,559
Minority interests.	–	(4)	(10,280)	–	–
	<u>31,996</u>	<u>111,330</u>	<u>389,444</u>	<u>101,550</u>	<u>327,559</u>

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Six months ended 30 September 2008 compared to six months ended 30 September 2007

Revenue

The table below sets forth our revenue from the operation of each business segment as well as the percentage of total revenue they represented for the periods indicated.

	For the six months ended 30 September			
	2007		2008	
	Revenue HK\$'000 (Unaudited)	% of total revenue	Revenue HK\$'000	% of total revenue
Liquor				
Wuliangye Liquor Series	492,070	90.1	834,574	95.0
DIMPLE	3,425	0.6	3,430	0.4
Sub-total	495,495	90.7	838,004	95.4
Cigarettes	50,547	9.3	40,438	4.6
Total	<u>546,042</u>	<u>100.0</u>	<u>878,442</u>	<u>100.0</u>

Revenue increased by 60.9% to HK\$878.4 million for the six months ended 30 September 2008, as compared to HK\$546.0 million for the six months ended 30 September 2007. This increase was primarily due to the continued significant growth in sales of our liquor products driven by the Wuliangye Liquor Series.

Revenue from sales of the Wuliangye Liquor Series increased by 69.6% to HK\$834.6 million, or 95.0% of total revenue for the six months ended 30 September 2008, as compared to HK\$492.1 million, or 90.1% of total revenue for the six months ended 30 September 2007. This increase was primarily due to an increase in the average selling price of the Wuliangye Liquor Series in both the PRC and international markets. The average selling price of the Wuliangye Liquor Series increased by 66.0% from the six months ended 30 September 2007 to the six months ended 30 September 2008 reflecting continual strong demand for the Wuliangye Liquor Series in the PRC and international markets. There is an increase in the percentage of sales of the Wuliangye Liquor Series to the international market of our total revenue from sales of Wuliangye Liquor Series from 55.2% for the six months ended 30 September 2007 to 64.9% for the six months ended 30 September 2008, and our Directors believe that this is primarily due to the larger increment in the average selling price of the Wuliangye Liquor Series for the international market than that for the PRC market in light of the high demand of the Wuliangye Liquor Series in the international market. The average selling price of the Wuliangye Liquor Series for the international market for the six months ended 30 September 2008 substantially increased by 87% as compared to that for the six months ended 30 September 2007, while the average selling price of the Wuliangye Liquor Series for the PRC market increased by 41% during the same period. The quantities of the Wuliangye Liquor Series sold for the international market for the six months ended 30 September 2008 increased by 6.8% as compared to that for the six months ended 30 September 2007, while the quantities of the Wuliangye Liquor Series sold for the PRC market decreased by 5.7% during the same period.

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The Group distributes different products of the Wuliangye Liquor Series in the PRC and international markets. Generally speaking, the Wuliangye products that the Group distributes in the international market are of a higher profit margin than those in the PRC market.

Our Directors believe that the sales volume of the Wuliangye Liquor Series that the Group distributes has grown as a result of an increasing reception for Chinese liquor in the international market, which is a result of a growing appreciation for Chinese culture (including high-end *baijiu*) (白酒) and the increasing international presence of the Chinese community.

Sales volume of the Wuliangye Liquor Series in the PRC market decreased by 5.7% from approximately 0.7 million bottles to approximately 0.6 million bottles over the comparable periods as a result of a decrease in sales volume of Wuliangye 45%. During the six months ended 30 September 2008 we sought to reposition Wuliangye 45% to a higher-end market through advertising and increased average selling prices. Despite such decrease in sales volume, revenue from sales of the Wuliangye Liquor Series in the PRC market still increased by 33.0% to HK\$293.3 million for the six months ended 30 September 2008 from HK\$220.5 million for the six months ended 30 September 2007 primarily due to the increased average selling price as a result of increasing demand for the Wuliangye Liquor Series in the PRC market.

Sales volume of the Wuliangye Liquor Series in the international market increased by 6.8% from approximately 1.2 million bottles to approximately 1.3 million bottles over the comparable period as a result of an increase in demand for Wuliangye 52%. Revenue from sales of the Wuliangye Liquor Series in the international market increased by 99.3% to HK\$541.3 million for the six months ended 30 September 2008 from HK\$271.6 million for the six months ended 30 September 2007, primarily due to the increased average selling price as a result of increasing demand for the Wuliangye Liquor Series in the international market.

Revenue from sales of DIMPLE remained stable at HK\$3.4 million for both of the six months ended 30 September 2008 and for the six months ended 30 September 2007. As DIMPLE has only recently been introduced in the PRC market and its flavor and taste are different from traditional Chinese liquor, our Directors believe it will take some time for demand for new western liquor to increase.

Revenue from sales of cigarettes decreased by 20.0% to HK\$40.4 million, or 4.6% of total revenue during the six months ended 30 September 2008 from HK\$50.5 million, or 9.3% of total revenue for the six months ended 30 September 2007, primarily due to a decrease in the average selling price by 18.8% as a result of an increase in the sales of lower priced cigarette products within our product mix and discounted sales of inventories of the Hongtashan Premium Series that were approaching expiration.

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Cost of sales

The table below sets forth the cost of sales by products as well as the percentage of total revenue they represented for the periods indicated.

	For the six months ended 30 September			
	2007		2008	
	Cost of sales HK\$'000 (Unaudited)	% of total revenue	Cost of sales HK\$'000	% of total revenue
Liquor	333,447	61.1	390,941	44.5
Cigarettes	33,359	6.1	33,380	3.8
Total	<u>366,806</u>	<u>67.2</u>	<u>424,321</u>	<u>48.3</u>

Cost of sales increased by 15.7% to HK\$424.3 million for the six months ended 30 September 2008 as compared to HK\$366.8 million for the six months ended 30 September 2007. This increase was primarily attributable to the increased purchase of liquor and packaging materials as a result of increased sales of our liquor products. Cigarettes' cost of sales remained stable at HK\$33.4 million for the six months ended 30 September 2008 and for the six months ended 30 September 2007. Total cost of sales decreased to 48.3% for the six months ended 30 September 2008 from 67.2% for the six months ended 30 September 2007, as a percentage of our total revenue, primarily due to our ability to increase our selling price of the Wuliangye Liquor Series while the purchase price remained relatively stable.

Gross profit

As a result of the foregoing factors, gross profit increased by 153.4% to HK\$454.1 million for the six months ended 30 September 2008 from HK\$179.2 million for the six months ended 30 September 2007. Gross profit margin increased from 32.8% for the six months ended 30 September 2007 to 51.7% for the six months ended 30 September 2008, primarily because the increase in the selling prices of the Wuliangye Liquor Series outpaced the increase in their purchase prices. In addition, we were able to increase our selling price to the extent that such increase was acceptable to the markets while we managed to maintain our purchase costs at a relatively stable level. See "– Factors Affecting Our Results of Operations". The cigarette gross profit margin decreased from 34.0% for the six months ended 30 September 2007 to 17.5% for the six months ended 30 September 2008, primarily due to the decrease in the average selling price as a result of the change in our product mix mentioned above.

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The table below sets forth our gross profit and gross profit margin by products for the periods indicated.

	For the six months ended 30 September			
	2007		2008	
	Gross profit HK\$'000 (Unaudited)	Gross profit margin (%)	Gross profit HK\$'000	Gross profit margin (%)
Liquor	162,048	32.7	447,063	53.3
Cigarettes	17,188	34.0	7,058	17.5
Total	<u>179,236</u>	<u>32.8</u>	<u>454,121</u>	<u>51.7</u>

Other revenue and gain

Other revenue and gain decreased to HK\$0.6 million for the six months ended 30 September 2008 from HK\$1.2 million for the six months ended 30 September 2007, primarily due to a decrease of HK\$0.5 million in interest income as a result of a decrease in interest rates in both Hong Kong and the PRC.

Selling and distribution costs

Selling and distribution costs increased by 6.2% to HK\$33.3 million for the six months ended 30 September 2008 from HK\$31.4 million for the six months ended 30 September 2007, which was primarily due to the increases in salary and welfare expenses, promotional expenses and transportation expenses, and was partially offset by the decrease in travelling expenses and entertainment expenses.

Salary and welfare expenses increased from HK\$12.4 million for the six months ended 30 September 2007 to HK\$15.0 million for the six months ended 30 September 2008 primarily due to the increase in compensation paid to our senior management and the increase in number of staff in the PRC.

Promotional expenses increased from HK\$2.1 million for the six months ended 30 September 2007 to HK\$6.3 million for the six months ended 30 September 2008 primarily due to advertisements on the boarding passes for international and domestic flights in certain airports in the PRC and other marketing activities to promote both Wuliangye and DIMPLE in the PRC market during the six months ended 30 September 2008.

Transportation expenses increased from HK\$1.5 million for the six months ended 30 September 2007 to HK\$2.4 million for the six months ended 30 September 2008 primarily due to expenses incurred in the transportation of Wuliangye 45% products to and from our warehouse for the purpose of repackaging Wuliangye 45% under our new design.

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Travelling expenses decreased from HK\$4.9 million for the six months ended 30 September 2007 to HK\$3.0 million for the six months ended 30 September 2008. Entertainment expenses decreased from HK\$2.8 million for the six months ended 30 September 2007 to HK\$2.0 million for the six months ended 30 September 2008. Both decreases were primarily due to the implementation of cost management measures.

Administrative expenses

Administrative expenses increased by 39.8% to HK\$29.0 million for the six months ended 30 September 2008 from HK\$20.8 million for the six months ended 30 September 2007. The increase was primarily due to increases in legal and professional fees and audit fees and salary and welfare expenses, partially offset by decreases in meeting expenses and office rental expenses.

Legal and professional fees and audit fees increased significantly to HK\$12.3 million for the six months ended 30 September 2008 from HK\$2.3 million for the six months ended 30 September 2007, which primarily reflected fees to our current independent accountants and legal counsels for their services in relation to their roles in preparing for the Listing.

Salary and welfare expenses paid to our administrative staff increased to HK\$7.1 million for the six months ended 30 September 2008 from HK\$4.8 million for the six months ended 30 September 2007 due to the increases in both average salary level and the headcount of our administrative employees.

Meeting expenses decreased to HK\$16,000 for the six months ended 30 September 2008 from HK\$2.7 million for the six months ended 30 September 2007, primarily due to the implementation of cost management measures and the incurrence of expenses related to our tenth anniversary celebration event in June 2007.

Office rental expenses decreased to HK\$4.8 million for the six months ended 30 September 2008 from HK\$5.5 million for the six months ended 30 September 2007 primarily due to the termination of leases for staff quarters and a motor vehicle.

Other (expenses)/income

Other income was HK\$3.6 million for the six months ended 30 September 2008, as compared to other expenses of HK\$2.4 million for the six months ended 30 September 2007. This increase in income was primarily due to the income from reversal of provision for slow moving inventory and a foreign exchange gain, partially offset by donations made to charitable organizations.

Inventories of the Hongtashan Premium Series have been fully provided in the prior financial years based on their ageing and estimated net realisable value. The partial reversal of provision for slow moving inventories was due to a portion of inventories of the Hongtashan Premium Series sold at a discounted price during the six months ended 30 September 2008.

Foreign exchange gain increased to HK\$2.9 million for the six months ended 30 September 2008 from HK\$0.1 million for the six months ended 30 September 2007, primarily arising from the revaluation of foreign currency balances as a result of the appreciation of RMB against HK\$ during the period.

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Finance costs

Finance costs decreased to nil for the six months ended 30 September 2008 from HK\$0.4 million for the six months ended 30 September 2007. This decrease was due to the repayment of all our outstanding bank borrowings.

Profit before tax

As a result of the foregoing factors, our profit before tax significantly increased to HK\$395.9 million for the six months ended 30 September 2008 from HK\$125.5 million for the six months ended 30 September 2007.

Tax

Our tax increased significantly to HK\$68.4 million for the six months ended 30 September 2008 from HK\$23.9 million for the six months ended 30 September 2007, which was in line with the increase in our profit before tax.

Profit for the period

As a result of the foregoing factors, our profit for the six months ended 30 September 2008 was HK\$327.6 million, representing a significant increase from HK\$101.6 million for the six months ended 30 September 2007. Our profit margin increased to 37.3% for the six months ended 30 September 2008 from 18.6% for the six months ended 30 September 2007. This increase was primarily caused by the increase in gross margin from 32.8% to 51.7%, as well as a decrease in selling and distribution costs as a percentage of total revenue from 5.7% to 3.8%, over the comparable periods.

Minority interests

The Company did not have any profit or loss for the period attributable to minority interests during the six months ended 30 September 2007 and 2008.

Profit for the period attributable to equity holders of the Company

Profit for the period attributable to equity holders of the Company was HK\$101.6 million and HK\$327.6 million during the six months ended 30 September 2007 and 2008, respectively.

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Financial year ended 31 March 2008 compared to financial year ended 31 March 2007

Revenue

The table below sets forth our revenue from the operation of each business segment as well as the percentage of total revenue they represented for the periods indicated.

	For the financial year ended 31 March			
	2007		2008	
	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue
Liquor				
Wuliangye Liquor Series	869,136	88.4	1,382,863	93.1
DIMPLE	6,326	0.6	6,114	0.4
Sub-total	875,462	89.0	1,388,977	93.5
Cigarettes	108,482	11.0	96,077	6.5
Total	<u>983,944</u>	<u>100.0</u>	<u>1,485,054</u>	<u>100.0</u>

Revenue increased by 50.9% to HK\$1,485.1 million in the financial year ended 31 March 2008, as compared to HK\$983.9 million in the financial year ended 31 March 2007. This increase was primarily due to the continued significant growth in sales of our liquor driven by the Wuliangye Liquor Series.

Revenue from sales of the Wuliangye Liquor Series increased by 59.1% to HK\$1,382.9 million, or 93.1% of total revenue in the financial year ended 31 March 2008, as compared to HK\$869.1 million, or 88.4% of total revenue for the financial year ended 31 March 2007. This increase was primarily due to an increase in the average selling price of the Wuliangye Liquor Series in both the PRC and international markets and an increase in the sales volume of the Wuliangye Liquor Series in the PRC market, partially offset by a decrease in sales volume of the Wuliangye Liquor Series in the international market. The average selling price of the Wuliangye Liquor Series increased by 63.8% as a result of supply shortage in the PRC and international markets, as well as our decision to match the increase in the price of the Wuliangye Liquor Series that the Wuliangye Group distributed in the PRC market through itself or its other PRC distributors. Sales volume of the Wuliangye Liquor Series in the PRC market increased by 83.5% from approximately 1.1 million bottles to approximately 2.0 million bottles over the comparable periods, as a result of our expansion of distribution channels and sales of Wuliangye 45%, a product that we started to distribute in the PRC duty-paid market in November 2006 (we officially gained the distributorship of Wuliangye 45% in March 2007). As a result of these factors, revenue from sales of the Wuliangye Liquor Series in the PRC market increased by 102.3% to HK\$654.6 million in the financial year ended 31 March 2008 from HK\$323.5 million in the financial year ended 31 March 2007.

Revenue from sales of the Wuliangye Liquor Series in the international market increased by 33.5% to HK\$728.3 million in the financial year ended 31 March 2008 from HK\$545.6 million in the financial year ended 31 March 2007, primarily due to the increased average selling price as a result of increasing demand for the Wuliangye Liquor Series in the international market,

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which was partially offset by a decrease in sales volume from approximately 3.6 million bottles to approximately 2.6 million bottles. The decrease in sales volume primarily reflected our decision to maintain inventories in order to take advantage of the anticipated increase in selling prices. The increased sales of the Wuliangye Liquor Series and cigarettes primarily reflected the increased sales in the Hong Kong market, partially offset by the decrease in sales in Southeast Asia countries. As we record sales in different geographic markets depending on the place of our delivery, the decrease in sales of the Wuliangye Liquor Series and cigarettes in Southeast Asia countries during the financial year ended 31 March 2008 was because most of the Wuliangye Liquor Series and cigarettes we sold in the international market during the financial year were delivered to the customers or their representatives in Hong Kong, regardless of the place where the products are sub-distributed or sold out to end users after our sale and delivery.

Revenue from sales of DIMPLE decreased by 3.2% to HK\$6.1 million in the financial year ended 31 March 2008 from HK\$6.3 million in the financial year ended 31 March 2007, primarily due to our market reposition to high-end customers and the relatively low demand in the PRC market. As DIMPLE has only recently been introduced in the PRC market and its flavor and taste are different from traditional Chinese liquor our Directors believe it will take some time for demand for new western liquor to increase.

Revenue from sales of cigarettes decreased by 11.4% to HK\$96.1 million, or 6.5% of total revenue during the financial year ended 31 March 2008 from HK\$108.5 million, or 11.0% of total revenue in the financial year ended 31 March 2007, primarily due to a decrease of sales volume by 13.8% due to the decreased supply from Chinese cigarette suppliers for most of the brands that we distributed and partially offset by a slight increase in the average selling price by 2.8%. Our Directors believe that the decreased supply was related to the reorganisation of those Chinese cigarette suppliers caused by the relevant PRC governmental authority.

Cost of sales

The table below sets forth the cost of sales by products as well as the percentage of total revenue they represented for the periods indicated.

	For the financial year ended 31 March			
	2007		2008	
	Cost of sales HK\$'000	% of total revenue	Cost of sales HK\$'000	% of total revenue
Liquor	667,483	67.8	856,538	57.6
Cigarettes	79,081	8.1	69,351	4.7
Total	<u>746,564</u>	<u>75.9</u>	<u>925,889</u>	<u>62.3</u>

Cost of sales increased by 24.0% to HK\$925.9 million in the financial year ended 31 March 2008 as compared to HK\$746.6 million in the financial year ended 31 March 2007. This increase was primarily attributable to the increased purchase of liquor as a result of increased sale, as well as the higher cost of inventories of Wuliangye 45%, a product that we started to

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distribute in the PRC duty-paid market in November 2006 (we officially gained the distributorship of Wuliangye 45% in March 2007). Cigarettes' cost of sales was HK\$69.4 million in the financial year ended 31 March 2008, which remained consistent as compared to HK\$79.1 million in the financial year ended 31 March 2007. Total cost of sales decreased to 62.3% in the financial year ended 31 March 2008 from 75.9% in the financial year ended 31 March 2007, as a percentage of our total revenue.

Gross profit

As a result of the foregoing factors, gross profit increased by 135.6% to HK\$559.2 million in the financial year ended 31 March 2008 from HK\$237.4 million in the financial year ended 31 March 2007. Gross profit margin increased from 24.1% in the financial year ended 31 March 2007 to 37.7% in the financial year ended 31 March 2008, primarily because the increase in the selling prices of the Wuliangye Liquor Series outpaced the increase in their purchase prices. In addition, we were able to increase our selling price to the extent that such increase was not prohibited by the distribution agreement even though the purchase price remained relatively stable. See "– Factors Affecting Our Results of Operations". The cigarette gross profit margin remained consistent in the financial year ended 31 March 2008 as compared to the financial year ended 31 March 2007.

The table below sets forth our gross profit and gross profit margin by products for the years indicated.

	For the financial year ended 31 March			
	2007		2008	
	Gross profit HK\$'000	Gross profit margin (%)	Gross profit HK\$'000	Gross profit margin (%)
Liquor	207,979	23.8	532,439	38.3
Cigarettes	29,401	27.1	26,726	27.8
Total	237,380	24.1	559,165	37.7

Other revenue and gain

Other revenue and gain increased significantly to HK\$34.6 million in the financial year ended 31 March 2008 from HK\$1.4 million in the financial year ended 31 March 2007, primarily due to an increase of HK\$32.2 million in gain from sale of our residential property located in Hong Kong on 25 January 2008.

Selling and distribution costs

Selling and distribution costs increased by 9.1% to HK\$70.8 million in the financial year ended 31 March 2008 from HK\$64.9 million in the financial year ended 31 March 2007, which was primarily due to the increases in salary and welfare expenses, travelling expenses and warehouse storage and management fees, and was partially offset by the decrease in entertainment, meeting and conference, promotional expenses.

Salary and welfare expenses increased from HK\$23.2 million for the financial year ended 31 March 2007 to HK\$28.8 million for the financial year ended 31 March 2008 primarily due to the increased compensation paid to our senior management and the increased number of staff in the PRC.

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Travelling expenses increased from HK\$5.3 million for the financial year ended 31 March 2007 to HK\$8.5 million for the financial year ended 31 March 2008 primarily due to increasing sales activities.

Warehouse storage and management fee increased from HK\$6.6 million for the financial year ended 31 March 2007 to HK\$8.6 million for the financial year ended 31 March 2008 primarily because we used additional space for inventory storage after we increased purchases from our suppliers.

Entertainment expenses decreased from HK\$12.8 million for the financial year ended 31 March 2007 to HK\$10.7 million for the financial year ended 31 March 2008 primarily due to better control of entertainment expenses for selling activities.

Meeting and conference expenses decreased from HK\$6.4 million for the financial year ended 31 March 2007 to HK\$3.7 million for the financial year ended 31 March 2008 primarily because we held a conference with our sub-distributors in Sanya, the PRC in July 2006 in order to promote our new products, DIMPLE and Wuliangye 45%.

Promotion expenses decreased from HK\$6.9 million for the financial year ended 31 March 2007 to HK\$5.6 million for the financial year ended 31 March 2008 primarily due to a lump sum payment of HK\$3.8 million for television advertisements and other marketing activities to promote DIMPLE in the PRC market during the financial year ended 31 March 2007.

Administrative expenses

Administrative expenses increased significantly by 110.5% to HK\$46.1 million for the financial year ended 31 March 2008 from HK\$21.9 million for the financial year ended 31 March 2007.

Salary and welfare expenses paid to our administrative staff increased to HK\$11.5 million in the financial year ended 31 March 2008 from HK\$9.5 million in the financial year ended 31 March 2007 due to the increases in both average salary level and the headcount of our administrative employees.

Rental expenses increased significantly to HK\$10.6 million in the financial year ended 31 March 2008 from HK\$3.6 million in the financial year ended 31 March 2007 primarily due to the rent paid for a director's quarters in Hong Kong and accommodation for guests of the Group.

Legal and professional fees and audit fees increased significantly to HK\$11.9 million in the financial year ended 31 March 2008 from HK\$72,000 in the financial year ended 31 March 2007, which primarily reflected (i) the payment to our prior independent accountants for their service in relation to their role in preparing for the Listing and their audit services and (ii) the fees to our current independent accountants for their service in relation to their role in preparing for the Listing and their audit services. Our current independent accountant replaced our prior independent accountant in November 2007.

Entertainment expenses increased significantly to HK\$3.6 million in the financial year ended 31 March 2008 from HK\$0.6 million in the financial year ended 31 March 2007 primarily due to expenses that we incurred in connection with the 10th anniversary celebration of Silver Base Development held in June 2007.

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Other (expenses)/income

Other income was HK\$4.2 million in the financial year ended 31 March 2008, as compared to other expenses of HK\$9.0 million in the financial year ended 31 March 2007. This change was primarily due to the decrease in write-down of inventories to net realisable value and the increase in foreign exchange gain, which was partially offset by a provision we made in the financial year ended 31 March 2008 for the potential tax liabilities that may arise due to our reclassification with respect to Mr Liang's allowance.

The cost of the write-down of inventories of the Hongtashan Premium Series to net realisable value decreased to HK\$0.5 million in the financial year ended 31 March 2008 as compared to HK\$7.7 million in the financial year ended 31 March 2007, which was primarily due to the fact that most of the inventories of the Hongtashan Premium Series have been fully provided in the prior financial years based on its ageing and estimated net realisable value. The write-down cost of HK\$7.7 million incurred in the financial year ended 31 March 2007 primarily reflected that the Hongtashan Premium Series, being a new brand we introduced to the international market, had longer turnover time than other well-known cigarettes we distributed. Our Directors believe it takes time for the market to accept new products, especially considering that the flavour of the Hongtashan Premium Series is different from that of the traditional cigarettes of the Hongta Group, with which most of our PRC customers are more familiar.

Foreign exchange gain increased to HK\$7.7 million in the financial year ended 31 March 2008 from HK\$1.0 million in the financial year ended 31 March 2007, primarily arising from the revaluation of foreign currency balances as a result of the appreciation of RMB against HK\$ during the period.

Finance costs

Finance costs decreased by 19.8% to HK\$635,000 in the financial year ended 31 March 2008 from HK\$792,000 in the financial year ended 31 March 2007. This decrease was due to a lower interest rate and our repayment of a portion of the bank borrowings used to finance two of our residential properties in Hong Kong.

Profit before tax

As a result of the foregoing factors, our profit before tax increased significantly to HK\$480.4 million in the financial year ended 31 March 2008 from HK\$142.3 million in the financial year ended 31 March 2007.

Tax

Our tax increased significantly to HK\$91.0 million in the financial year ended 31 March 2008 from HK\$30.9 million in the financial year ended 31 March 2007, which was in line with the increase in our profit before tax.

Our tax expenses for the financial years ended 31 March 2007 and 2008 were adjusted by certain expenses not deductible for tax, primarily including write-down of inventory to net realisable value, excessive entertainment expenses, management fee expenses, provision for penalties and non-deductible sales rebate, with tax effect of aggregated amounts of HK\$7.4 million and HK\$12.9 million, respectively. See note 11 of section II to the Accountants' Report set out in Appendix I to this prospectus.

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Profit for the year

As a result of the foregoing factors, our profit in the financial year ended 31 March 2008 was HK\$389.4 million, representing a significant increase from HK\$111.3 million in the financial year ended 31 March 2007. Our profit margin increased to 26.2% in the financial year ended 31 March 2008 from 11.3% in the financial year ended 31 March 2007. This increase was primarily caused by the increase in gross margin from 24.1% to 37.7%, as well as a decrease in selling and distribution costs as a percentage of total revenue from 6.6% to 4.8%, over the comparable periods.

Minority interests

In the financial years ended 31 March 2007 and 2008, the Company recorded a share in the loss of minority interests in the amount of HK\$4,000 and HK\$10.3 million, respectively. The amount of HK\$10.3 million related to the share of loss by each minority shareholder in respect of the operating loss incurred by Silver Base Spirit during the financial year ended 31 March 2008. The operation of Silver Base Spirit was financed by its shareholders' loans. Therefore, the loss borne by the minority shareholders was set-off against the amounts due to the minority shareholders to reduce the shareholders' loans balance. In January 2008, Richmind acquired all the equity interests held by the minority shareholders in Silver Base Spirit and in June 2008, we acquired the entire issued share capital in Richmind from Mr Liang.

Profit for the period attributable to equity holders of the Company

Profit for the period attributable to equity holders of the Company was HK\$111.3 million and HK\$399.7 million in the financial years ended 31 March 2007 and 2008, respectively.

Financial year ended 31 March 2007 compared to financial year ended 31 March 2006

Revenue

The table below shows our revenue from the operations of each business segment as well as their relative percentage of total revenue for the periods indicated.

	For the financial year ended 31 March			
	2006		2007	
	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue
Liquor				
Wuliangye Liquor Series	454,394	79.0	869,136	88.4
DIMPLE	–	–	6,326	0.6
Sub-total	454,394	79.0	875,462	89.0
Cigarettes	120,860	21.0	108,482	11.0
Total	<u>575,254</u>	<u>100.0</u>	<u>983,944</u>	<u>100.0</u>

Revenue increased by 71.0% to HK\$983.9 million during the financial year ended 31 March 2007, as compared to HK\$575.3 million during the financial year ended 31 March 2006, due to an increase in sales of liquor offset by a decrease in sales of cigarettes.

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Revenue derived from the sale of liquor increased by 92.7% during the financial year ended 31 March 2007, driven by a 91.3% increase in sales of the Wuliangye Liquor Series from HK\$454.4 million, or 79.0% of total revenue, during the financial year ended 31 March 2006 to HK\$869.1 million, or 88.4% of total revenue, during the financial year ended 31 March 2007. This significant increase was primarily due to the increases in the selling price and sales volume of the Wuliangye Liquor Series over the comparable periods. Sales volume of the Wuliangye Liquor Series increased by 33.3% from approximately 3.5 million bottles to approximately 4.7 million bottles over the same period as a result of increasing demand.

Revenue derived from the sales of the Wuliangye Liquor Series in the PRC market increased significantly to HK\$323.5 million during the financial year ended 31 March 2007 from HK\$29.9 million during the financial year ended 31 March 2006, primarily due to revenue growth after we started to distribute a new product, Wuliangye 68%, in the PRC market in January 2006, as well as our business expansion in the PRC after Silver Base Trading (Shenzhen), our subsidiary in Shenzhen, was incorporated in December 2005. The distribution right for Wuliangye 68% was originally granted to Shenzhen Hongtengda by the Wuliangye Group in 2002. Since 1 January 2006, Silver Base Trading (Shenzhen) has actually performed all the distribution activities of Wuliangye 68% both inside and outside the PRC market. On 27 July 2007, Silver Base Trading (Shenzhen) entered into an agreement with Shenzhen Hongtengda and the Wuliangye Group to confirm that all the rights and duties under the distribution agreement for Wuliangye 68% were assigned to Silver Base Trading (Shenzhen) at nil consideration starting from 1 January 2006. The PRC legal advisers to the Company confirmed that the assignment is legal, valid and enforceable under the PRC laws and that Silver Base Trading (Shenzhen) has assumed the distributorship of Wuliangye 68% with effect from 1 January 2006, and ending on 28 August 2017. Revenue derived from sales of the Wuliangye Liquor Series in the international market increased by 28.5% to HK\$545.6 million during the financial year ended 31 March 2007 from HK\$424.5 million during the financial year ended 31 March 2006 due to the increased sales volume and increased selling price.

Revenue derived from the sales of DIMPLE during the financial year ended 31 March 2007 was HK\$6.3 million, accounting for 0.6% of our total revenue during that financial year. Our exclusive distribution rights to DIMPLE for the PRC duty-paid market (with the exception of certain outlets) commenced in June 2006. In February 2007, we further obtained the exclusive distribution rights to DIMPLE in the PRC duty-free market (excluding the Beijing and Shanghai airport concessions).

Revenue derived from the sales of cigarettes decreased by 10.2% to HK\$108.5 million, or 11.0% of total revenue, during the financial year ended 31 March 2007 from HK\$120.9 million, or 21.0% of total revenue, during the financial year ended 31 March 2006, primarily due to the decreased supply from Chinese cigarette suppliers for most of the brands that we distributed. Despite an increase by 21.2% in the average selling price, sales volume of cigarettes decreased by 25.9%. Our Directors believe that the decreased supply related to the reorganisation of those Chinese cigarette suppliers after a reform in the PRC cigarette regulatory system caused by the governmental authority. Our business relationship with one of our previous largest customers ceased during the financial year ended 31 March 2007 after this customer, a sub-distributor, was dissolved. However, in light of the high demand for the products we distribute and our established relationships with many other sub-distributors, our Directors believe that the end of our business relationship with this customer has had no material impact on our results of operations and financial condition.

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Cost of sales

The table below shows cost of sales by products and their relative percentage of total revenue for the periods indicated.

	For the financial year ended 31 March			
	2006		2007	
	Cost of sales HK\$'000	% of total revenue	Cost of sales HK\$'000	% of total revenue
Liquor	373,459	64.9	667,483	67.8
Cigarettes	99,514	17.3	79,081	8.1
Total	472,973	82.2	746,564	75.9

Cost of sales increased by 57.8% to HK\$746.6 million during the financial year ended 31 March 2007 from HK\$473.0 million during the financial year ended 31 March 2006, which was in line with the increase in revenue. Cost of sales represented 82.2% and 75.9% of the total revenue during the financial years ended 31 March 2006 and 2007, respectively. The increase in cost of sales was attributable to a 78.7% increase in cost of liquor inventories to HK\$667.5 million during the financial year ended 31 March 2007 from HK\$373.5 million in the same period in 2006, primarily as a result of the increase in purchase of the Wuliangye Liquor Series.

The increase in our cost of sales was partially offset by a 20.5% decrease in cigarettes' cost of sales to HK\$79.1 million during the financial year ended 31 March 2007 from HK\$99.5 million during the financial year ended 31 March 2006 caused by the decline in purchase from our cigarette suppliers.

Gross profit

Gross profit increased by 132.1% to HK\$237.4 million during the financial year ended 31 March 2007 from HK\$102.3 million during the financial year ended 31 March 2006, which was in line with the increase in revenue during the same period. Gross profit margin increased from 17.8% during the financial year ended 31 March 2006 to 24.1% during the financial year ended 31 March 2007, primarily due to the fact that the increase in selling prices of the Wuliangye Liquor Series outpaced the increase in the purchase costs. The increased gross profit margin was also attributable to an increase of the cigarette gross profit margin from 17.7% to 27.1% over the comparable periods due to a 21.2% increase of the average selling prices and the decrease of cost of sales caused by the reform in the PRC cigarette regulatory system.

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We set forth in the table below gross profit and gross profit margin by products for the periods indicated.

	For the financial year ended 31 March			
	2006		2007	
	Gross profit HK\$'000	Gross profit margin (%)	Gross profit HK\$'000	Gross profit margin (%)
Liquor	80,935	17.8	207,979	23.8
Cigarettes	21,346	17.7	29,401	27.1
Total	<u>102,281</u>	<u>17.8</u>	<u>237,380</u>	<u>24.1</u>

Other revenue and gain

Other revenue and gain increased by 87.4% to HK\$1.4 million during the financial year ended 31 March 2007 from HK\$747,000 during the financial year ended 31 March 2006. This increase was primarily due to the combination of an increase of HK\$673,000 in interest income from bank deposits, an one-off gain of HK\$88,000 from the disposal of a motor vehicle during the financial year ended 31 March 2007 and a lump sum insurance claims payment of HK\$182,000 received from insurance company related to loss of goods during transportation. The increases were partially offset by a decrease of HK\$270,000 in gross rental income as one of our residential properties became vacant after the lease to a third party expired.

Selling and distribution costs

Selling and distribution costs increased by 46.0% to HK\$64.9 million during the financial year ended 31 March 2007 from HK\$44.4 million during the financial year ended 31 March 2006, primarily attributable to the increases in salary and welfare expenses, entertainment expenses, promotional expenses and meeting and conference expenses, partially offset by a decrease in warehouse storage and management fees.

Salary and welfare expenses increased to HK\$23.2 million during the financial year ended 31 March 2007 from HK\$18.7 million during the financial year ended 31 March 2006. This increase was due to the increased number of sales staff in the PRC to support our business expansion in the PRC market.

Entertainment expenses more than doubled to HK\$12.8 million during the financial year ended 31 March 2007 as compared to HK\$5.8 million during the financial year ended 31 March 2006, primarily due to the increasing expenses needed to build up our distribution network in the PRC market.

Promotional expenses increased to HK\$6.9 million during the financial year ended 31 March 2007 from HK\$4.0 million during the financial year ended 31 March 2006, primarily due to our advertisement expenses in the PRC for marketing and promotion of the products we distributed.

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Meeting and conference expenses increased to HK\$6.4 million during the financial year ended 31 March 2007 from HK\$0.6 million during the financial year ended 31 March 2006. This increase was because we held a meeting for our sub-distributors in Sanya in July 2006 in order to promote our new products, DIMPLE and Wuliangye 45% and we attended the semi-annual Chinese Liquor Convention in October 2006 and March 2007 in which we sponsored a booth for promotional purposes.

Administrative expenses

Administrative expenses increased by 32.1% to HK\$21.9 million during the financial year ended 31 March 2007 from HK\$16.6 million during the financial year ended 31 March 2006, which was primarily due to the increases in salary and welfare expenses and rental expenses.

Salary and welfare expenses for administrative staff increased to HK\$9.5 million during the financial year ended 31 March 2007 from HK\$5.4 million during the financial year ended 31 March 2006, as a result of an increase in both average salary level and the number of our administrative staff.

Rental expenses increased to HK\$3.6 million during the financial year ended 31 March 2007 from HK\$3.1 million during the financial year ended 31 March 2006, as we leased office space for Silver Base Trading (Shenzhen) which was incorporated in December 2005.

Other expenses

Other expenses were HK\$9.0 million during the financial year ended 31 March 2007 as compared to HK\$1.9 million during the financial year ended 31 March 2006. This increase was primarily attributable to a HK\$4.8 million increase in write-down of inventories of the Hongtashan Premium Series to net realisable value, primarily due to the fact that the Hongtashan Premium Series has longer inventory turnover cycle as a result of relatively low demand for this new product in the international market. The increase in other expenses during the financial year ended 31 March 2007 was also attributable to our donations made to charity organisations in that year.

Finance costs

Finance costs increased by 11.5% to HK\$792,000 during the financial year ended 31 March 2007 from HK\$710,000 during the financial year ended 31 March 2006. This increase was due to the increase in interest rate on bank borrowing wholly repayable over five years used to finance two of our residential properties in Hong Kong, which was partially offset by a decrease in interest expenses on other finance leases as such leases were fully repaid in January 2006.

Profit before tax

As a result of the foregoing factors, our profit before tax increased by 260.3% to HK\$142.3 million during the financial year ended 31 March 2007 from HK\$39.5 million during the financial year ended 31 March 2006.

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Tax

Income tax expense increased to HK\$30.9 million during the financial year ended 31 March 2007 from HK\$7.5 million during the financial year ended 31 March 2006, due to the increase in profit before tax. The income tax expenses for the financial year ended 31 March 2006 and 2007 were adjusted by certain expenses not deductible for tax, primarily including write-down of inventory to net realisable value, excessive entertainment expenses and non-deductible sales rebate, resulting in aggregated tax amounts HK\$0.7 million and HK\$7.4 million, respectively. See note 11 of section II to the Accountants' Report included as Appendix I to this prospectus.

Profit for the year

As a result of the foregoing factors, our profit for the financial year ended 31 March 2007 was HK\$111.3 million, representing a 248.0% increase from HK\$32.0 million for the financial year ended 31 March 2006. Our profit margin increased to 11.3% during the financial year ended 31 March 2007 from 5.6% during the financial year ended 31 March 2006. The increase in profit margin was primarily caused by the increase in gross margin, as well as a decrease in selling and distribution costs from 7.7% to 6.6%, and a decrease of administrative expenses from 2.9% to 2.2%, as a percentage of total revenue, over the comparable periods.

Minority interests

During the financial year ended 31 March 2007, the Company recorded a share in loss of minority interests in the amount of HK\$4,000. The Company did not have any profit or loss for the year attributable to minority interests during the financial year ended 31 March 2006.

Profit for the year attributable to equity holders of the Company

Profit for the year attributable to equity holders of the Company was HK\$32.0 million and HK\$111.3 million during the financial years ended 31 March 2006 and 2007, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to pay for our purchases from suppliers and our various operating expenses. To date, we have financed our liquidity requirements primarily through cash flows from our operating activities. Going forward, our Directors believe our liquidity requirements will be satisfied by using a combination of cash provided by operating activities, short-term or long-term indebtedness and the proceeds from the Global Offering. Our cash and cash equivalents increased from HK\$123.2 million as at 31 March 2007 to HK\$351.5 million as at 31 March 2008 and HK\$391.7 million as at 30 September 2008 but decreased to HK\$32.9 million as at 31 January 2009.

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The following table presents our net cash flows with respect to operating activities, investing activities and financing activities in the three financial years ended 31 March 2008 and in the six months ended 30 September 2007 and 2008 derived from our consolidated cash flow statements set out in the Accountants' Report included in Appendix I to this prospectus.

	For the financial year ended 31 March			For the six months ended 30 September	
	2006	2007	2008	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Net cash inflow/(outflow)					
from operating activities . . .	31,390	41,559	281,091	(66,385)	231,515
Net cash inflow/(outflow)					
from investing activities . . .	(1,891)	(1,992)	(78,347)	(8,532)	121,412
Net cash inflow/(outflow)					
from financing activities . . .	(568)	45,995	18,520	7,133	(316,996)

Cash flow from operating activities

We had net cash generated from operating activities in the amount of HK\$231.5 million for the six months ended 30 September 2008, as compared to a cash outflow of HK\$66.4 million for the six months ended 30 September 2007. This change was primarily a result of the increased cash inflow from profit before tax, certain non-cash items and working capital adjustments. Cash inflow for the six months ended 30 September 2008 were primarily attributed to (i) profit before tax of HK\$395.9 million as a result of the increased revenue; and (ii) a decrease in prepayments and other receivables of HK\$19.4 million, which was primarily due to a decrease in prepayment to suppliers and partially offset by an increase in value-added tax recoverable. Cash outflow for the six months ended 30 September 2008 primarily includes: (i) a decrease in other payables and accruals of HK\$69.5 million, which primarily consists of a decrease in deposits received from customers, (ii) an increase in trade receivables of HK\$39.9 million primarily due to an increasing trend of sales through receipt of promissory notes in lieu of cash in the PRC, (iii) a decrease in trade and bills payables of HK\$32.2 million primarily due to an increase in bank trust receipt loans used to finance our purchases, and (iv) a repayment of an advance from our shareholder, Mr Liang, in the amount of HK\$21.2 million.

We had net cash generated from operating activities in the amount of HK\$281.1 million in the financial year ended 31 March 2008, as compared to HK\$41.6 million in the financial year ended 31 March 2007. This change was primarily a combined result of the increased cash inflow from profit before tax, certain non-cash items and working capital adjustments. Cash inflow for the financial year ended 31 March 2008 were primarily attributed to profit before tax of HK\$480.4 million as a result of the increased revenue and an increase of HK\$44.7 million in other payables and accruals, which primarily consists of (i) an increase in deposits received from our customers of the Wuliangye Liquor Series on an interest-free basis for several days before recognition of the sale and delivery of the products, (ii) an increase in the value-added tax payables of one of our PRC subsidiaries, and (iii) increases in sales rebate payable representing sales rebates to our first-tier distributors of the Wuliangye Liquor Series as part of our marketing incentives. Cash outflow for the financial year ended 31 March 2008 primarily includes: (i) an increase of HK\$38.7 million in inventories primarily due to our increased purchase of liquor products, in particular, DIMPLE, in preparation for future business

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development; (ii) an increase of HK\$84.0 million in prepayments and other receivables primarily due to an increase in prepayments to the Wuliangye Group as deposits after we placed more purchase orders of the Wuliangye Liquor Series in early 2008 given the increasing demand, and (iii) an increase of HK\$41.3 million in the advance to Mr Liang for his personal use.

We had net cash generated from operating activities in the amount of HK\$41.6 million during the financial year ended 31 March 2007, as compared to HK\$31.4 million during the financial year ended 31 March 2006. Net cash generated from operating activities during the financial year ended 31 March 2007 was primarily attributed to (i) profit before tax of HK\$142.3 million as a result of the increased sales; (ii) write-down of inventories to net realisable value of HK\$7.7 million in respect of inventories of the Hongtashan Premium Series as discussed above; and (iii) a decrease of HK\$10.6 million in prepayments, deposits and other receivables primarily as a result of the decreased deposits we paid to our cigarette suppliers when they decreased their supplies. The above cash inflow was offset in part by (i) a decrease of HK\$42.1 million in other payables and accruals due to decreased deposits received from our customers as discussed above; (ii) a decrease of HK\$25.4 million in trade and bills payables as more bank trust receipt loans were used to finance our purchases; and (iii) an increase in the advance to Mr Liang of HK\$37.0 million for his personal use. The advance to Mr Liang will be settled prior to the Listing.

Net cash generated from operating activities during the financial year ended 31 March 2006 was primarily attributed to (i) profit before tax of HK\$39.5 million and (ii) an increase of HK\$37.0 million in trade and bills payables as a result of the increased purchase for the new trading business in the PRC, which was offset by (i) a decrease of HK\$24.7 million in other payables and accruals due to less deposits received from customers as a result of our quicker delivery and (ii) an increase of HK\$14.7 million in prepayments, deposits and other receivables as a result of the increased deposits paid to our cigarette suppliers in line with our increased sales of cigarettes.

Cash flow from investing activities

We had net cash generated from investing activities in the amount of HK\$121.4 million for the six months ended 30 September 2008, which was attributed to a release of HK\$123.1 million in pledged deposits in banks upon the discharge of our obligations under the letters of credits that were originally secured by a pledge over our interest of a residential property in Hong Kong.

We had net cash used in investing activities in the amount of HK\$78.3 million in the financial year ended 31 March 2008, which was primarily attributed to an increase of HK\$123.1 million in pledged deposits in banks securing our obligations under the letters of credits that were originally secured by a pledge over our interest of a residential property in Hong Kong. The net cash outflow was partially offset by a cash inflow of HK\$53.5 million from the proceeds of the sale of the residential property in Hong Kong.

We had net cash used in investing activities in the amount of HK\$2.0 million during the financial year ended 31 March 2007, as compared to HK\$1.9 million during the financial year ended 31 March 2006. Net cash used in investing activities in the financial year ended 31 March 2007 was mainly attributed to leasehold improvements and purchase of office equipment as well as motor vehicles, which was partially offset by proceeds from disposal of

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property, plant and equipment. Net cash used in investing activities for the financial year ended 31 March 2006 was mainly attributed to leasehold improvement and purchase of office equipment as well as motor vehicles, which was partially offset by proceed from disposal of property, plant and equipment.

Cash flow from financing activities

We had net cash outflow from financing activities in the amount of HK\$317.0 million for the six months ended 30 September 2008, which was primarily attributed to a dividend paid in the amount of HK\$316.1 million to Mr Liang.

We had net cash inflow from financing activities in the amount of HK\$18.5 million in the financial year ended 31 March 2008, which was primarily attributed to an increase of HK\$27.3 million in amounts due to minority shareholders of a subsidiary, and an increase of HK\$3.5 million in trust receipt loans in relation to the letters of credit we used to purchase the Wuliangye Liquor Series for distribution in the international market, which was partially offset by the repayment of bank borrowings in the amount of HK\$12.2 million.

Net cash inflow from financing activities was HK\$46.0 million during the financial year ended 31 March 2007, as compared to net cash outflow of HK\$0.6 million during the financial year ended 31 March 2006. Net cash inflow from financing activities during the financial year ended 31 March 2007 was primarily attributed to an increase of HK\$29.8 million in trust receipt loans due to the increase in international sales and an increase of HK\$17.4 million in amounts due to minority shareholders of a subsidiary, which was offset in part by repayment of bank borrowings used to finance our residential properties. Net cash outflow from financing activities during the financial year ended 31 March 2006 was attributed to repayment of bank borrowings of HK\$1.2 million and capital element of finance lease rental payments of HK\$0.8 million related to a motor vehicle leased by us, which was partially offset by an increase of HK\$1.4 million in trust receipt loans due to the increase in international sales.

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INDEBTEDNESS

Borrowings

As at 31 January 2009, being the latest practicable date for determining our indebtedness, our total unutilised banking facilities were HK\$49.4 million. Our borrowings as at 31 March 2006, 2007 and 2008, 30 September 2008 and 31 January 2009 are set forth below:

	As at 31 March			As at 30 September	As at 31 January
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)
Trust receipt loans –					
secured ¹	1,404	31,157	34,632	68,141	–
Bank loan – secured ²	13,412	12,232	–	–	–
Total borrowing	14,816	43,389	34,632	68,141	–
Less: portion classified as current liabilities	(2,584)	(32,419)	(34,632)	(68,141)	–
Long-term portion	12,232	10,970	–	–	–

Notes:

- The trust receipt loans are related to banking facilities for letters of credit we use to purchase the Wuliangye Liquor Series from the Wuliangye Group. The trust receipt loans as at 31 March 2006, 2007 and 2008 are interest-free within a credit period of 60 to 90 days and bear interest at 3.5% plus the Hong Kong prime rate per annum after the credit period, while the trust receipt loans as at 30 September 2008 are interest-free within the credit period of 60 to 90 days and bear interest at 1% below the Hong Kong prime rate per annum after the credit period. All the trust receipt loans have been fully settled within the credit term during the Track Record Period.
- Our bank loan bears interest at 2% below the HK dollar prime rate per annum and is repayable by monthly equal installments of HK\$163,000. The effective annual interest rate of the bank loan during the Track Record Period ranged from 3% to 6.25%. The bank loan was fully settled during the year ended 31 March 2008.

The ending balance of trust receipt loans increased significantly from HK\$1.4 million as at 31 March 2006 to HK\$31.2 million as at 31 March 2007, to HK\$34.6 million as at 31 March 2008, to HK\$68.1 million as at 30 September 2008 and decreased to nil as at 31 January 2009. The increase primarily reflected the increased level of sales of the Wuliangye Liquor Series in the international market during the same period. Except for the trust receipt loans, which are denominated in US dollars, all the above interest-bearing bank borrowings are denominated in HK dollars. All interest-bearing bank borrowing are secured by our land and building and investment property with an aggregate net book value of approximately HK\$30.2 million and HK\$30.0 million as at 31 March 2006 and 2007, respectively. The interest-bearing bank borrowings were also guaranteed by Mr Liang and were secured by two properties owned by Silver Base (Holdings), a related company beneficially-owned by Mr Liang. During the year ended 31 March 2008, the pledges over the land, building and the two properties owned by Silver Base (Holdings) were all released upon the disposal of such land, building and properties.

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As at 31 March 2008, our banking facilities were secured by our investment property with a net book value of HK\$8.2 million, bank deposits of HK\$123.1 million and a guarantee provided by Mr Liang. As at 30 September 2008, our banking facilities were secured by our investment property with a net book value of HK\$8.1 million and were guaranteed by Mr Liang. As at 31 January 2009, our banking facilities were secured by our investment property with a net book value of HK\$8.0 million and were guaranteed by Mr Liang. The guarantee provided by Mr Liang will be released upon the Listing and replaced by a corporate guarantee provided by us.

The borrowing from minority shareholders of a subsidiary outstanding as at 31 March 2008 was unsecured, interest-free and had no fixed terms of repayment.

We had no borrowing as at 31 January 2009.

Contingent liabilities

We had no significant contingent liabilities as at 31 January 2009.

Disclaimer

Except as described above, as at 31 January 2009, being the latest practicable date for determining our indebtedness, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

As at 31 January 2009, we did not have any off-balance sheet arrangements.

CAPITAL EXPENDITURES

Our Directors consider that entry barriers to the distribution industry are relatively low as compared to other industries, such as certain manufacturing industries which require technical know-how and/or substantial capital expenditures. The following table sets forth our capital expenditures for the periods indicated:

	For the financial year ended 31 March			For the six months ended 30 September	
	2006	2007	2008	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Purchase of property, plant and equipment	<u>1,956</u>	<u>2,247</u>	<u>395</u>	<u>232</u>	<u>1,706</u>

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COMMITMENTS

Operating commitments

We had the following operating commitments, principally for the purchase of inventories and a motor vehicle, as at the dates presented in the table below:

	As at 31 March			As at 30 September
	2006	2007	2008	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracted, but not provided for:				
Within one year	264,411	351,153	404,343	163,629
In the second to fifth years, inclusive	182,327	218,793	262,551	287,556
Over five years	850,834	780,403	695,885	647,590
	<u>1,297,572</u>	<u>1,350,349</u>	<u>1,362,779</u>	<u>1,098,775</u>

In addition to the above, we had commitments in respect of the professional service fees for listing of the Company's share of HK\$10.4 million and HK\$14.2 million as at 31 March 2008 and 30 September 2008, respectively.

As at 30 September 2008, our purchase commitments mainly included purchase commitment under our exclusive distribution agreement in respect of the Hongtashan Premium Series for a term of 15 years from 2004 to 2019 and under our annual contract in respect of the Wuliangye Liquor Series for that given year. The purchase commitment for the Hongtashan Premium Series as at a given date during the Track Record Period was calculated as the difference between the total purchase commitments in the aggregate amount of HK\$1,099.2 million for the whole term and the total purchase amount we made up to that date. During the Track Record Period, we were unable to fulfill the annual minimum commitment allocated to a given year as provided in the distribution agreement. However, we have not been informed or made aware of any intent by the Hongta Group to terminate the contract in relation to such non-fulfillment of purchase commitment. For more details regarding the distribution agreements with the Hongta Group and risks associated with the relevant purchase commitment, please see "Business" and "Risk Factors – Our suppliers may terminate our distribution agreements and we, or our suppliers, may not be able to comply with the distribution agreements".

We usually enter into an annual contract with the Wuliangye Group at the end of the immediate preceding year. Therefore, the purchase commitments as at 31 March of each financial year is calculated as the balance between the purchase commitment for that calendar year and the purchase amount in the first three months of that year. Due to the increasing demand from our customers and our stable relationship with the Wuliangye Group, we were historically able to fully meet the purchase commitment for the Wuliangye Liquor Series for each year.

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INVENTORY ANALYSIS

The following table sets forth a breakdown of our inventory by products as at the dates presented below:

	As at 31 March			As at 30 September
	2006	2007	2008	2008
	HK\$ in million	HK\$ in million	HK\$ in million	HK\$ in million
International market				
Wuliangye	122.2	51.5	58.1	23.3
DIMPLE.	–	–	3.1	3.1
Cigarettes.	8.7	2.9	–	–
Sub-total	<u>130.9</u>	<u>54.4</u>	<u>61.2</u>	<u>26.4</u>
PRC market				
Wuliangye	16.5	50.0	28.7	38.8
DIMPLE.	–	29.6	82.3	116.7
Sub-total	<u>16.5</u>	<u>79.6</u>	<u>111.0</u>	<u>155.5</u>
Total	<u><u>147.4</u></u>	<u><u>134.0</u></u>	<u><u>172.2</u></u>	<u><u>181.9</u></u>

Substantially all of our sales are made to our customers, and substantially all of the production of the products is conducted by our suppliers. We usually purchase the liquor and cigarette products from our suppliers having considered our customers' needs and our inventory level, as well as the availability of stocks from our suppliers. In addition, we place orders with the Wuliangye Group, our largest supplier, according to the agreed quantity of the Wuliangye Liquor Series to be distributed in the international market, which is preset in the relevant annual supply agreements. For our PRC customers, we usually arrange for delivery of products directly to the customers from the warehouses of our suppliers, who also provide warehouse services to us. Alternatively, our PRC customers may choose to collect the products from the other warehouses operated by third party warehouse service providers in the PRC which may be closer to our customers. Our international customers (including Hong Kong customers) may collect shipments from the terminal directly or from our bonded warehouses in Hong Kong. For inventories stored in the warehouses, we typically obtain a monthly statement of accounts from each warehousing service provider and conduct on-site inspection from time to time by ourselves. At the end of each financial year, we will also conduct a full-year analysis of the inventory stored in all third party warehouses by checking monthly statement accounts and inspection results. For goods collected by customers directly from our suppliers, our inventory management is based on the stock record loading bills, purchase orders and delivery notes.

We review the carrying value of our inventories on an annual basis and make write-down charges or write-backs based on the inventory's ageing and estimated net realisable value. During the three financial years ended 31 March 2008, we made write-down charges only to our inventories of the Hongtashan Premium Series that had been held in our inventories for a

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period of more than 12 months. During the six months ended 30 September 2007 and 2008, we made a reversal of write-down of our Hongtashan products of HK\$0.5 million and HK\$2.1 million, respectively. As at 30 September 2008, we did not make any write-down charges to our liquor products, including both the Wuliangye Liquor Series and DIMPLE, because according to our management's estimate and judgment, the market value of our liquor products had never been lower than the purchase costs, due to the rising trend in the demand, shortages of supply and the quality of the liquor products.

Although we generally monitor the cycling time of our inventories' movement, we also need to maintain our inventory at certain levels to meet the seasonal, market and other commercial needs. Our inventories increased by 28.5% from HK\$134.0 million as at 31 March 2007 to HK\$172.2 million as at 31 March 2008, primarily due to our anticipation of the increasing demand for the liquor products we distribute in both the PRC and international markets. Our inventories increased by 5.6% from HK\$172.2 million as at 31 March 2008 to HK\$181.9 million as at 30 September 2008, primarily due to an increase in the purchase of DIMPLE in the PRC market in light of the limited supply of aged Scottish whisky worldwide and the need for adequate stock for the nation-wide marketing activities in the PRC market to be conducted by the Group progressively in the future, as well as an increase in the purchase of packaging materials for our high-end liquor products. We may temporarily hold products in inventories to take advantage of the anticipated increase in selling prices of the products we distribute in the international or PRC market. The following table sets forth a summary of the inventory turnover for the periods indicated:

	For the financial year ended 31 March			For the six months ended 30 September
	2006	2007	2008	2008
Turnover of inventory (days)	114 ¹	66 ¹	68 ¹	77 ²

Notes:

- 1 Calculated as the inventory balances as at 31 March 2006, 2007 and 2008, respectively, divided by cost of sales for each of the three financial years ended 31 March 2008, respectively, and multiplied by 365.
- 2 Calculated as the inventory balance as at 30 September 2008 divided by cost of sales for the six months ended 30 September 2008 and multiplied by 180.

Our turnover of inventory improved during the three financial years ended 31 March 2008 primarily as a result of the accelerated movement of the products and our enhanced inventory control measures by improving the efficiency in handing customer's orders and shortening the time between inventory procurement and delivery of the product to the customers. Our turnover of inventory increased to 77 days for the six months ended 30 September 2008 primarily due to an increase in the purchase of packaging materials for the Wuliangye Liquor Series we distribute.

ANALYSIS OF TRADE RECEIVABLES

We seek to maintain strict control over our outstanding receivables. Typically, our PRC and international customers settle payment obligations in cash before we deliver the goods to them. Our PRC customers also make payments by issuing a promissory note endorsed by a bank

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to us before we deliver the goods to them. Before the maturity date of a promissory note, we may transfer the promissory note to other parties or request for payment at a discount. We usually only grant a credit period of up to 90 days to some of our long-term or reliable customers such as duty-free outlets. Our five largest customers accounted for an aggregate of 88.9%, 64.9%, 63.8% and 69.7% of our total revenue for each of the three financial years ended 31 March 2008 and for the six months ended 30 September 2008, respectively. The majority of these customers purchase goods directly from us and pay us by cash upon delivery or by promissory notes. Therefore, sales in relation to these customers have had minimal impact on our trade receivables balances.

Trade receivables past due within 60 days primarily consist of trade receivables under which promissory notes were received from a number of PRC customers in connection with sales of the Wuliangye Liquor Series as well as a number of other international customers with an established trading record with us. Trade receivables past due for less than 60 days increased from HK\$3.4 million as at 31 March 2006, to HK\$6.5 million as at 31 March 2007 but decreased to HK\$3.2 million as at 31 March 2008. Trade receivables past due for less than 60 days was HK\$9.4 million as at 30 September 2008. The fluctuations of trade receivables during the Track Record Period were determined by several factors, such as the increasing use of promissory notes by our PRC customers and maturity dates of the promissory notes.

According to our internal control policy, all credit terms granted to our customers are subject to review and approval conducted by our senior management on a regular basis by examining the financial background and marketing capability of such customers. Any overdue credit balances will be given special attention by our senior management who will evaluate the situation and make necessary business judgments as to recoverability of such overdue balances based on trading record, financial background of such customer and any securities provided.

Our Directors are of the opinion that no provision for impairment is necessary for the relevant period in respect of these receivables that were past due within 60 days as the receivables are either secured by the bank's endorsement on promissory notes, or there has been no significant change in the customers' credit quality.

The following table sets forth the turnover of the trade receivables for the periods indicated:

	For the financial year ended 31 March			For the six months ended 30 September
	2006	2007	2008	2008
Turnover of trade receivables (days)	7 ¹	5 ¹	4 ¹	12 ²

Notes:

- 1 Calculated as the trade receivables balances as at 31 March 2006, 2007 and 2008, respectively, divided by revenue for each of the three financial years ended 31 March 2008, respectively, and multiplied by 365.
- 2 Calculated as the trade receivables balance as at 30 September 2008 divided by revenue for the six months ended 30 September 2008 and multiplied by 180.

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Turnover of our trade receivables has been improving during the three financial years ended 31 March 2008 primarily due to our strengthened credit control measures. Turnover of trade receivables increased to 12 days for the six months ended 30 September 2008 primarily due to the increasing trend of sales through receipt of promissory notes in lieu of cash in the PRC.

PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES; OTHER PAYABLES AND ACCRUALS

Prepayments, deposits and other receivables primarily include prepayments to our suppliers in connection with our purchases of liquor and cigarette products, particularly the Wuliangye Liquor Series, value-added tax receivables, advances to staff, rental and utility deposits and prepayment related to the listing of our Shares. Other payables and accruals primarily include deposits received from our customers, value-added tax and other taxes payables, sales rebate payable, advertising fee payable, accruals, provision for penalties and amount payable to previous minority shareholders of a subsidiary.

Advances to staff mainly included prepayment to staff of relevant costs for their business trips as well as certain payments from our PRC customers temporarily held in our staff's personal account in the PRC on our behalf maintaining a daily business operation liquidity. Sales rebate payable represented the amounts payable to our customers based on a certain percentage of our total sales to such customers. Our Directors confirm that the advance to staff and the payment of the sales rebates are normal practices in the PRC market. As at the Latest Practicable Date, we had not received any notice from the tax authority or other government authority regarding an investigation on or a punishment for the advance to staff or the payment of the rebate, and our PRC auditors who audited the financial statements of our subsidiaries incorporated in the PRC had not raised any issue regarding the advance to staff or the payment of the rebate. To enhance account control and implement consistent accounting policy in both our PRC and international businesses, we have suspended the use of staff's personal account for our business use commencing in March 2008. Our Directors further confirm that the sales rebate granted to our sub-distributors by Silver Base Trading (Shenzhen) and Silver Base Spirit (Shenzhen) have been recorded in its accounts in accordance with the PRC GAAP and, as such, our PRC legal advisers are of the opinion that such sales rebate is in compliance with the PRC laws and regulations.

ANALYSIS OF TRADE AND BILLS PAYABLES

We typically make our payments to the Wuliangye Group in connection with our purchases of the Wuliangye Liquor Series by letter of credit financed by trust receipt loans for distribution in the international market and by cash in advance of delivery for the Wuliangye Liquor Series purchased for sales in the PRC market.

The trust receipt loans as at 31 March 2006, 2007 and 2008 are free of interest within a credit period of 60 to 90 days and bear interest at 3.5% plus the Hong Kong dollar prime rate per annum after the credit period, while the trust receipt loans as at 30 September 2008 are interest-free within a credit period of 60 to 90 days and bear interest at 1% below the Hong Kong prime rate per annum after the credit period. The use of trust receipt loans entitles us to enjoy more flexibility in arranging our payments to the Wuliangye Group. Payments for purchases from the Wuliangye Group for distribution in the international market are due upon delivery of the products and recognised firstly as "trade and bills payable" which, as a matter of accounting policy, will be automatically converted into and recorded as "trust receipt loans" once such loans are approved by the lending banks. Therefore, the ending balances of "trust

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receipt loans” generally have a reverse effect on the ending balances of “trade and bills payable” during the same fiscal year or period. Over any two comparable fiscal years or periods, however, the magnitude of fluctuation in the ending balance of the trust receipt loans is not necessarily the same as that of the trade and bills payables because such magnitude is largely determined by the beginning balances of both line items and the timing of the settlement of our payments.

The following table sets forth the turnover of the trade and bills payables for the periods indicated:

	For the financial year ended 31 March			For the six months ended 30 September
	2006	2007	2008	2008
Turnover of trade and bills payables (days)	63 ¹	28 ¹	17 ¹	5 ²

Notes:

- 1 Calculated as the trade and bills payables balances as at 31 March 2006, 2007 and 2008, respectively, divided by cost of sales for each of the financial years ended 31 March 2008, respectively, and multiplied by 365.
- 2 Calculated as the trade and bills payables balance as at 30 September 2008 divided by cost of sale for the six months ended 30 September 2008 and multiplied by 180.

Trade and bills payable decreased from HK\$82.1 million as at 31 March 2006 to HK\$56.7 million as at 31 March 2007, to HK\$43.9 million as at 31 March 2008 and further to HK\$11.7 million as at 30 September 2008 primarily because increasingly more trade and bills payables were settled by bank trust receipt loans during the Track Record Period. Trade and bills payables are converted into and recorded as trust receipt loans as and when such loans are approved by the lending banks. Therefore, comparisons of our trade and bills payables over years or periods are primarily determined by (i) the beginning balances of both trade and bills payables and trust receipt loans; and (ii) the timing of the settlement of our payments, which are, in turn, driven by product availability and market demand.

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NET CURRENT ASSETS

The following table sets forth the net current assets as at the dates indicated:

	As at 31 March			As at 30 September	As at 31 January
	2006	2007	2008	2008	2009
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million (Unaudited)
CURRENT ASSETS					
Inventories	147.4	134.0	172.2	181.9	249.8
Trade receivables	11.2	14.7	18.0	57.9	25.0
Prepayments, deposits and other receivables	29.7	19.1	103.0	83.6	72.8
Due from a controlling shareholder	4.5	–	12.7	–	–
Pledged deposits	–	–	123.1	–	–
Cash and cash equivalents	36.4	123.2	351.5	391.7	32.9
	229.2	291.0	780.5	715.1	380.5
CURRENT LIABILITIES					
Trade and bills payables	(82.1)	(56.6)	(43.9)	(11.7)	(20.6)
Others payables and accruals	(102.3)	(60.2)	(139.3)	(35.4)	(53.2)
Interest-bearing bank borrowings	(2.6)	(32.4)	(34.6)	(68.2)	–
Due to a controlling shareholder	–	(28.5)	–	(10.0)	–
Dividend payable	–	–	–	(250.0)	(60.0)
Due to minority shareholders of a subsidiary	–	(17.4)	–	–	–
Tax payable	(4.6)	(17.8)	(74.8)	(131.0)	(17.8)
	(191.6)	(212.9)	(292.6)	(506.3)	(151.6)
NET CURRENT ASSETS	37.6	78.1	487.9	208.8	228.9

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Our net current assets increased from HK\$37.6 million as at 31 March 2006 to HK\$78.1 million as at 31 March 2007 and further to HK\$487.9 million as at 31 March 2008. The significant increase as at 31 March 2008 compared to 31 March 2007 primarily reflected a HK\$489.5 million increase in our current assets primarily due to the increases in cash and cash equivalents, pledged deposits and prepayment, deposits and other receivables, which outpaced a HK\$79.7 million increase in the current liabilities as at the same date. Our net current assets were HK\$208.8 million as at 30 September 2008 due to the interim dividend of HK\$250.0 million declared to the sole Shareholder, Yinji Investments, which is wholly-owned by Mr Liang, on 30 September 2008. Out of such HK\$250.0 million, HK\$240.0 million has already been paid while the remaining HK\$10.0 million, together with the interim dividend of HK\$60.0 million subsequently declared on 20 February 2009, will be settled in cash prior to the Listing. Our net current assets were HK\$228.9 million as at 31 January 2009.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to various types of market risks, including changes in interest rate risks, foreign exchange risks and inflation risks in the normal course of business.

Interest rate risk

Our exposure to the risk of changes in market interest rates relates primarily to our debt obligations with floating interest rates. The effective interest rates and terms of repayment of our bank loans are set out in note 24 of section II to the Accountants' Report included in Appendix I to this prospectus. An increase or decrease of 50 basis points in interest rates would have no material impact on our profit or loss during the Track Record Periods and there is no impact on our equity.

Liquidity risk

Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. Our financing activities are managed centrally by maintaining an adequate level of cash and cash equivalents to finance our operations. We also ensure the availability of bank credit facilities to address any short term funding requirements. Our cash and cash equivalents are placed with reputable financial institutions.

Credit risk

Credit risk arises mainly from the risk that counterparties may default on the terms of their agreements. The carrying amounts of cash and cash equivalents, pledged time deposits, trade receivables, other receivables and available-for-sale investments represent our maximum exposure to credit risk in relation to financial assets.

We monitor the exposure to credit risk on an ongoing basis and credit evaluations are performed on customers requiring credit over a certain amount. In addition, receivable balances are monitored on an ongoing basis with the result that our exposure to bad debts is not significant. The credit risk on balances of cash and cash equivalents is low as these balances are placed with reputable financial institutions.

As at 31 March 2006, 2007 and 2008 and 30 September 2008, there was no significant concentration of credit risk.

Foreign exchange risk

Our financial results can be affected by changes in exchange rates between Renminbi and other currencies, particularly the US dollar.

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The value of the Renminbi against the US dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC and international political and economic conditions and the PRC Government's fiscal policies. Since 1994, the conversion of the Renminbi into foreign currencies, including Hong Kong and US dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates in the world financial markets. The official exchange rate for the conversion of Renminbi to US dollars generally remained stable during the past decade. On 21 July 2005, the PRC Government started to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the US dollar. Any appreciation of the Renminbi against the US dollar or any other foreign currencies may result in a decrease in the Renminbi-equivalent value of our foreign currency-denominated assets, including our proceeds from the Global Offering. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency terms.

In order to reduce the risk of currency fluctuations, we may, as we deem appropriate, enter into forward foreign exchange contracts to hedge actual transactions for larger contracts. Our policy is not to take speculative positions through forward currency contracts. We have not engaged in any foreign currency hedging activities as at the date of this prospectus.

Capital management

The primary objective of our capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support our business and maximise shareholder value. We manage our capital structure and make adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the Track Record Period.

PROPERTIES

Details relating to our property interests are set out in Appendix IV to this prospectus. Vigers Appraisal & Consulting Limited, an independent property valuer, has valued the properties owned and leased by us as at 31 December 2008. The text of their letters, summary of valuation and valuation certificates are set out in Appendix IV to this prospectus.

DIVIDEND POLICY

Our Directors may declare dividends, if any, after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on HKFRS, the Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors that our Directors deem relevant. The distribution of dividends for any financial year shall be subject to Shareholders' approval.

On 30 September 2006, Silver Base Development declared an interim dividend of HK\$70.0 million to its then shareholder, Mr Liang, and the same has been paid. On 31 March 2008, the board of directors of Silver Base Development proposed a final dividend of HK\$350.0 million to Mr Liang which was approved at the general meeting on 30 May 2008. Out of such HK\$350.0 million, HK\$316.1 million has been paid to Mr Liang in cash while the remaining HK\$33.9 million was settled by offsetting the amount owed by him to us. On 30 September

FINANCIAL INFORMATION

2008, we declared an interim dividend of HK\$250.0 million to the sole Shareholder, Yinji Investments, which is wholly-owned by Mr Liang. Out of such HK\$250.0 million, HK\$240.0 million has already been paid while the remaining HK\$10.0 million will be settled in cash prior to the Listing. On 20 February 2009, we declared an additional interim dividend of HK\$60.0 million to Yinji Investments. The same will be fully paid prior to the Listing. Our Directors expect that we will have enough cash inflow in February and March 2009 for the outstanding interim dividend of HK\$70.0 million payable to Yinji Investments prior to the Listing. Investors in the Global Offering will not be entitled to participate in these dividends.

Our cash and cash equivalents increased from HK\$123.2 million as at 31 March 2007 to HK\$351.5 million as at 31 March 2008 and HK\$391.7 million as at 30 September 2008 but decreased to HK\$32.9 million as at 31 January 2009. Our Directors confirmed that, as at 18 March 2009, we had over HK\$70.0 million of cash and cash equivalents. The Company has to pay the outstanding interim dividend to Yinji Investments in the amount of HK\$70.0 million prior to the Listing. On the basis of our cash and cash equivalents as at 18 March 2009 as confirmed by our Directors and the confirmed orders and shipment schedules (for delivery of goods from the Wuliangye Group) as at the Latest Practicable Date, our Directors believe that we will have sufficient cash to pay such outstanding interim dividend prior to the Listing and sufficient working capital for our daily operation. However, upon the payment of such outstanding interim dividend to Yinji Investments prior to the Listing, our cash and cash equivalents will decrease significantly.

Our future declaration of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

Subject to the factors described above, the Board currently intends to recommend at the relevant Shareholders' meetings a dividend of no less than 35% of the net profit generated from the financial year ending 31 March 2010 and available for distribution to the Shareholders for that year. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

DISTRIBUTABLE RESERVES

As at 30 September 2008, we had distributable reserves of HK\$210.3 million, which was available for distribution to the shareholders of our Company.

WORKING CAPITAL

Taking into account cash from operating activities, credit facilities available to the Group and the net proceeds from the Global Offering, our Directors are of the opinion that we will have sufficient funds to meet our working capital requirements and financial requirements for capital expenditures for at least the next 12 months from the date of this prospectus. Moreover, our Directors expect that, the Company will have enough cash inflow in February and March 2009 for the outstanding interim dividend of HK\$70.0 million payable to Yinji Investments prior to the Listing.

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UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of our adjusted net tangible assets is based on our unaudited pro forma net tangible assets as at 30 September 2008, prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effects of the Global Offering on the consolidated net assets as at 30 September 2008, as shown in the Accountants' Report set out in Appendix I to this prospectus, adjusted as described below:

	Audited consolidated net tangible assets attributable to the equity holders of the Company as at 30 September 2008¹ HK\$'000	Estimated net proceeds from the Global Offering² HK\$'000	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company HK\$'000	Unaudited pro forma adjusted net tangible assets per Share³ HK\$
Based on an Offer Price of HK\$2.30 per Share	221,286	598,101	819,387	0.68
Based on an Offer Price of HK\$3.45 per Share	221,286	927,545	1,148,831	0.96

Notes:

- 1 The audited consolidated net tangible assets attributable to the equity holders of the Company as at 30 September 2008 is compiled based on the accountants' report of the Group as at 30 September 2008, the text of which is set out in Appendix I to this prospectus, which is based on the audited consolidated net assets attributable to the equity holders as at 30 September 2008 of HK\$229,586,000 with an adjustment for intangible asset value of HK\$8,300,000 as at 30 September 2008.
- 2 The estimated net proceeds from the offer of 300,000,000 new Shares are based on the Offer Price of HK\$2.30 and HK\$3.45 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. If the Over-allotment Option is exercised in whole or in part, the adjusted net tangible assets per Share will then increase, while the earnings per Share will be diluted accordingly.
- 3 The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis of 1,200,000,000 Shares (being the number of shares expected to be in issue immediately after completion of the Capitalisation Issue and the Global Offering but without taking into account any Shares which may be issued upon exercise of the Over-allotment Option) and has not taken into account any revaluation surplus of the Group's property interests as such property interests are stated at cost. Taking into account the additional interim dividend of HK\$60.0 million which is declared on 20 February 2009 and will be paid by the Company to Yinji Investments prior to the Listing, the unaudited pro forma adjusted net tangible assets per Share shall be HK\$0.63 and HK\$0.91, computed based on the Offer Price of HK\$2.30 per Share and HK\$3.45 per Share, respectively.

FINANCIAL INFORMATION

PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 MARCH 2009

In the absence of any unforeseen circumstances and on the bases and assumptions set out in Appendix III to this prospectus, certain forecasted data for the Group for the financial year ending 31 March 2009 are set out below:

Forecasted consolidated profit attributable to equity holders of the Company for the financial year ending 31 March 2009 ¹	not less than HK\$400 million
Unaudited pro forma forecasted earnings per Share for the financial year ending 31 March 2009 ²	not less than HK\$0.33

Notes:

- 1 The bases and assumptions on which the above profit forecast for the financial year ending 31 March 2009 have been prepared are summarised in Appendix III to this prospectus.
- 2 The calculation of unaudited pro forma forecasted earnings per Share is calculated by dividing the forecasted consolidated profit attributable to equity holders of the Company for the financial year ending 31 March 2009 by a total of 1,200,000,000 Shares (assuming the Shares in issue at the date of this prospectus and those Shares to be issued under the Capitalisation Issue and the Global Offering had been in issue on 1 April 2008 but without taking into account any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by us pursuant to the Over-allotment Option, the Issuing Mandate and the Repurchase Mandate).

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our business development, financial or trading positions or prospects since 30 September 2008, being the date of our Consolidated Financial Statements as set out in the Accountants' Report included in Appendix I to this prospectus.

FINANCIAL INFORMATION

PROPERTIES

Vigers Appraisal & Consulting Limited, an independent property valuer, has valued our property interests and is of the opinion that the capital value of our property interests in aggregate amounted to HK\$9.78 million as at 31 December 2008. Details of the valuation of our property interests as at 31 December 2008 are set out in Appendix IV to this prospectus.

Set forth below is the reconciliation of the valuation figures of our Group's properties with the figures included in the Consolidated Financial Statements:

	HK\$'000
Net book value of properties as set out in the Accountants' Report included in Appendix I	8,070
Movement for the period from 1 October 2008 to 31 December 2008 (Unaudited) Depreciation provided during the period.	<u>(52)</u>
Net book value as at 31 December 2008	8,018
Valuation surplus	<u>1,762</u>
Valuation of properties as at 31 December 2008 as set out in the Valuation Report set out in Appendix IV	<u><u>9,780</u></u>

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the paragraph headed “Strategies” under the section “Business” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds we receive from the Global Offering, assuming an Offer Price of approximately HK\$2.88 per Share, being the mid-point of the indicative range of the Offer Price of HK\$2.30 to HK\$3.45 per Share, will be approximately HK\$764.3 million (assuming that no additional Shares will be issued by the Company pursuant to the Over-allotment Option and after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering) and HK\$888.0 million (assuming that the Over-allotment Option is exercised in full and after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering), respectively.

We intend to use the net proceeds we receive from the Global Offering as follows:

- approximately 65% will be used for business development, of which:
 - approximately 24% for the reinforcement and expansion of the distribution network in the PRC by, among other things, expanding our sales and marketing team for the PRC market and identifying additional sub-distributors in different locations in the PRC;
 - approximately 20% for advertising, marketing and promotion such as placing further advertisements in different media, conducting different kinds of promotional campaigns and establishing “Silver Base image stores”;
 - approximately 15% for the integration and consolidation in the PRC by way of mergers and acquisitions and development of new product lines, as described in “Business – Strategies”; and
 - approximately 6% for the expansion of headcount and purchase/upgrading of the Group’s existing machinery and equipment;
- approximately 25% will be used for increasing inventory levels in respect of the Wuliangye Liquor Series and/or other products with a view to facilitating our expansion and benefiting from the upward price trend due to scarcity; and
- approximately 10% will be used for our general working capital.

To the extent that the net proceeds of the Global Offering we receive are not immediately required for the above purposes, we presently intend that such proceeds be placed on short-term deposits with licensed banks or financial institutions and/or invested into money market instruments in Hong Kong and/or the PRC.

FUTURE PLANS AND USE OF PROCEEDS

In the event that the Offer Price is finally determined at the highest end of the indicative Offer Price range between HK\$2.30 to HK\$3.45 per Offer Share, our net proceeds from the Global Offering will increase to approximately HK\$927.5 million (assuming that no additional Shares will be issued by the Company pursuant to the Over-allotment Option) and HK\$1,075.8 million (assuming that the Over-allotment Option is exercised in full), respectively, as compared with the above computation (which is based on the mid-point of the indicative Offer Price range). Our Directors intend to apply such additional net proceeds in the same proportions as set out above.

In the event that the Offer Price is finally determined at the lowest end of the indicative Offer Price range between HK\$2.30 to HK\$3.45 per Offer Share, our net proceeds from the Global Offering will decrease to approximately HK\$598.1 million (assuming that the Over-allotment Option is not exercised) and HK\$696.9 million (assuming that the Over-allotment Option is exercised in full), respectively, as compared with the above computation (which is based on the mid-point of the indicative Offer Price range). Our Directors intend to apply the reduced net proceeds in the same proportions as set out above.

UNDERWRITING

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Hong Kong Underwriters

Joint Lead Managers

UBS AG, acting through its division, UBS Investment Bank
BOCI Asia Limited

Co-lead Manager

Sun Hung Kai International Limited

Co-Managers

CCB International Capital Limited
VC Brokerage Limited

HONG KONG PUBLIC OFFERING

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company is initially offering 30,000,000 Hong Kong Offer Shares for subscription under the Hong Kong Public Offering on the terms and subject to the conditions set out in this prospectus and the related Application Forms.

Subject to (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the existing issued Shares and the Shares to be issued pursuant to the Global Offering (including the additional Shares which may be sold pursuant to the exercise of the Over-allotment Option), the Shares to be issued pursuant to the Capitalisation Issue and of the Shares issuable on the exercise of any options which may be granted under the Share Option Scheme and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Joint Bookrunners (on behalf of the Underwriters) and the Company agreeing on the Offer Price), the Hong Kong Underwriters have severally but not jointly agreed to subscribe or procure subscribers for their respective applicable proportions (set out in the Hong Kong Underwriting Agreement) of the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering, on the terms and subject to the conditions set out in this prospectus, the related Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Purchase Agreement having been signed, becoming unconditional and not having been terminated.

UNDERWRITING

Grounds for termination of the Hong Kong Underwriting Agreement

The obligations of the Hong Kong Underwriters to subscribe or to procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement will be subject to termination by notice in writing to us from the Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if, before 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Global Coordinator or any of the Hong Kong Underwriters:
 - (i) that any statement contained in, among other things, this prospectus and/or any announcements issued by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecasts, expressions of opinion, intention or expectation expressed in, among other things, this prospectus and/or any announcements issued by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) are not fair and honest in any material respect and based on reasonable assumptions, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom; or
 - (iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Purchase Agreement (other than on any of the Hong Kong Underwriters or the International Purchasers); or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the Controlling Shareholders and us pursuant to the indemnification provisions under the Hong Kong Underwriting Agreement; or
 - (v) any material adverse change or development involving a prospective material adverse change in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any members of the Group; or
 - (vi) any breach of, or any event rendering untrue or incorrect, any of the warranties in the Hong Kong Underwriting Agreement; or
 - (vii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares under the Global Offering is refused or not granted on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (viii) we withdraw this prospectus (and any other documents used in connection with the contemplated subscription and sale of the Shares) or the Global Offering; or

UNDERWRITING

- (b) there shall develop, occur, exist or come into effect:
- (i) any event, or series of events, in the nature of force majeure (including, without limitation, acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemics, pandemics, outbreaks of diseases, economic sanction, strikes, lock-outs, fire, explosion, flooding, civil commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the European Union (or any member thereof) or any other jurisdiction relevant to any member of the Group; or
 - (ii) (a) any change or development involving a prospective change or deterioration, or any event or series of events likely to result in any change or deterioration, or development involving a prospective change or deterioration, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the Nasdaq National Market, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or a material devaluation of the Hong Kong dollar or the Renminbi respectively against any other currencies, or any disruption in monetary or trading or securities settlement or clearance services, procedures or matters) in or affecting Hong Kong, the PRC, the United States, the European Union (or any member thereof) or any other jurisdiction relevant to any member of the Group; or

(b) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting Hong Kong, the PRC, the United States, the European Union (or any member thereof) or any other jurisdictions relevant to any member of the Group; or
 - (iii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, the PRC, the European Union (or any member thereof) or any other jurisdiction relevant to any member of the Group, or there is a material disruption in commercial banking or securities settlement or clearance services in those places; or
 - (iv) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting the Cayman Islands, Hong Kong, the PRC, the United States, the European Union (or any member thereof) or any other jurisdiction relevant to any member of the Group; or
 - (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the European Union (or any member thereof) on the PRC or any other jurisdiction relevant to any member of the Group; or

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- (vi) a change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (or the implementation of any exchange control) in Hong Kong, the PRC, the United States, the European Union (or any member thereof) or any other jurisdiction relevant to any member of the Group adversely affecting an investment in the Shares; or
- (vii) any litigation or claim of any third party being threatened or instigated against any member of the Group; or
- (viii) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (ix) the Chairman or Chief Executive Officer of the Company vacating his office; or
- (x) the commencement by any governmental, regulatory or political body or organisation of any action against a Director or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xi) save as disclosed in this prospectus and the preliminary offering circular, a contravention by any member of the Group of the Listing Rules or applicable Laws; or
- (xii) a prohibition on the Company for whatever reason from allotting the Shares pursuant to the terms of the Global Offering; or
- (xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Law; or
- (xiv) the issue or requirement to issue by the Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription and sale of the Shares) pursuant to the Companies Ordinance or the Listing Rules; or
- (xv) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;

which, individually or in the aggregate, in the sole opinion of the Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) (1) has or will or may have a material adverse effect on the business, financial or other condition or prospects of the Group as a whole; or (2) has or will have or may have an adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes it or will make it inadvisable or

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inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering or to enforce contracts for the subscription or purchase of the Shares under the Global Offering; or (4) has or will have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings

Pursuant to Rule 10.08 of the Listing Rules, except pursuant to the Capitalisation Issue, the Reorganisation and the Global Offering (including any options which may be granted under the Share Option Scheme) or any issue of Shares or securities in compliance with Rule 10.08(1) to (4) of the Listing Rules, the Company will not, at any time during the period of six months from the date on which dealings in the Shares commence on the Stock Exchange (the “**First Six-month Period**”), allot or issue or agree to allot or issue any Shares or other securities of the Company (including warrants or other securities of the Company) or grant or agree to grant any options or rights over any Shares or other securities of the Company or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to or agree to do any of the foregoing or announce the intention to do so.

Pursuant to the Hong Kong Underwriting Agreement, the Company has undertaken to the Global Coordinator, the Hong Kong Underwriters and each of them, and the Controlling Shareholders have undertaken to procure, except pursuant to the Capitalisation Issue and the Global Offering (including Shares which may fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is six months after the Listing Date, the Company will not without the prior written consent of the Global Coordinator and unless in compliance with the requirements of the Listing Rules and will procure that none of its subsidiaries will:

- (i) offer, accept subscription for, pledge, issue, sell, lend, mortgage, assign, charge, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of its share capital or other securities or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital); or
- (ii) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any share capital or securities or any interest therein; or
- (iii) offer to or agree to do any of the foregoing or announce any intention to do so,

whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise (whether or not such issue of Shares or securities will be completed within such period), and in the event of the Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following

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the expiry of the first six month period after the Listing Date, the Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of the Company.

Pursuant to Rule 10.07(1) of the Listing Rules, each of Mr Liang and Yinji Investments has undertaken to the Company and the Stock Exchange that he or it shall not and shall procure that the relevant registered shareholder(s) shall not, without prior consent of the Stock Exchange:

- (i) during the period commencing from the date of this prospectus up to the expiry of the First Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it or he is shown by this prospectus to be the beneficial owner; and
- (ii) within the period of six months immediately following the expiry of the First Six-month Period (the "**Second Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Locked-up Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be a controlling shareholder of the Company.

Note(s) of Rule 10.07 of the Listing Rules provides that the rule does not prevent a controlling shareholder from using the shares owned by it as securities (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Each of Mr Liang and Yinji Investments has further undertaken to the Stock Exchange that he or it will, within a period of 12 months from the Listing Date, immediately inform us and the Stock Exchange of:

- (a) any pledges or charges of any Shares or securities of our Company beneficially owned by him or it in favour of any authorised institution as permitted under the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and
- (b) any indication received by he or it, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or other share capital will be sold transferred or disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of Mr Liang and Yinji Investments (or its shareholders) and disclose such matters by way of a press notice which is published in the newspapers as soon as possible after being so informed by any of Mr Liang and Yinji Investments (or its respective shareholders).

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Pursuant to the Hong Kong Underwriting Agreement, each of the Controlling Shareholders has undertaken to each of the Company, the Global Coordinator and the Hong Kong Underwriters that except as disclosed in this prospectus it will not, without the prior written consent of the Global Coordinator and unless in compliance with the requirements of the Listing Rules:

- (i) at any time during the period from the date of the Hong Kong Underwriting Agreement and ending on the date which is six months from the Listing Date, (A) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of the Company or any interest therein held by it (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of the Company or any interest therein) or (B) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital or other securities of the Company, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, or (C) offer or agree to, or announce any intention to, enter into any transaction described in (A) or (B) above; and
- (ii) at any time during the period of six months commencing on the date of expiry of the first six month period after the Listing Date, enter into or offer or agree to, or announce any intention to, enter into any transaction described in paragraph (i) above if, immediately following such transaction, it, alone or together with the other Controlling Shareholder, would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

None of the above undertakings shall prevent the Controlling Shareholders from using Shares beneficially owned by any of them as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan provided that the Controlling Shareholders shall inform the Company and the Global Coordinator as soon as reasonably practicable following the grant of any such security.

Each of the Company, Mr Liang and Yinji Investments has agreed to jointly and severally indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

Commission

The Hong Kong Underwriters will receive a commission of 3.0% of the aggregate Offer Price of all the Hong Kong Offer Shares less any unsubscribed Hong Kong Offer Shares reallocated to the International Offering and ignoring for this purpose any Hong Kong Offer Shares reallocated from the International Offering due to over-subscription, out of which the Hong Kong Underwriters will pay any sub-underwriting commission. The underwriting commission for such reallocated Shares in each case will be payable to the International Purchasers in accordance with the International Purchase Agreement. In addition, the Company may, in its sole discretion, pay the Joint Bookrunners an additional aggregate incentive fee of up to 1.5% on the Offer Price of the total Offer Shares and any additional Shares pursuant to the Over-allotment Option.

UNDERWRITING

INTERNATIONAL OFFERING

International Purchase Agreement

In connection with the International Offering, it is expected that the Company will enter into the International Purchase Agreement with, among others, the International Purchasers. Under the International Purchase Agreement, it is expected that the International Purchasers would, subject to certain conditions, severally but not jointly, agree to subscribe for or purchase, or to procure subscribers to subscribe for or purchase, their respective applicable proportions (set out in the International Purchase Agreement) of the International Offer Shares being offered pursuant to the International Offering.

Under the International Purchase Agreement, the Company intends to grant to the International Purchasers the Over-allotment Option, exercisable by the Global Coordinator on behalf of the International Purchasers for up to 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to issue up to 45,000,000 additional Shares, representing 15% of the number of Offer Shares initially available under the Global Offering. These Shares will be issued and sold at the Offer Price per Share (plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% of the Offer Price) and will be for the purpose of, among other things, covering over-allocations, if any, in the International Offering.

TOTAL COMMISSIONS AND EXPENSES

Assuming an Offer Price of approximately HK\$2.88 per Share (being the midpoint of the indicative Offer Price range of HK\$2.30 to HK\$3.45 per Offer Share), the aggregate commissions and fees, together with the Stock Exchange listing fee, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, are estimated to amount in aggregate to be approximately HK\$99.7 million (assuming that the Over-allotment Option is not exercised) in total.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as “**Syndicate Members**”, may each individually undertake, and which do not form part of the underwriting or the stabilising process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, all of them (except for the Global Coordinator and its affiliates as the stabilising manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

UNDERWRITING

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilising period described under the paragraph headed "Over-allocation and Stabilisation" under the section headed "Structure of the Global Offering". These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

SPONSOR'S INDEPENDENCE

The Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Purchase Agreement, none of the Underwriters has any shareholding interests in our Company or any of our subsidiaries or any right or options (whether legally enforceable or not) to subscribe to or to nominate persons to subscribe to securities in our Company or any of our subsidiaries.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. The Global Offering comprises (assuming the Over-allotment Option is not exercised):

- (i) the Hong Kong Public Offering of an initial 30,000,000 Shares to be offered by the Company (subject to adjustment as mentioned below) (representing 10% of the total number of Offer Shares initially available under the Global Offering) in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” below; and
- (ii) the International Offering of an initial 270,000,000 Shares to be offered by the Company (subject to adjustment as mentioned below and the Over-allotment Option) (representing 90% of the total number of Offer Shares initially available under the Global Offering) (a) in the United States to QIBs in reliance on Rule 144A or another available exemption from registration requirement under the U.S. Securities Act; and (b) outside the United States in offshore transactions in reliance on Regulation S.

UBS is the sole global coordinator of the Global Offering.

UBS and BOCI are joint bookrunners and joint lead managers of the Global Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation and, in the case of the International Offering only, the Over-allotment Option as described in the paragraph headed “Over-Allocation and Stabilisation” below.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the Company and the Joint Bookrunners (on behalf of the Underwriters) agreeing on the Offer Price. The Company expects to enter into the International Purchase Agreement relating to the International Offering on the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed “Underwriting”.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

Under the Hong Kong Public Offering, the Company is initially offering 30,000,000 Shares at the Offer Price for subscription by the public in Hong Kong, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Shares between (i) the International Offering and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent 25% of the Company’s issued share capital immediately after completion of the Global Offering and the Capitalisation Issue, assuming that the Over-allotment Option is not exercised.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “Conditions of the Hong Kong Public Offering” below.

STRUCTURE OF THE GLOBAL OFFERING

Conditions of the Hong Kong Public Offering

Acceptance of all applications for the Offer Shares in the Hong Kong Public Offering will be conditional on, among other things:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the existing issued Shares, the Offer Shares to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option), the Shares to be issued pursuant to the Capitalisation Issue, and of the Shares issuable on the exercise of any options which may be granted under the Share Option Scheme;
- (ii) the Offer Price having been determined on the Price Determination Date;
- (iii) the execution and delivery of the International Purchase Agreement on the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 29 April 2009, being the 30th day after the date of this prospectus.

If, for any reason, the Offer Price is not agreed among the Company and the Joint Bookrunners (on behalf of the Underwriters) on or before 5:00 p.m. on Monday, 6 April 2009, the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived before the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us in the South China Morning Post and the Hong Kong Economic Times on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares". In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Wednesday, 8 April 2009 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applications may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the 30,000,000 Hong Kong Offer Shares initially comprised in the Hong Kong Public Offering (that is, 15,000,000 Hong Kong Offer Shares) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between (i) the Hong Kong Public Offering and (ii) the International Offering is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 90,000,000 Offer Shares (in the case of (i)), 120,000,000 Offer Shares (in the case of (ii)) and 150,000,000 Offer Shares (in the case of (iii)) representing 30%, 40% and 50% of the Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Global Coordinator deems appropriate. In addition, the Global Coordinator at its sole discretion may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such number as the Global Coordinator deems appropriate.

STRUCTURE OF THE GLOBAL OFFERING

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$3.45 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering" below, is less than the maximum price of HK\$3.45 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Shares Offered

Subject to reallocation as described above, the International Offering will consist of 270,000,000 Offer Shares (subject to adjustment and the Over-allotment Option) to be issued by the Company, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

The Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Global Coordinator so as to allow it to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Over-allotment Option

In connection with the Global Offering, the Company is expected to grant an Over-allotment Option to the International Purchasers exercisable by the Global Coordinator on behalf of the International Purchasers.

Pursuant to the Over-allotment Option, the Global Coordinator has the right, exercisable at any time from the day on which trading of the Shares commences on the Stock Exchange up to 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to issue up to 45,000,000 additional new Shares, representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to, among other things, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional new Shares will represent approximately 3.61% of our enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

PRICING OF THE GLOBAL OFFERING

The International Purchasers will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Shares for the purpose of the offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Friday, 3 April 2009, and in any event on or before 5:00 p.m. on Monday, 6 April 2009, by agreement among the Joint Bookrunners (on behalf of the Underwriters) and the Company and the number of Shares to be allocated under the offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$3.45 per Offer Share and is expected to be not less than HK\$2.30 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.**

The Joint Bookrunners (on behalf of the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of the Company reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time on or before the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post and the Hong Kong Economic Times notices of any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range. Such notice will also

STRUCTURE OF THE GLOBAL OFFERING

be available at the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.silverbase.com.cn. Upon issue of a notice in the reduction of the Offer Price, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners (on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the profit forecast for the financial year ending 31 March 2009 and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. **Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares being offered under the Global Offering and/or the offer price range is so reduced.** In the absence of any notice published in relation to the reduction in the Offer Price, the Offer Price, if agreed upon among the Company and the Joint Bookrunners, will under no circumstances be set outside the offer price range as stated in this prospectus.

The net proceeds of the Global Offering accruing to the Company (assuming that no additional Shares will be issued by the Company pursuant to the Over-allotment Option and after deduction of underwriting fees and estimated expenses payable by the Company in relation to the Global Offering) are estimated to be approximately HK\$598.1 million, assuming an Offer Price per Offer Share of HK\$2.30, or approximately HK\$927.5 million, assuming an Offer Price per Offer Share of HK\$3.45.

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allocation of Shares available under the Hong Kong Public Offering, are expected to be announced on Tuesday, 7 April 2009, in the manner set out in the paragraph headed "X. Results of Allocation" under the section headed "How to Apply for Hong Kong Offer Shares".

OVER-ALLOCATION AND STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Global Coordinator, its affiliates or any person acting for it, as stabilising manager (on behalf of the Underwriters), may over-allocate and/or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Global Coordinator, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Global Coordinator, its affiliates or any person acting for it, and may be discontinued at any time, and

STRUCTURE OF THE GLOBAL OFFERING

must be brought to an end after a limited period. The number of Shares that may be over-allocated will not be greater than the maximum number of Shares which may be allotted and issued upon exercise of the Over-allotment Option, being 45,000,000 Shares, which is 15% of the number of Offer Shares initially available under the Global Offering.

The Global Coordinator, its affiliates or any person acting for it may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

- (i) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares;
- (ii) in connection with any action described in paragraph (i) above;
 - (A) (1) over-allocate the Shares; or
 - (2) sell or agree to sell the Shares so as to establish a short position in them,
 - for the sole purpose of preventing or minimising any reduction in the market price of the Shares;
 - (B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for the Shares in order to close out any position established under paragraph (A) above;
 - (C) sell or agree to sell any of the Shares acquired by it in the course of the stabilising action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; or
 - (D) offer or attempt to do anything as described in paragraphs (ii)(A)(2), (ii)(B) or (ii)(C) above.

The Global Coordinator, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Global Coordinator, its affiliates or any person acting for it, which may include a decline in the market price of the Shares.

Stabilisation cannot be used to support the price of the Shares for longer than the stabilisation period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. The stabilisation period is expected to expire on 2 May 2009, after which an announcement will be made pursuant to section 9 of, and schedule 3 to, the Securities and Futures (Price Stabilisation) Rules. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore then market price, could fall.

STRUCTURE OF THE GLOBAL OFFERING

Any stabilising action taken by the Global Coordinator, its affiliates or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilisation period. Stabilising bids or market purchases effected in the course of the stabilisation action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Shares.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Global Coordinator may choose to enter into an agreement with Yinji Investments to borrow, whether on its own or through its affiliates, up to 45,000,000 Shares, representing 15% of the Offer Shares, from Yinji Investments to cover over-allocations (being the maximum number of additional Shares which may be allotted and issued upon exercise of the Over-allotment Option), or acquire Shares from other sources, including the exercising the Over-allotment Option.

If such stock borrowing arrangement with Yinji Investments is entered into, it will only be effected by the Global Coordinator or its agent for settlement of over-allocations in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with. The same number of Shares so borrowed must be returned to Yinji Investments or its nominees on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised, or (b) the day on which the Over-allotment Option is exercised in full and the relevant Offer Shares subject to the Over-allotment Option have been issued and sold. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Yinji Investments by the Global Coordinator or its agent in relation to such stock borrowing arrangement.

DEALINGS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 8 April 2009, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:30 a.m. on Wednesday, 8 April 2009.

HOW TO APPLY FOR HONG KONG OFFER SHARES

I. METHODS OF APPLICATION

There are three ways to make an application for the Hong Kong Offer Shares. You may apply for the Hong Kong Offer Shares by either (i) using a **WHITE** or **YELLOW** Application Form; (ii) applying online through the designated website of the **White Form eIPO** Service Provider, referred herein as the “**White Form eIPO service**”, or (iii) giving **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

II. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not a U.S. person (as defined in Regulation S);
- are outside the United States and will be acquiring the Hong Kong Offer Shares in an offshore transaction (as defined in Regulation S); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number, and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm’s name. If the applicant is a body corporate, the application form must be signed by a duly authorised office, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Global Coordinator (or its respective agents or nominees) may accept the application at its discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

HOW TO APPLY FOR HONG KONG OFFER SHARES

We, the Global Coordinator or the designated **White Form eIPO** Service Provider (where applicable) or our or their respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares, or directors or chief executives of the Company or any of its subsidiaries, or their respective associates (as defined in the Listing Rules) or any other connected persons (as defined in the Listing Rules) of the Company or its subsidiaries.

You may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for International Offer Shares under the International Offering, but may not do both.

III. APPLYING BY USING AN APPLICATION FORM

Which Application Form to Use

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 March 2009 until 12:00 noon on Thursday, 2 April 2009 from:

UBS AG

52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

BOCI Asia Limited

26th Floor, Bank of China Tower
1 Garden Road
Hong Kong

Sun Hung Kai International Limited

1201 CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

CCB International Capital Limited

Suite 3408
34/F, Two Pacific Place
88 Queensway, Admiralty
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

VC Brokerage Limited

28/F., The Centrium
60 Wyndham Street
Central
Hong Kong

or any of the following branches of **Industrial and Commercial Bank of China (Asia) Limited**:

Branch name	Branch address
Queen's Road Central Branch	122-126 Queen's Road Central, Central
Wanchai Branch	117-123 Hennessy Road, Wanchai
Quarry Bay Branch	G/F., 1036-1040, King's Road, Quarry Bay
Tsim Sha Tsui Branch	Shop 1&2, G/F., No. 35-37 Hankow Road, Tsimshatsui
Hung Hom Branch	Shop 2A, G/F., Hung Hom Shopping Mall, 2-34E Tak Man Street, Hung Hom
Mongkok Branch	G/F., Belgian Bank Building, 721-725 Nathan Road, Mongkok
Kwun Tong Branch	G/F., Lemmi Centre, 50 Hoi Yuen Road, Kwun Tong
Tseung Kwan O Branch	Shop Nos. 2011-2012, Level 2, Metro City Plaza II, 8 Yan King Road, Tseung Kwan O
Sha Tsui Road Branch	Shop 4, G/F., Chung On Building, 297-313 Sha Tsui Road, Tsuen Wan

or any of the following branches of **Hang Seng Bank Limited**:

Branch name	Branch address
Des Voeux Road West Branch	52 Des Voeux Road West
Head Office	83 Des Voeux Road Central
Central District Branch	Basement Central Building, Pedder Street
North Point Branch	335 King's Road
Yaumati Branch	363 Nathan Road
Mongkok Branch	677 Nathan Road
Kwun Tong Branch	70 Yue Man Square
Shatin Branch	Shop 18 Lucky Plaza, Wang Pok Street, Shatin
Yuen Long Branch	93 Castle Peak Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 March 2009 until 12:00 noon on Thursday, 2 April 2009 from:

- (i) The Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- (ii) Your stockbroker, who may have such Application Forms and this prospectus available.

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How to Complete the Application Form

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

You should note that by completing and submitting the Application Form, among other things, you:

- (i) **agree** with the Company and each shareholder of the Company, and the Company agrees with each of its shareholders, to observe and comply with the Companies Law, the Companies Ordinance, the Memorandum of Association and the Articles of Association;
- (ii) **agree** with the Company and each shareholder of the Company that the Shares in the Company are freely transferable by the holders thereof;
- (iii) **authorise** the Company to enter into a contract on your behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligations to shareholders as stipulated in the Articles of Association;
- (iv) **confirm** that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;
- (v) **agree** that the Company, the Directors, the Global Coordinator, the Underwriters, their respective directors, and any other parties involved in Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;
- (vi) **undertake and confirm** that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for, take up or indicate an interest for, any Offer Shares under the International Offering;
- (vii) **agree** to disclose to the Company and/or the Hong Kong Share Registrar, receiving banks, Global Coordinator, Sponsor and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application.

In order for the **YELLOW** Application Forms to be valid:

- (i) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**
 - (a) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.
- (ii) **If the application is made by an individual CCASS Investor Participant:**

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- (a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card number; and
- (b) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(iii) If the application is made by a joint individual CCASS Investor Participant:

- (a) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card numbers; and
- (b) the participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) If the application is made by a corporate CCASS Investor Participant:

- (a) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and
- (b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

If your application is made through a duly authorised attorney, the Company and the Global Coordinator as its agent may accept it at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. The Company and the Global Coordinator, in their capacity as the Company's agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

IV. APPLYING THROUGH WHITE FORM eIPO

General

- (i) You may apply through **White Form eIPO** by submitting an application through the designated website at www.eipo.com.hk if you satisfy the relevant eligibility criteria for this as set out in "II. Who can apply for Hong Kong Offer Shares" above and on the same website. If you apply through **White Form eIPO**, the Shares will be issued in your own name.
- (ii) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our Company.

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- (iii) If you give **electronic application instructions** through the designated website at www.eipo.com.hk, you will have authorised the designated **White Form eIPO** Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO service**.
- (iv) In addition to the terms and conditions set out in this prospectus, the designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO service**. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full before making any application.
- (v) By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you are deemed to have authorised the designated **White Form eIPO** Service Provider to transfer the details of your application to our Company and the Hong Kong Share Registrar.
- (vi) You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.
- (vii) You should give **electronic application instructions** through **White Form eIPO** at the times set out in the paragraph headed "VI. When may applications be made" below.
- (viii) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at www.eipo.com.hk. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Thursday, 2 April 2009, or such later time as described under the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" below, the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.**
- (ix) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.
- (x) Warning: The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. **Our Company, our Directors, the Sponsor, the Global Coordinator and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.**

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The obvious advantage of White Form eIPO is to save the use of papers via the self-serviced and electronic application process. As environment protection is part of Computershare's Corporate Social Responsibility Program, Computershare Hong Kong Investor Services Limited will contribute HK\$2 per each "Silver Base Group Holdings Limited" White Form eIPO application submitted via www.eipo.com.hk to support the funding of "Source of DongJiang – Hong Kong Forest" project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the White Form eIPO service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form.

Conditions of the White Form eIPO service

In using the **White Form eIPO** service to apply for the Hong Kong Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- **applies** for the desired number of Hong Kong Offer Shares on the terms and conditions of this prospectus and **White Form eIPO** designated website at www.eipo.com.hk subject to the Articles of Association;
- **undertakes** and agrees to accept the Hong Kong Offer Shares applied for, or any lesser number allotted to the applicant on such application;
- **declares** that this is the only application made and the only application intended by the applicant to be made whether on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider under the **White Form eIPO** service, to benefit the applicant or the person for whose benefit the applicant is applying;
- **undertakes and confirms** that the applicant and the person for whose benefit the applicant are applying have not applied for or taken up, or indicated an interest for, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, nor otherwise participate in the International Offering;
- **understands** that this declaration and representation will be relied upon by the Company in deciding whether or not to make any allocation of Hong Kong Offer Shares in response to such application;

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- **authorises** the Company to place the applicant's name on the register of members of the Company as the holder of any Hong Kong Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set out in this prospectus) to send any share certificates and/or any refund cheque(s) by ordinary post at the applicant's own risk to the address given on the **White Form eIPO** Application Form except where the applicant has applied for 1,000,000 or more Hong Kong Offer Shares and that applicant collects any share certificate(s) and/or refund cheque(s) in person in accordance with the procedures prescribed in the **White Form eIPO** designated website at www.eipo.com.hk and this prospectus;
- **requests** that any refund cheque(s) be made payable to the applicant; and (subject to the terms and conditions set out in this prospectus) to send any refund cheques by ordinary post and at the applicant's own risk to the address given on the **White Form eIPO** application form (except where the applicant has applied for 1,000,000 or more Hong Kong Offer Shares and collects any refund cheque(s) in person in accordance with the procedures prescribed in the **White Form eIPO** designated website at www.eipo.com.hk and this prospectus);
- **have read** the terms and conditions and application procedures set out on in the **White Form eIPO** designated website at www.eipo.com.hk and this prospectus and agree to be bound by them;
- **represents, warrants and undertakes** that the applicant, and any persons for whose benefit the applicant are applying are non-U.S. person(s) outside the United States (as defined in Regulation S), when completing and submitting this Application Form or is a person described in paragraph (h)(3) of Rule 902 of Regulation S or the allocation of or application for the Hong Kong Offer Shares to or by whom or for whose benefit this application is made would not require the Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong; and
- **agrees** that such application, any acceptance of it and the resulting contract, will be governed by and construed in accordance with the laws of Hong Kong.

Supplemental Information

If any supplement to this prospectus is issued, applicant(s) who have already submitted **electronic application instructions** through the **White Form eIPO** service may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **White Form eIPO** service that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **White Form eIPO** service is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

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Effect of completing and submitting an application through the White Form eIPO service

By completing and submitting an application through the **White Form eIPO** service, you for yourself or as agent or nominee and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- **instruct and authorise** the Company, the Sponsor and/or the Global Coordinator as agent for the Company (or their respective agents or nominees) to do on your behalf all things necessary to register any Hong Kong Offer Shares allotted to you in your name as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the **White Form eIPO** designated website at www.eipo.com.hk;
- **confirm** that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;
- **agree** that the Company and the Directors, are liable only for the information and representations contained in this prospectus and any supplement thereto;
- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (if the application is made for your own benefit) **warrant** that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider via the **White Form eIPO** service;
- (if you are an agent for another person) **warrant** reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service, and that you are duly authorised to submit the application as that other person's agent;
- **undertake and confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up, or indicated an interest for, and will not apply for, take up or indicate an interest for, any Offer Shares under the International Offering;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **agree** to disclose to the Company, and/or the Hong Kong Share Registrar, receiving banks, Sponsor, Global Coordinator and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made this application;

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- **agree** with the Company and each Shareholder, and the Company agrees with each of its Shareholder, to observe and comply with the Companies Law, the Companies Ordinance, the Memorandum of Association and the Articles of Association;
- **agree** with the Company and each Shareholder that the Shares in the Company are freely transferable by the holders thereof;
- **authorise** the Company to enter into a contract on your behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his or her obligations to shareholders as stipulated in the Memorandum of Association and Articles of Association;
- **represent, warrant and undertake** that you are not, and none of the other person(s) for whose benefit you are applying is, a U.S. person (as defined in Regulation S) when completing the Application Form;
- **represent and warrant** that you understand that the Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States (as defined in Regulation S) when completing the Application Form or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus, the **White Form eIPO** designated website at www.eipo.com.hk and the **White Form eIPO** website and agree to be bound by them;
- **undertake and agree** to accept the Shares applied for, or any lesser number allocated to you under your application; and
- if the laws of any place outside Hong Kong are applicable to your application, **agree and warrant** that you have complied with all such laws and none of the Company, the Sponsor, the Global Coordinator and the Hong Kong Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus, the **White Form eIPO** Application Form and the **White Form eIPO** designated website at www.eipo.com.hk.

The Company, the Sponsor, the Global Coordinator, the Underwriters and their respective directors, officers, employees, partners, agents, advisers, and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in such application.

Power of attorney

If your application is made by a duly authorised attorney, the Company, the Sponsor or the Global Coordinator, as its agents, may accept it at their discretion and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

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Additional Information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out in the paragraph headed "X. Results of Allocation – Despatch/collection of share certificates and refund cheques" below.

V. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
2/F Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Company and the Hong Kong Share Registrar.

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Giving Electronic Application Instructions to HKSCC to Apply for Hong Kong Offer Shares by HKSCC Nominees On Your Behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees does the following things on behalf of each such person:
 - **agrees** that the Hong Kong Offer Shares to be allocated shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - **undertakes and agrees** to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
 - **undertakes and confirms** that that person has not applied for or taken up any Offer Shares under the International Offering nor otherwise participated in the International Offering;
 - (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
 - (if that person is an agent for another person) **declares** that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;
 - **understands** that the above declaration will be relied upon by the Company, the Directors, the Sponsor and the Global Coordinator in deciding whether or not to make any allocation of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
 - **authorises** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Hong Kong Offer Shares allocated in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;
 - **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

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- **confirms** that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf;
- **agrees** that the Company, the Directors, the Sponsor, the Global Coordinator, the Underwriters, their respective directors, and any other parties involved in Global Offering are liable only for the information and representations contained in this prospectus;
- **agrees** to disclose that person's personal data to the Company, the Sponsor, the Global Coordinator and/or their respective agents any information which they may require about that person;
- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to the **electronic application instructions** given by that person is irrevocable before 29 April 2009, such agreement to take effect as a collateral contract with the Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before 29 April 2009, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before 29 April 2009, if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by the Company;
- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares;
- **agrees** with the Company, for itself and for the benefit of each of its shareholders (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each of its shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Memorandum of Association and the Articles of Association;
- **agrees** with the Company (for itself and for the benefit of each of its shareholders) that Shares in the Company are freely transferable by the holders thereof;

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- **authorises** the Company to enter into a contract on your behalf with each Directors and officers of the Company whereby each such Director and officer undertakes to observe and comply with their obligations to shareholders stipulated in the Articles of Association; and
- **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- **instructed and authorised** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for Hong Kong Offer Shares on your behalf;
- **instructed and authorised** HKSCC to arrange payment of the maximum offer price, brokerage, SFC transaction levy, and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy, and Stock Exchange trading fee by crediting your designated bank account; and
- **instructed and authorised** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.

Minimum Subscription Amount and Permitted Multiples

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Offer Shares. Such instructions in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

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Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

Personal Data

The section of the Application Form entitled "Personal Data" applies to any personal data held by the Company and the Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other **than HKSCC Nominees**.

Warning

The subscription for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. The Company, the Directors, the Global Coordinator and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input of their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 2 April 2009.

VI. WHEN MAY APPLICATIONS BE MADE

Applications on WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Thursday, 2 April 2009, or, if the application lists are not open on that day, by the time and date stated in the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" below. Cheque(s) or banker's cashier order(s) should be crossed "Account Payee Only" and made payable to "ICBC (Asia) Nominee Limited – Silver Base Public Offer".

HOW TO APPLY FOR HONG KONG OFFER SHARES

Your completed Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of Industrial and Commercial Bank of China (Asia) Limited or Hang Seng Bank Limited, listed under the sub-paragraph headed "Where to collect the Application Forms" under the paragraph headed "III. Applying by using an Application Form" above at the following times:

Monday, 30 March 2009 – 9:00 a.m. to 5:00 p.m.
Tuesday, 31 March 2009 – 9:00 a.m. to 5:00 p.m.
Wednesday, 1 April 2009 – 9:00 a.m. to 5:00 p.m.
Thursday, 2 April 2009 – 9:00 a.m. to 12:00 noon

The application lists will be open **from 11:45 a.m. to 12:00 noon on Thursday, 2 April 2009.**

No proceedings will be taken on applications for the Shares and no allotment of any such Shares will be made until after the closing of the application lists. No allotment of any of the Shares will be made later than 29 April 2009.

White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on Monday, 30 March 2009 until 11:30 a.m. on Thursday, 2 April 2009 or such later time as described under the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 2 April 2009, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" below.

You will not be permitted to submit your application to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

Electronic Application Instructions to HKSCC via CCASS

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 30 March 2009 – 9:00 a.m. to 8:30 p.m.¹
Tuesday, 31 March 2009 – 8:00 a.m. to 8:30 p.m.¹
Wednesday, 1 April 2009 – 8:00 a.m. to 8:30 p.m.¹
Thursday, 2 April 2009 – 8:00 a.m.¹ to 12:00 noon

Note:

1 These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR HONG KONG OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 30 March 2009 until 12:00 noon on Thursday, 2 April 2009 (24 hours daily, except the last application day).

The latest time for inputting **electronic application instructions** via CCASS will be 12:00 noon on Thursday, 2 April 2009, the last application day, or if the application lists are not open on that day, by the time and date stated in the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" below.

Effect of Bad Weather on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 2 April 2009. Instead, they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warning signals in force in Hong Kong at anytime between 9:00 a.m. and 12:00 noon.

If the application lists of the Hong Kong Offer do not open and close on Thursday, 2 April 2009 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed "Expected Timetable" in this prospectus, such dates mentioned in the section headed "Expected Timetable" in this prospectus may be affected. A press announcement will be made in such event.

VII. HOW MANY APPLICATIONS YOU MAY MAKE

Multiple applications or suspected multiple applications are liable to be rejected.

You may make more than one application for Hong Kong Offer Shares if and only if:

You are a nominee, in which case you may both give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name if each application is made on behalf of different owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for each beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed.

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **White Form eIPO** Service Provider to make and application for Hong Kong Offer Shares, an actual

HOW TO APPLY FOR HONG KONG OFFER SHARES

application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving **electronic application instructions** through the designated website at www.eipo.com.hk and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Shares will be considered any such application is liable to be rejected.

It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an **electronic application instruction**, you:

- (if the application is made for your own benefit) **warrant** that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service; or
- (if you are an agent for another person) **warrant** that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service and that you are duly authorised to sign the Application Form or give **electronic application instructions** as that other person's agent.

Save as referred to above, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service;
- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic applications instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service for more than 15,000,000 Shares, being 50% of the Share initially being offered for public subscription under the Hong Kong Public Offering, as more particularly described in the paragraph headed “The Hong Kong Public Offering” under the section headed “Structure of the Global Offering”; or
- have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) Offer Shares under the International Offering.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on your **electronic application instructions**). If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

VIII. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted the Hong Kong Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Hong Kong Offer Shares will not be allotted to you:

- **If your application is revoked**

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC or the designated **White Form eIPO** Service Provider through **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf cannot be

HOW TO APPLY FOR HONG KONG OFFER SHARES

revoked before 29 April 2009. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before 29 April 2009 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf may be revoked before 29 April 2009 if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- **Full discretion of the Company, the Sponsor, the Global Coordinator or the designated White Form eIPO Service Provider (where applicable) or its or their respective agent and nominees to reject or accept your application:**

The Company, the Sponsor and the Global Coordinator (as agents for the Company) or the designated **White Form eIPO** Service Provider (where applicable), or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application.

The Company, the Sponsor, the Global Coordinator and the Hong Kong Underwriters, in their capacity as the Company's agents, and their agents and nominees do not have to give any reason for any rejection or acceptance.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **If the allocation of Hong Kong Offer Shares is void:**

The allocation of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** or apply using a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

- **You will not receive any allocation if:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefits you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares in the International Offering. By filling in any of the Application Forms or apply by giving **electronic application instructions**, you agree not to apply for Hong Kong Offer Shares as well as Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at www.eipo.com.hk;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored upon its first presentation;
- your Application Form is not completed in accordance with the instructions stated in the Application Form (if you apply by an Application Form);
- the Underwriting Agreements do not become unconditional; or
- the Underwriting Agreements are terminated in accordance with their respective terms.

You should also note that you may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but may not do both.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IX. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum offer price is HK\$3.45 per Offer Share. You must also pay a brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% in full. This means that for every board lot of 1,000 Shares you will pay approximately HK\$3,484.81. The Application Forms have tables showing the exact amount payable for certain multiples of Shares up to 15,000,000 Shares.

You must pay the amount payable upon application for the Shares by one cheque or one banker's cashier order in accordance with the terms set out in the Application Form (if you apply by an Application Form).

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange (as the case may be), the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected on behalf of the SFC).

X. RESULTS OF ALLOCATION

Announcement of the results of allocations in the Hong Kong Public Offering, including the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offer, the basis of allocation of Hong Kong Offer Shares and the number of Hong Kong Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving electronic application instructions to HKSCC via CCASS or the designated **White Form eIPO** Service Provider through the designated **White Form eIPO** website, will be made available in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Tuesday, 7 April 2009.

The results of allocations and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering will be available from the Stock Exchange's website at **www.hkex.com.hk**;
- Results of allocation for the Hong Kong Public Offering will be available from our Hong Kong Public Offering results of allocation website at **www.iporeresults.com.hk** on a 24-hour basis from 8:00 a.m. on Tuesday, 7 April 2009 to 12:00 midnight on Monday, 13 April 2009. The user will be required to key in the Hong Kong Identity Card/passport/Hong Kong business registration number provided in his/her/its Application Form to search for his/her/its own allocation result. The Company's website (www.silverbase.com.cn) will also publish a hyper-link to the aforesaid website during the same period;
- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling **2862 8669** between 9:00 a.m. and 10:00 p.m. from Tuesday, 7 April 2009 to Friday, 10 April 2009; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual locations from Tuesday, 7 April 2009 to Thursday, 9 April 2009 at all the receiving banks locations at the addresses set out in the sub-paragraph headed “Where to Collect the Application Forms” under the paragraph headed “III. Applying by Using an Application Form”.

Despatch/Collection of Share Certificates and Refund Cheques

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Offer Price of HK\$3.45 per Offer Share (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the paragraph headed “The Hong Kong Public Offering – Conditions of the Hong Kong Public Offering” under the section headed “Structure of the Global Offering” or if any application is revoked or any allocation pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 8 April 2009 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the paragraph headed “Grounds for termination of the Hong Kong Underwriting Agreement” in the section headed “Underwriting” has not been exercised.

If you apply by **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** through **White Form eIPO** service, subject as mentioned below, in due course, there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

- (i) (a) share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (b) share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applicants on **YELLOW** Application Forms: Share certificates for their Shares successfully applied for will be deposited into CCASS as described below); and/or
- (ii) refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (a) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (b) all the application monies, if the application is wholly unsuccessful; and/or (c) the difference between the Offer Price and the maximum offer price per Share paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including the brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, attributable to such refund/ surplus monies but without interest.

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Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Subject as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and share certificates for successful applicants under **WHITE** Application Forms and **White Form eIPO** are expected to be posted on or before Tuesday, 7 April 2009. The right is reserved to retain any share certificates and any surplus application monies pending clearance of cheque(s).

If you apply by giving electronic application instructions to HKSCC, and your application is wholly or partially successful:

- (i) your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Tuesday, 7 April 2009 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees; and
- (ii) refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Offer Share initially paid on application, in each case including the related brokerage fee of 1%, SFC transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 7 April 2009. No interest will be paid thereon.

If you apply using a WHITE Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have indicated your intention in your Application Form to collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable), to which they are entitled, in person from the Hong Kong Share Registrar and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and share certificate(s) from the Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 7 April 2009 or such other date as notified by the Company in the newspapers as the date of collection/despatch of refund cheques/share certificates. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar. If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

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If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on Tuesday, 7 April 2009, by ordinary post and at your own risk.

If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheques (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Tuesday, 7 April 2009, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in accordance with the details set out in this paragraph headed "X. Results of Allocation". You should check the results published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 7 April 2009 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply through White Form eIPO

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk and your application is wholly or partially successful, you may collect your share certificate(s) and/or refund cheque(s) (where applicable) in person from the Hong Kong Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 7 April 2009, or such other date as notified by our company in the newspapers as the date of despatch/collection of share certificates/refund cheques.

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If you do not collect your share certificate(s) and/or refund cheque(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter, by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk on Tuesday, 7 April 2009 by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider set out in the paragraph headed "IV. Applying Through **White Form eIPO** – Additional information" above.

If you apply by giving electronic application instructions through HKSCC Nominees

If you apply by giving **electronic application instructions** through HKSCC Nominees, you should check the results published by us in accordance with the details set out in this paragraph headed "X. Results of Allocations" and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 7 April 2009 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant (by using a **YELLOW** Application Form or giving **electronic application instructions** to HKSCC Nominees), you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 7 April 2009. HKSCC will also make available to you an activity statement showing the number of Hong Kong Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

XI. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reason, the Company will refund your application monies, including a brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies before the date of despatch of refund cheques will be retained for the benefit of the Company.

If your application is accepted only in part, the Company will refund the appropriate portion of your application monies, including the related a brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, without interest.

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If the Offer Price as finally determined is less than the offer price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, the Company will refund the surplus application monies, together with the related a brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, without interest.

In a contingency situation involving a substantial over-subscription, at the discretion of the Company, the Sponsor and the Global Coordinator, cheques for applications for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Tuesday, 7 April 2009 in accordance with the various arrangements as described above.

XII. DEALINGS AND SETTLEMENT

Commencement of Dealings in the Shares

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 8 April 2009.

The Shares will be traded in board lots of 1,000 each. The stock code of the Shares is 886.

Shares will be Eligible for Admission into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong:



18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

30 March 2009

The Directors
Silver Base Group Holdings Limited
UBS AG

Dear Sirs,

We set out below our report on the financial information relating to Silver Base Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the years ended 31 March 2006, 2007 and 2008, and the six months ended 30 September 2008 (the "Relevant Periods") and the six months ended 30 September 2007 (the "30 September 2007 Financial Information"), prepared on the basis of presentation set forth in note 2 of Section II, for inclusion in the initial public offering document of the Company dated 30 March 2009 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 12 September 2007. On 26 September 2008, the Company acquired the entire issued share capital of Richmind International Limited, a company incorporated in the British Virgin Islands, which is the holding company of the other subsidiaries comprising the Group as set out in note 1 of Section II pursuant to the group reorganisation (the "Reorganisation"). Apart from the aforesaid acquisition, the Company has not commenced any business or operation since its incorporation.

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

The financial information set out in this report, including the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for each of the Relevant Periods, and the consolidated balance sheets of the Group as at 31 March 2006, 2007 and 2008, and 30 September 2008, and the balance sheet of the Company as at 30 September 2008, together with the notes thereto (collectively referred to as the "Financial Information"), has been prepared based on the audited consolidated financial statements of the companies now comprising the Group and is presented on the basis set out in note 2 of Section II. In preparing this report, no adjustments were considered necessary to restate the audited consolidated financial statements of the Group.

Respective Responsibilities of Directors and Reporting Accountants

The directors of the respective companies now comprising the Group are responsible for the preparation and the true and fair presentation of the respective financial statements. The directors of the Company are responsible for the preparation and the true and fair presentation of the audited consolidated financial statements, the Financial Information and the management accounts 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 (the "HKICPA"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information, the audited consolidated financial statements and the management accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

It is our responsibility to form an independent opinion on the Financial Information for the Relevant Periods and to report our opinion to you.

The 30 September 2007 Financial Information has been prepared solely for the purpose of this report. The directors of the Company are responsible for preparing this comparative financial information. It is our responsibility to form an independent review conclusion, based on our review on the comparative financial information and to report our conclusion to you.

Procedures Performed in Respect of the Financial Information and 30 September 2007 Financial Information

For the purpose of this report, we have carried out an independent audit on the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA, and have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report, we have also performed a review of the 30 September 2007 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists principally of making enquiries of the management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 30 September 2007 Financial Information.

Opinion and Review Conclusion

In our opinion, the Financial Information for the Relevant Periods prepared on the basis of presentation set out in note 2 of Section II gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 March 2006, 2007 and 2008, and 30 September 2008, and that of the Company as at 30 September 2008, and of the Group's consolidated results and the consolidated cash flows for each of the Relevant Periods.

Based on our review, nothing has come to our attention that causes us to believe that 30 September 2007 Financial Information is not prepared, in all material respects, in accordance with HKFRSs.

I. FINANCIAL INFORMATION
CONSOLIDATED INCOME STATEMENTS

The following is a summary of the consolidated income statements of the Group for each of the Relevant Periods and the six months ended 30 September 2007, prepared on the basis set out in note 2 of Section II:

	Notes	Year ended 31 March			Six months ended 30 September	
		2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000 (Unaudited)	2008 HK\$'000
REVENUE	6	575,254	983,944	1,485,054	546,042	878,442
Cost of sales		<u>(472,973)</u>	<u>(746,564)</u>	<u>(925,889)</u>	<u>(366,806)</u>	<u>(424,321)</u>
Gross profit		102,281	237,380	559,165	179,236	454,121
Other revenue and gain	6	747	1,401	34,577	1,204	596
Selling and distribution costs		(44,416)	(64,856)	(70,782)	(31,368)	(33,309)
Administrative expenses		(16,562)	(21,879)	(46,085)	(20,770)	(29,033)
Other (expenses)/income		(1,863)	(8,992)	4,199	(2,434)	3,573
Finance costs	8	<u>(710)</u>	<u>(792)</u>	<u>(635)</u>	<u>(375)</u>	<u>–</u>
Profit before tax	7	39,477	142,262	480,439	125,493	395,948
Tax	11	<u>(7,481)</u>	<u>(30,932)</u>	<u>(90,995)</u>	<u>(23,943)</u>	<u>(68,389)</u>
PROFIT FOR THE YEAR/PERIOD		<u>31,996</u>	<u>111,330</u>	<u>389,444</u>	<u>101,550</u>	<u>327,559</u>
Attributable to:						
Equity holders of the Company		31,996	111,334	399,724	101,550	327,559
Minority interests		<u>–</u>	<u>(4)</u>	<u>(10,280)</u>	<u>–</u>	<u>–</u>
		<u>31,996</u>	<u>111,330</u>	<u>389,444</u>	<u>101,550</u>	<u>327,559</u>
DIVIDENDS	12					
Interim		–	70,000	–	–	250,000
Proposed final		<u>–</u>	<u>–</u>	<u>350,000</u>	<u>–</u>	<u>–</u>
		<u>–</u>	<u>70,000</u>	<u>350,000</u>	<u>–</u>	<u>250,000</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY – basic (HK\$)	13	<u>3.56 cents</u>	<u>12.37 cents</u>	<u>44.41 cents</u>	<u>11.28 cents</u>	<u>36.40 cents</u>

CONSOLIDATED BALANCE SHEETS

The following is a summary of the consolidated balance sheets of the Group as at the end of each of the Relevant Periods, prepared on the basis set out in note 2 of Section II:

	Notes	As at 31 March			As at
		2006	2007	2008	30 September
		HK\$'000	HK\$'000	HK\$'000	2008
					HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	24,722	25,358	3,265	4,398
Investment property	15	7,950	8,300	8,175	8,070
Intangible asset	16	–	–	8,300	8,300
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total non-current assets		32,672	33,658	19,740	20,768
CURRENT ASSETS					
Inventories	17	147,441	134,008	172,153	181,869
Trade receivables	18	11,192	14,737	18,005	57,923
Prepayments, deposits and other receivables	19	29,703	19,055	103,048	83,602
Due from a controlling shareholder	20	4,454	–	12,719	–
Pledged deposits	21	–	–	123,118	–
Cash and cash equivalents	21	36,366	123,209	351,509	391,725
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current assets		229,156	291,009	780,552	715,119
CURRENT LIABILITIES					
Trade and bills payables	22	82,059	56,650	43,942	11,733
Other payables and accruals	23	102,311	60,184	139,298	35,396
Interest-bearing bank borrowings	24	2,584	32,419	34,632	68,141
Due to a controlling shareholder	20	–	28,533	–	10,006
Dividend payable	12	–	–	–	250,000
Due to minority shareholders of a subsidiary	20	–	17,412	–	–
Tax payable		4,598	17,756	74,743	131,025
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current liabilities		191,552	212,954	292,615	506,301
NET CURRENT ASSETS		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		37,604	78,055	487,937	208,818
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		70,276	111,713	507,677	229,586

Continued/...

	Notes	As at 31 March		As at 30 September	
		2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2008 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES					
		70,276	111,713	507,677	229,586
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	24	12,232	10,970	–	–
Total non-current liabilities		12,232	10,970	–	–
Net assets		<u>58,044</u>	<u>100,743</u>	<u>507,677</u>	<u>229,586</u>
EQUITY					
Equity attributable to equity holders of the Company					
Issued capital	25	10,000	10,006	10,010	380
Proposed final dividend	12	–	–	350,000	–
Reserves		48,044	90,737	147,667	229,206
		58,044	100,743	507,677	229,586
Minority interests		–	–	–	–
Total equity		<u>58,044</u>	<u>100,743</u>	<u>507,677</u>	<u>229,586</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The movements in the consolidated statements of changes in equity of the Group for each of the Relevant Periods and the six months ended 30 September 2007, prepared on the basis set out in note 2 of Section II, are as follows:

	Notes	Attributable to equity holders of the Company							Minority interests	Total equity
		Issued capital	Merger reserve	Statutory surplus reserves	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Subtotal		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2005		10,000	-	-	-	16,070	-	26,070	-	26,070
Profit for the year		-	-	-	-	31,996	-	31,996	-	31,996
Exchange realignment		-	-	-	(22)	-	-	(22)	-	(22)
At 31 March 2006 and at 1 April 2006		10,000	-	-*	(22)*	48,066*	-	58,044	-	58,044
Issue of shares		6	-	-	-	-	-	6	4	10
Profit for the year		-	-	-	-	111,334	-	111,334	(4)	111,330
Transfer to statutory surplus reserves		-	-	2,807	-	(2,807)	-	-	-	-
Interim 2007 dividend	12	-	-	-	-	(70,000)	-	(70,000)	-	(70,000)
Exchange realignment		-	-	-	1,359	-	-	1,359	-	1,359
At 31 March 2007 and at 1 April 2007		10,006	-	2,807*	1,337*	86,593*	-	100,743	-	100,743
Profit for the year**		-	-	-	-	399,724	-	399,724	(10,280)	389,444
Transfer to statutory surplus reserves		-	-	3,560	-	(3,560)	-	-	-	-
Proposed final 2008 dividend	12	-	-	-	-	(350,000)	350,000	-	-	-
Losses borne by minority shareholders of a subsidiary***		-	-	-	-	-	-	-	10,280	10,280
Acquisition of minority interests		4	-	-	-	-	-	4	-	4
Exchange realignment		-	-	-	7,206	-	-	7,206	-	7,206
At 31 March 2008 and at 1 April 2008		10,010	-	6,367*	8,543*	132,757*	350,000	507,677	-	507,677
Profit for the period		-	-	-	-	327,559	-	327,559	-	327,559
Paid-in capital of the subsidiaries after elimination of investments in these subsidiaries		(10,010)	-	-	-	-	-	(10,010)	-	(10,010)
Issue of shares	25	380	(380)	-	-	-	-	-	-	-
Dividends paid		-	-	-	-	-	(350,000)	(350,000)	-	(350,000)
Interim 2009 dividend	12	-	-	-	-	(250,000)	-	(250,000)	-	(250,000)
Exchange realignment		-	-	-	4,360	-	-	4,360	-	4,360
At 30 September 2008		380	(380)*	6,367*	12,903*	210,316*	-	229,586	-	229,586

Continued/...

	Attributable to equity holders of the Company								
	Issued capital HK\$'000	Merger reserve (note i) HK\$'000	Statutory surplus reserves (note ii) HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Subtotal HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
Six months ended 30 September 2007 (Unaudited)									
At 31 March 2007 and at 1 April 2007	10,006	-	2,807	1,337	86,593	-	100,743	-	100,743
Profit for the period	-	-	-	-	101,550	-	101,550	-	101,550
Exchange realignment	-	-	-	1,199	-	-	1,199	-	1,199
At 30 September 2007	<u>10,006</u>	<u>-</u>	<u>2,807</u>	<u>2,536</u>	<u>188,143</u>	<u>-</u>	<u>203,492</u>	<u>-</u>	<u>203,492</u>

* These reserve accounts comprise the consolidated reserves of HK\$48,044,000, HK\$90,737,000, HK\$147,667,000 and HK\$229,206,000 in the consolidated balance sheets as at 31 March 2006, 2007 and 2008, and 30 September 2008, respectively.

** The balance represented the share of loss of a subsidiary by the minority shareholders.

*** The operation of a subsidiary was financed by the shareholders' loans. The loss being borne by the minority shareholders was set-off against the amounts due to the minority shareholders to reduce the shareholders' loans balance.

Notes:

- (i) The merger reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital of the subsidiaries acquired upon the Reorganisation.
- (ii) In accordance with the PRC Company Law, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of the reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of registered capital after such usages.

CONSOLIDATED CASH FLOW STATEMENTS

The consolidated cash flow statements of the Group for each of the Relevant Periods and the six months ended 30 September 2007, prepared on the basis set out in note 2 of Section II, are as follows:

	Notes	Year ended 31 March			Six months ended 30 September	
		2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000 (Unaudited)	2008 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		39,477	142,262	480,439	125,493	395,948
Adjustments for:						
Finance costs	8	710	792	635	375	–
Interest income	6	(396)	(1,069)	(2,178)	(1,029)	(569)
Depreciation	7	1,466	1,731	1,566	654	749
Gain on disposal of items of property, plant and equipment	7	(28)	(88)	(32,165)	–	–
Impairment of trade receivables .	7	261	554	–	–	–
Reversal of impairment loss on an investment property	7	(209)	(559)	(84)	–	–
Write-down/(reversal of write- down) of inventories to net realisable value	7	2,924	7,683	525	(502)	(2,078)
		44,205	151,306	448,738	124,991	394,050
(Increase)/decrease in inventories .		1,082	5,750	(38,670)	(78,934)	(7,638)
Increase in trade receivables		(6,871)	(4,099)	(3,268)	(36,774)	(39,918)
(Increase)/decrease in prepayments, deposits and other receivables . .		(14,720)	10,648	(83,993)	(35,098)	19,446
Increase in balances with a controlling shareholder		(1,814)	(37,013)	(41,252)	(46,617)	(21,181)
Increase/(decrease) in trade and bills payables		36,990	(25,409)	(12,708)	25,079	(32,209)
Increase/(decrease) in other payables and accruals		(24,738)	(42,127)	44,709	(18,946)	(69,497)
Cash generated from/(used in) operations		34,134	59,056	313,556	(66,299)	243,053
Interest paid		(688)	(792)	(635)	(375)	–
Interest element of finance lease rental payments		(22)	–	–	–	–
Interest received		396	1,069	2,178	1,029	569
Hong Kong profits tax paid		(2,422)	(12,837)	(28,528)	–	–
PRC tax paid		(8)	(4,937)	(5,480)	(740)	(12,107)
Net cash inflow/(outflow) from operating activities		31,390	41,559	281,091	(66,385)	231,515

Continued/...

Notes	Year ended 31 March			Six months ended 30 September	
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000 (Unaudited)	2008 HK\$'000
Net cash inflow/(outflow) from operating activities	31,390	41,559	281,091	(66,385)	231,515
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(1,956)	(2,247)	(395)	(232)	(1,706)
Purchase of an intangible asset	-	-	(8,300)	(8,300)	-
Proceeds from disposal of items of property, plant and equipment	65	255	53,466	-	-
(Increase)/decrease in pledged deposits	-	-	(123,118)	-	123,118
Net cash (outflow)/inflow from investing activities	(1,891)	(1,992)	(78,347)	(8,532)	121,412
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase/(decrease) in amounts due to minority shareholders of a subsidiary	-	17,412	27,277	27,305	(34,405)
Increase/(decrease) in trust receipt loans	1,404	29,753	3,475	(19,551)	33,509
Repayment of bank borrowings	(1,195)	(1,180)	(12,232)	(621)	-
Capital element of finance lease rental payments	(777)	-	-	-	-
Issue of shares	-	10	-	-	-
Dividends paid	-	-	-	-	(316,100)
Net cash (outflow)/inflow from financing activities	(568)	45,995	18,520	7,133	(316,996)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at beginning of year/period	7,434	36,366	123,209	123,209	351,509
Effect of foreign exchange rate changes, net	1	1,281	7,036	1,163	4,285
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	36,366	123,209	351,509	56,588	391,725
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents	36,366	123,209	351,509	56,588	391,725

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND THE REORGANISATION

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

During the Relevant Periods, the Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the section headed "Corporate reorganisation" in Appendix VI "Statutory and General Information" of the Prospectus.

At the date of this report, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered paid-up capital	Percentage of equity interest attributable to the Group	Principal activities
Richmind International Limited ("Richmind") (i)	British Virgin Islands 21 March 2005	US\$1	100	Investment holding
Silver Base International Development Co. Limited ("Silver Base Development") (ii)	Hong Kong 21 February 1997	HK\$2	100	International distribution of liquor and cigarette products
Silver Base Tobacco Co., Limited ("Silver Base Tobacco") (ii)	Hong Kong 29 October 2003	HK\$10,000,000	100	Distribution of cigarettes
Silver Base Wine & Spirit Limited (iii)	Hong Kong 11 April 2006	HK\$10,000	100	Distribution of Dimple Scotch Whisky
銀基貿易發展(深圳)有限公司 Silver Base Trading and Development (Shenzhen) Co., Ltd ("Silver Base Trading (Shenzhen)") (iv)	People's Republic of China ("PRC") 21 December 2005	US\$2,200,000	100	Distribution of liquor products in the PRC market

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered paid-up capital	Percentage of equity interest attributable to the Group	Principal activities
銀基洋酒(深圳)有限公司 Silver Base Wine & Spirit (Shenzhen) Co., Ltd ("Silver Base Spirit (Shenzhen)") (v)	PRC 28 August 2007	HK\$20,000,000	100	Distribution of Dimple Scotch Whisky

All companies established in the PRC have adopted 31 December as their accounting date for statutory reporting purpose. All other companies have adopted 31 March as their financial year end date.

- (i) No statutory audited financial statements have been prepared since its date of incorporation as it is not subject to any statutory audit requirements in its jurisdiction of incorporation.
- (ii) The statutory audited financial statements for each of the years ended 31 March 2006 and 2007 prepared in accordance with HKFRSs were audited by J.B. & Co. Certified Public Accountants incorporated in Hong Kong. The statutory audited financial statements for the year ended 31 March 2008 prepared in accordance with HKFRSs were audited by Ernst & Young.
- (iii) The statutory audited financial statements for the period from its date of incorporation to 31 March 2007 prepared in accordance with HKFRSs were audited by J.B. & Co. Certified Public Accountants incorporated in Hong Kong.
- (iv) The statutory audited financial statements for each of the years ended 31 December 2006 and 2007 prepared in accordance with the PRC accounting principles and regulations were audited by Shenzhen Hengping Certified Public Accountants (深圳恒平會計師事務所) registered in the PRC.
- (v) The statutory audited financial statements for the period from its date of incorporation to 31 December 2007 prepared in accordance with the PRC accounting principles and regulations were audited by Shenzhen Hengping Certified Public Accountants (深圳恒平會計師事務所) registered in the PRC.

2. BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Company became the ultimate holding company of the companies now comprising the Group since 26 September 2008. The Financial Information has been prepared in accordance with the principles of merger accounting as set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, as if the Reorganisation had been completed at the beginning of the Relevant Periods, because the acquisition of Richmind and other subsidiaries pursuant to the Reorganisation was regarded as a business combination under common control as the Company and the companies now comprising the Group are ultimately controlled by Mr Liang Guoxing ("Mr Liang"), the ultimate controlling shareholder of the Company and all companies now comprising the Group, before and after the Reorganisation.

The Financial Information which is based on the audited consolidated financial statements of the companies now comprising the Group includes the consolidated income statements, the consolidated statements of changes in equity, the consolidated cash flow statements and the consolidated balance sheets of the companies now comprising the Group, as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation, whichever is a shorter period. All significant intra-group transactions and balances have been eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA and accounting principles generally accepted in Hong Kong. This report has been prepared on a historical cost convention. The accounting policies set out below have been consistently applied throughout the Relevant Periods. The Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

The HKICPA has issued a number of new and revised HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2006. The Group has early adopted the new HKFRSs throughout the Relevant Periods as follows:

HKAS 2	<i>Inventories</i>
HKAS 21 Amendment	<i>Net Investment in a Foreign Operation</i>
HKFRS 1 and HKAS 27 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 7	<i>Financial Instruments: Disclosures</i>
HK(IFRIC)-Int 4	<i>Determining whether an Arrangement contains a Lease</i>
HK(IFRIC)-Int 7	<i>Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	<i>Scope of HKFRS 2</i>
HK(IFRIC)-Int 9	<i>Reassessment of Embedded Derivatives</i>
HK(IFRIC)-Int 10	<i>Interim Financial Reporting and Impairment</i>
HK(IFRIC)-Int 11	<i>HKFRS 2 – Group and Treasury Share Transactions</i>

Business combination*Merger accounting for business combinations involving entities under common control*

The Financial Information incorporates the financial statement items of the combining entities or businesses which undergo common control combination as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling parties.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or in excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling parties' interests.

The consolidated income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, whichever is a shorter period, regardless of the date of the common control combination.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and other parties have an interest.

The joint venture agreement between the ventures stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture arrangement.

A joint venture is treated a subsidiary if the Group has unilateral control, directly or indirectly, over the joint venture.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and an investment property), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired assets.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d); or
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Land and building	Over the shorter of lease term and 50 years
Leasehold improvements	5 years
Furniture and fixtures	5 years
Office equipment	5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Investment property

Investment property is an interest in land and building held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such property is stated at cost including transaction costs less accumulated depreciation and any impairment losses, and is depreciated on the straight-line basis to write off the cost of the property over its estimated useful life of 50 years.

The carrying value of an investment property is reviewed for impairment either annually, or whenever events or changes in circumstances indicate that the carrying values may not be recoverable, whichever is earlier. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the investment property is written down to its recoverable amount. Impairment losses are recognised in the income statement. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of the investment property is reversed only if there has been a change in the estimates used to determine the recoverable amount of that investment property, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the investment property in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Intangible asset

The useful life of an intangible asset is assessed to be either finite or indefinite. An intangible asset with indefinite useful life is tested for impairment annually either individually or at the cash-generating unit level. Such intangible asset is not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Investments and other financial assets

The Group classifies its financial assets as loans and receivables, which are initially recognised and measured at fair value. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological market economic or legal environment that have an adverse effect of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans)

Financial liabilities including trade, bills and other payables, an amount due to a controlling shareholder, dividend payable, amounts due minority shareholders of a subsidiary and interest-bearing bank borrowings are initially stated at the fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories represent merchandise and packaging materials purchased for resale and are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statements, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period which they are incurred.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) from sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (ii) rental income, on a time proportion basis over the lease terms; and
- (iii) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group's subsidiaries which operate in Mainland China participate in defined contribution retirement benefit schemes organised by the local government authorities in the PRC. These subsidiaries are required to make contributions to the retirement benefit schemes which are based on a certain percentage of the total salary of those employees and have no further obligation for post-retirement benefits. The contributions are charged to the income statement of the Group as they become payable in accordance with the rules of the schemes.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with interests in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with interests in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign currencies

This report is presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statements, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3.1 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this report:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> ¹
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i> ¹
HKFRS 3 (Revised)	<i>Business Combinations</i> ²
HKFRS 8	<i>Operating Segments</i> ¹
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> ¹
HKAS 23 (Revised)	<i>Borrowing Costs</i> ¹
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ²

HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i> ¹
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> ²
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i> ³
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i> ¹
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i> ⁴
HK(IFRIC)-Int 17	<i>Distribution of Non-cash Assets to Owners</i> ²

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 July 2009

3 Effective for annual periods beginning on or after 1 July 2008

4 Effective for annual periods beginning on or after 1 October 2008

* *Improvements to HKFRSs* contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKAS 1 (Revised) and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of this report requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in this report:

Impairment of assets

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the ageing and estimated net realisable value of inventories. The assessment of the write-down amount requires management's estimates and judgement. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of inventories and write-down/write-back of inventories in the period in which such estimate has been changed.

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact the carrying values of the trade receivables and impairment loss in the period in which such estimate has been changed.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residues values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed, at each financial year end date based on changes in circumstances.

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (i) the distribution of Wuliangye liquor series and other high-end liquor products ("Liquors");
- (ii) the distribution of Chinese cigarettes ("Cigarettes"); and
- (iii) the investment in a residential apartment for its potential rental income ("Property investment").

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for each of the Relevant Periods and the six months ended 30 September 2007.

Year ended 31 March 2006

	Liquors HK\$'000	Cigarettes HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue:					
Sales to external customers . . .	454,394	120,860	–	–	575,254
Other revenue	–	–	300	–	300
Total	<u>454,394</u>	<u>120,860</u>	<u>300</u>	<u>–</u>	<u>575,554</u>
Segment results	<u>31,292</u>	<u>8,200</u>	<u>248</u>	<u>–</u>	39,740
Interest income and unallocated gain					447
Finance costs					<u>(710)</u>
Profit before tax					39,477
Tax					<u>(7,481)</u>
Profit for the year					<u>31,996</u>
Assets and liabilities					
Segment assets	205,898	47,980	7,950	–	<u>261,828</u>
Segment liabilities	172,227	13,547	–	–	185,774
Corporate and other unallocated liabilities					<u>18,010</u>
Total liabilities					<u>203,784</u>
Other segment information:					
Capital expenditure	1,760	196	–	–	1,956
Depreciation:					
Property, plant and equipment	1,131	126	–	–	1,257
Investment property	–	–	209	–	209
Impairment of trade receivables	–	261	–	–	261
Reversal of impairment loss on an investment property . . .	–	–	(209)	–	(209)
Write-down of inventories to net realisable value	–	2,924	–	–	<u>2,924</u>

Year ended 31 March 2007

	Liquors HK\$'000	Cigarettes HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue:					
Sales to external customers . . .	875,462	108,482	–	–	983,944
Other revenue	–	–	30	–	30
Total	<u>875,462</u>	<u>108,482</u>	<u>30</u>	<u>–</u>	<u>983,974</u>
Segment results	<u>121,609</u>	<u>19,808</u>	<u>266</u>	<u>–</u>	<u>141,683</u>
Interest income and unallocated gain					1,371
Finance costs					<u>(792)</u>
Profit before tax					142,262
Tax					<u>(30,932)</u>
Profit for the year					<u>111,330</u>
Assets and liabilities					
Segment assets	267,492	48,875	8,300	–	<u>324,667</u>
Segment liabilities	190,254	3,682	–	–	193,936
Corporate and other unallocated liabilities					<u>29,988</u>
Total liabilities					<u>223,924</u>
Other segment information:					
Capital expenditure	2,022	225	–	–	2,247
Depreciation:					
Property, plant and equipment	1,370	152	–	–	1,522
Investment property	–	–	209	–	209
Impairment of trade receivables	–	554	–	–	554
Reversal of impairment loss on an investment property . . .	–	–	(559)	–	(559)
Write-down of inventories to net realisable value	–	7,683	–	–	<u>7,683</u>

Year ended 31 March 2008

	Liquors HK\$'000	Cigarettes HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue:					
Sales to external customers . . .	1,388,977	96,077	–	–	1,485,054
Other revenue	–	–	42	–	42
Total	<u>1,388,977</u>	<u>96,077</u>	<u>42</u>	<u>–</u>	<u>1,485,096</u>
Segment results	<u>427,993</u>	<u>18,701</u>	<u>(155)</u>	<u>–</u>	446,539
Interest income and unallocated gain					34,535
Finance costs					<u>(635)</u>
Profit before tax					480,439
Tax					<u>(90,995)</u>
Profit for the year					<u>389,444</u>
Assets and liabilities					
Segment assets	749,747	42,370	8,175	–	<u>800,292</u>
Segment liabilities	217,872	–	–	–	217,872
Corporate and other unallocated liabilities					<u>74,743</u>
Total liabilities					<u>292,615</u>
Other segment information:					
Capital expenditure	355	40	–	–	395
Depreciation:					
Property, plant and equipment	1,221	136	–	–	1,357
Investment property	–	–	209	–	209
Reversal of impairment loss on an investment property . . .	–	–	(84)	–	(84)
Write-down of inventories to net realisable value	–	525	–	–	525

Six months ended 30 September 2008

	Liquors HK\$'000	Cigarettes HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue:					
Sales to external customers . . .	838,004	40,438	–	–	878,442
Other revenue	–	–	21	–	21
Total	<u>838,004</u>	<u>40,438</u>	<u>21</u>	<u>–</u>	<u>878,463</u>
Segment results	<u>389,207</u>	<u>6,268</u>	<u>(102)</u>	<u>–</u>	<u>395,373</u>
Interest income and unallocated gain					<u>575</u>
Profit before tax					395,948
Tax					<u>(68,389)</u>
Profit for the period					<u>327,559</u>
Assets and liabilities					
Segment assets	684,791	43,026	8,070	–	<u>735,887</u>
Segment liabilities	357,076	18,200	–	–	375,276
Corporate and other unallocated liabilities					<u>131,025</u>
Total liabilities					<u>506,301</u>
Other segment information:					
Capital expenditure	1,698	8	–	–	1,706
Depreciation:					
Property, plant and equipment	622	22	–	–	644
Investment property	–	–	105	–	105
Reversal of write-down of inventories to net realisable value	<u>–</u>	<u>(2,078)</u>	<u>–</u>	<u>–</u>	<u>(2,078)</u>

Six months ended 30 September 2007 (Unaudited)

	Liquors HK\$'000	Cigarettes HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue:					
Sales to external customers . . .	495,495	50,547	–	–	546,042
Other revenue	–	–	21	–	21
Total	<u>495,495</u>	<u>50,547</u>	<u>21</u>	<u>–</u>	<u>546,063</u>
Segment results	<u>111,706</u>	<u>13,113</u>	<u>(134)</u>	<u>–</u>	<u>124,685</u>
Interest income and unallocated gain					1,183
Finance costs					<u>(375)</u>
Profit before tax					125,493
Tax					<u>(23,943)</u>
Profit for the period					<u>101,550</u>
Other segment information:					
Capital expenditure	215	17	–	–	232
Depreciation:					
Property, plant and equipment	497	52	–	–	549
Investment property	–	–	105	–	105
Reversal of write-down of inventories to net realisable value	–	(502)	–	–	<u>(502)</u>

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the Relevant Periods and the six months ended 30 September 2007.

Year ended 31 March 2006

	Hong Kong HK\$'000	PRC HK\$'000	Southeast Asian countries HK\$'000	Others HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue:						
Sales to external customers	425,152	30,235	119,079	788	–	575,254
Other revenue	300	–	–	–	–	300
Total	<u>425,452</u>	<u>30,235</u>	<u>119,079</u>	<u>788</u>	<u>–</u>	<u>575,554</u>
Other segment information:						
Segment assets	<u>225,668</u>	<u>36,160</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>261,828</u>
Capital expenditure	<u>145</u>	<u>1,811</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,956</u>

Year ended 31 March 2007

	Hong Kong HK\$'000	PRC HK\$'000	Southeast Asian countries HK\$'000	Others HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue:						
Sales to external customers	594,510	329,872	58,398	1,164	–	983,944
Other revenue	30	–	–	–	–	30
Total	<u>594,540</u>	<u>329,872</u>	<u>58,398</u>	<u>1,164</u>	<u>–</u>	<u>983,974</u>
Other segment information:						
Segment assets	<u>203,502</u>	<u>121,165</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>324,667</u>
Capital expenditure	<u>1,775</u>	<u>472</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,247</u>

Year ended 31 March 2008

	Hong Kong HK\$'000	PRC HK\$'000	Southeast Asian countries HK\$'000	Others HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue:						
Sales to external customers	820,200	660,292	4,446	116	-	1,485,054
Other revenue	42	-	-	-	-	42
Total	<u>820,242</u>	<u>660,292</u>	<u>4,446</u>	<u>116</u>	<u>-</u>	<u>1,485,096</u>
Other segment information:						
Segment assets	<u>466,693</u>	<u>333,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>800,292</u>
Capital expenditure	<u>198</u>	<u>197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>395</u>

Six months ended 30 September 2008

	Hong Kong HK\$'000	PRC HK\$'000	Southeast Asian countries HK\$'000	Others HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue:						
Sales to external customers	576,581	296,683	5,178	-	-	878,442
Other revenue	21	-	-	-	-	21
Total	<u>576,602</u>	<u>296,683</u>	<u>5,178</u>	<u>-</u>	<u>-</u>	<u>878,463</u>
Other segment information:						
Segment assets	<u>396,844</u>	<u>339,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>735,887</u>
Capital expenditure	<u>120</u>	<u>1,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,706</u>

Six months ended 30 September 2007 (Unaudited)

	Hong Kong HK\$'000	PRC HK\$'000	Southeast Asian countries HK\$'000	Others HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment revenue:						
Sales to external customers	320,159	223,909	1,858	116	-	546,042
Other revenue	21	-	-	-	-	21
Total	<u>320,180</u>	<u>223,909</u>	<u>1,858</u>	<u>116</u>	<u>-</u>	<u>546,063</u>
Other segment information:						
Capital expenditure	<u>105</u>	<u>127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232</u>

6. REVENUE, OTHER REVENUE AND GAIN

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

An analysis of the Group's revenue, other revenue and gain for each of the Relevant Periods and the six months ended 30 September 2007 is as follows:

	Year ended 31 March			Six months ended 30 September	
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000
(Unaudited)					
Revenue					
Sale of goods	<u>575,254</u>	<u>983,944</u>	<u>1,485,054</u>	<u>546,042</u>	<u>878,442</u>
Other revenue and gain					
Gross rental income	300	30	42	21	21
Interest income	396	1,069	2,178	1,029	569
Gain on disposal of items of property, plant and equipment	28	88	32,165	-	-
Others	<u>23</u>	<u>214</u>	<u>192</u>	<u>154</u>	<u>6</u>
Total other revenue and gain	<u>747</u>	<u>1,401</u>	<u>34,577</u>	<u>1,204</u>	<u>596</u>

7. PROFIT BEFORE TAX

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

	Notes	Year ended 31 March			Six months ended 30 September	
		2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000 (Unaudited)	2008 HK\$'000
Cost of inventories sold		472,973	746,564	925,889	366,806	424,321
Depreciation:						
Property, plant and equipment	14	1,257	1,522	1,357	549	644
Investment property	15	209	209	209	105	105
		<u>1,466</u>	<u>1,731</u>	<u>1,566</u>	<u>654</u>	<u>749</u>
Minimum lease payments under operating leases		–	346	775	565	6,046
Gain on disposal of items of property, plant and equipment	6	(28)	(88)	(32,165)	–	–
Impairment of trade receivables*	18	261	554	–	–	–
Reversal of impairment loss on an investment property*	15	(209)	(559)	(84)	–	–
Write-down/(reversal of write-down) of inventories to net realisable value*		2,924	7,683	525	(502)	(2,078)
Direct operating expense (including repairs and maintenance) arising on a rental-earning investment property		52	114	72	51	19
Auditors' remuneration		30	46	1,000	500	900
Employee benefit expenses (including directors' emoluments (note 10)):						
Wages, salaries and staff welfare		23,647	32,004	39,100	16,960	21,120
Retirement benefit contributions	9	466	692	1,216	228	992
		<u>24,113</u>	<u>32,696</u>	<u>40,316</u>	<u>17,188</u>	<u>22,112</u>
Foreign exchange differences, net*		<u>(1,113)</u>	<u>(964)</u>	<u>(7,709)</u>	<u>(108)</u>	<u>(2,861)</u>

* The impairment of trade receivables, reversal of impairment loss on an investment property, write-down/(reversal of write-down) of inventories to net realisable value and foreign exchange differences, net are included in "other (expenses)/income" on the face of the consolidated income statements.

8. FINANCE COSTS

	Year ended 31 March			Six months ended 30 September	
	2006	2007	2008	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on a bank overdraft wholly repayable within five years	5	–	–	–	–
Interest on a bank loan wholly repayable over five years . . .	683	792	635	375	–
Interest on finance leases	22	–	–	–	–
	<u>710</u>	<u>792</u>	<u>635</u>	<u>375</u>	<u>–</u>

9. RETIREMENT BENEFITS

The aggregate contributions of the Group to the retirement benefit schemes were approximately HK\$466,000, HK\$692,000, HK\$1,216,000, HK\$228,000 and HK\$992,000 for each of the years ended 31 March 2006, 2007 and 2008, and the six months ended 30 September 2007 and 2008, respectively.

10. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

Details of directors' remuneration during the Relevant Periods and the six months ended 30 September 2007 are as follows:

	Year ended 31 March			Six months ended 30 September	
	2006	2007	2008	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	16,411	16,415	23,587	10,709	10,998
Retirement benefit contributions	36	39	48	24	24
Total	<u>16,447</u>	<u>16,454</u>	<u>23,635</u>	<u>10,733</u>	<u>11,022</u>

(a) Non-executive directors and independent non-executive directors

There were no fees and other emoluments payable to non-executive directors and independent non-executive directors during the Relevant Periods and the six months ended 30 September 2007.

(b) The remuneration of the executive directors for each of the Relevant Periods and the six months ended 30 September 2007 is set out below:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement benefit contributions HK\$'000	Total remuneration HK\$'000
Year ended 31 March 2006				
Liang Guoxing ⁽ⁱ⁾	–	15,299	12	15,311
Chung Wai Man	–	784	12	796
Cheung Mei Sze	–	328	12	340
Total	–	16,411	36	16,447
Year ended 31 March 2007				
Liang Guoxing ⁽ⁱ⁾	–	14,903	12	14,915
Chen Sing Hung Johnny	–	265	3	268
Chung Wai Man	–	866	12	878
Cheung Mei Sze	–	381	12	393
Total	–	16,415	39	16,454
Year ended 31 March 2008				
Liang Guoxing ⁽ⁱⁱ⁾	–	20,760	12	20,772
Chen Sing Hung Johnny	–	1,364	12	1,376
Chung Wai Man	–	997	12	1,009
Cheung Mei Sze	–	466	12	478
Total	–	23,587	48	23,635
Six months ended 30 September 2008				
Liang Guoxing ⁽ⁱⁱ⁾	–	9,480	6	9,486
Chen Sing Hung Johnny	–	723	6	729
Chung Wai Man	–	552	6	558
Cheung Mei Sze	–	243	6	249
Total	–	10,998	24	11,022
Six months ended 30 September 2007 (Unaudited)				
Liang Guoxing ⁽ⁱⁱ⁾	–	9,480	6	9,486
Chen Sing Hung Johnny	–	602	6	608
Chung Wai Man	–	432	6	438
Cheung Mei Sze	–	195	6	201
Total	–	10,709	24	10,733

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods and the six months ended 30 September 2007.

Notes:

- (i) The remuneration of Mr Liang included the amounts reclassified from entertainment and travelling expenses in aggregate amounts of HK\$14.4 million and HK\$13.9 million for each of the years ended 31 March 2006 and 2007, respectively. The details of the reclassification are disclosed in the sections headed "Business" and "Financial Information" of the Prospectus.
- (ii) The remuneration of Mr Liang for the year ended 31 March 2008, and the six months ended 30 September 2007 and 2008 included the housing benefit with aggregate rentals of HK\$5,760,000, HK\$2,880,000 and HK\$2,880,000, respectively paid by the Group.

(c) Five highest paid employees

The five highest paid employees included two directors for each of the years ended 31 March 2006 and 2007, three directors for the year ended 31 March 2008, and the six months ended 30 September 2007 and 2008. Their remuneration details are set out in note (a) above. Details of the remuneration of the remaining highest paid employees for each of the Relevant Periods and the six months ended 30 September 2007 are as follows:

	Year ended 31 March			Six months ended 30 September	
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000
				(Unaudited)	
Salaries, allowances and benefits in kind	1,610	1,884	2,010	738	1,500
Retirement benefit contributions	36	36	24	12	12
Total	<u>1,646</u>	<u>1,920</u>	<u>2,034</u>	<u>750</u>	<u>1,512</u>

The number of highest paid, non-director employees whose remuneration fell within the following band is as follows:

	Year ended 31 March			Six months ended 30 September	
	2006	2007	2008	2007	2008
				(Unaudited)	
Nil to HK\$1,000,000	3	3	1	2	2
HK\$1,000,001 to HK\$1,500,000	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>

11. TAX

Hong Kong profits tax has been provided at the rate of 17.5% for each of the years ended 31 March 2006, 2007 and 2008, and the six months ended 30 September 2007, and 16.5% for the six months ended 30 September 2008. Taxes on profits assessable elsewhere have been calculated on the rates of tax in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Year ended 31 March			Six months ended 30 September	
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000 (Unaudited)	2008 HK\$'000
Current income tax:					
Hong Kong	7,008	20,103	69,976	19,500	55,000
PRC	473	10,829	21,019	4,443	13,389
Total tax charge for the year/period	<u>7,481</u>	<u>30,932</u>	<u>90,995</u>	<u>23,943</u>	<u>68,389</u>

A reconciliation of tax expense applicable to profit before tax at the statutory rates for the jurisdiction in which the Group and its subsidiaries are domiciled to tax expense at the effective tax rates, and a reconciliation of the statutory rates to the effective tax rates, are as follows:

	Year ended 31 March						Six months ended 30 September			
	2006 HK\$'000	%	2007 HK\$'000	%	2008 HK\$'000	%	2007 HK\$'000 (Unaudited)	%	2008 HK\$'000	%
Profit before tax	<u>39,477</u>		<u>142,262</u>		<u>480,439</u>		<u>125,493</u>		<u>395,948</u>	
Income tax at the statutory income tax rate	6,828	17.3	23,840	16.8	82,853	17.2	21,208	16.9	66,459	16.8
Expenses not deductible for tax . . .	730	1.9	7,417	5.2	12,883	2.6	2,927	2.4	2,103	0.5
Tax losses not recognised	-	-	25	-	292	0.1	9	-	401	0.1
Income not subject to tax	(111)	(0.3)	(236)	(0.2)	(5,369)	(1.1)	(258)	(0.2)	(518)	(0.1)
Others	34	0.1	(114)	(0.1)	336	0.1	57	-	(56)	-
Tax charged at the Group's effective rate	<u>7,481</u>	19.0	<u>30,932</u>	21.7	<u>90,995</u>	18.9	<u>23,943</u>	19.1	<u>68,389</u>	17.3

Note:

- * Details of the expenses not deductible for tax are disclosed in the section headed "Financial Information" in the Prospectus.

12. DIVIDENDS

	Year ended 31 March			Six months ended 30 September	
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000
Interim dividend	-	70,000	-	-	250,000
Proposed final dividend	-	-	350,000	-	-
	<u>-</u>	<u>70,000</u>	<u>350,000</u>	<u>-</u>	<u>250,000</u>

The interim dividend for the year ended 31 March 2007 of HK\$70,000,000 was declared by the board of directors of Silver Base Development on 30 September 2006 to its then equity holder, Mr Liang.

The final dividend for the year ended 31 March 2008 of HK\$350,000,000 proposed by the board of directors of Silver Base Development was approved on 30 May 2008.

The interim dividend for the six months ended 30 September 2008 of HK\$250,000,000 was declared by the board of directors of the Company on 30 September 2008 to Yinji Investments Limited ("Yinji Investments"), a company wholly-owned by Mr Liang. The balance will be settled prior to the listing of the Company's shares on the Stock Exchange (the "Listing").

The rates of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful for the purpose of this report.

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

The calculation of basic earnings per share for the Relevant Periods and the six months ended 30 September 2007 is based on the profit attributable to equity holders of the Company for the Relevant Periods and the six months ended 30 September 2007 and on the assumption that 900,000,000 shares of HK\$0.10 each issued and issueable, comprising 3,800,000 shares in issue as at the date of the Prospectus and 896,200,000 shares to be issued pursuant to the capitalisation issue as if the shares had been in issue throughout the Relevant Periods and the six months ended 30 September 2007. Further details of the Reorganisation are described in the paragraph headed "Corporate reorganisation" in Appendix VI "Statutory and General Information" to the Prospectus.

There were no potential dilutive ordinary shares in existence during the Relevant Periods and the six months ended 30 September 2007 and therefore, no diluted earnings per share amounts have been presented.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 March 2006						
At 1 April 2005:						
Cost	25,818	–	6,132	1,150	5,861	38,961
Accumulated depreciation	(3,098)	–	(6,123)	(1,049)	(4,608)	(14,878)
Net carrying amount	<u>22,720</u>	<u>–</u>	<u>9</u>	<u>101</u>	<u>1,253</u>	<u>24,083</u>
At 1 April 2005, net of						
accumulated depreciation	22,720	–	9	101	1,253	24,083
Additions	–	962	16	649	329	1,956
Disposal	–	–	–	–	(37)	(37)
Depreciation provided during						
the year	(516)	(47)	(6)	(79)	(609)	(1,257)
Exchange realignment	–	(12)	–	(7)	(4)	(23)
At 31 March 2006, net of						
accumulated depreciation	<u>22,204</u>	<u>903</u>	<u>19</u>	<u>664</u>	<u>932</u>	<u>24,722</u>
At 31 March 2006:						
Cost	25,818	949	6,148	1,792	5,871	40,578
Accumulated depreciation	(3,614)	(46)	(6,129)	(1,128)	(4,939)	(15,856)
Net carrying amount	<u>22,204</u>	<u>903</u>	<u>19</u>	<u>664</u>	<u>932</u>	<u>24,722</u>

	Land and building HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 March 2007						
At 1 April 2006:						
Cost	25,818	949	6,148	1,792	5,871	40,578
Accumulated depreciation . .	(3,614)	(46)	(6,129)	(1,128)	(4,939)	(15,856)
Net carrying amount	<u>22,204</u>	<u>903</u>	<u>19</u>	<u>664</u>	<u>932</u>	<u>24,722</u>
At 1 April 2006, net of						
accumulated depreciation . .	22,204	903	19	664	932	24,722
Additions	–	30	7	142	2,068	2,247
Disposals	–	–	–	(30)	(137)	(167)
Depreciation provided during						
the year	(516)	(200)	(7)	(175)	(624)	(1,522)
Exchange realignment	–	36	–	21	21	78
At 31 March 2007, net of						
accumulated depreciation . .	<u>21,688</u>	<u>769</u>	<u>19</u>	<u>622</u>	<u>2,260</u>	<u>25,358</u>
At 31 March 2007:						
Cost	25,818	1,021	6,155	1,843	6,794	41,631
Accumulated depreciation . .	(4,130)	(252)	(6,136)	(1,221)	(4,534)	(16,273)
Net carrying amount	<u>21,688</u>	<u>769</u>	<u>19</u>	<u>622</u>	<u>2,260</u>	<u>25,358</u>

	Land and building HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 March 2008						
At 1 April 2007:						
Cost	25,818	1,021	6,155	1,843	6,794	41,631
Accumulated depreciation . .	(4,130)	(252)	(6,136)	(1,221)	(4,534)	(16,273)
Net carrying amount	<u>21,688</u>	<u>769</u>	<u>19</u>	<u>622</u>	<u>2,260</u>	<u>25,358</u>
At 1 April 2007, net of						
accumulated depreciation . .	21,688	769	19	622	2,260	25,358
Additions	–	64	50	281	–	395
Disposal	(21,301)	–	–	–	–	(21,301)
Depreciation provided during the year	(387)	(278)	(15)	(180)	(497)	(1,357)
Exchange realignment	–	63	–	49	58	170
At 31 March 2008, net of accumulated depreciation . .	<u>–</u>	<u>618</u>	<u>54</u>	<u>772</u>	<u>1,821</u>	<u>3,265</u>
At 31 March 2008:						
Cost	–	1,185	6,205	2,191	6,865	16,446
Accumulated depreciation . .	–	(567)	(6,151)	(1,419)	(5,044)	(13,181)
Net carrying amount	<u>–</u>	<u>618</u>	<u>54</u>	<u>772</u>	<u>1,821</u>	<u>3,265</u>

	Land and building HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
30 September 2008						
At 1 April 2008:						
Cost	–	1,185	6,205	2,191	6,865	16,446
Accumulated depreciation	–	(567)	(6,151)	(1,419)	(5,044)	(13,181)
Net carrying amount	<u>–</u>	<u>618</u>	<u>54</u>	<u>772</u>	<u>1,821</u>	<u>3,265</u>
At 1 April 2008, net of						
accumulated depreciation	–	618	54	772	1,821	3,265
Additions	–	174	43	82	1,407	1,706
Depreciation provided during the period	–	(115)	(10)	(124)	(395)	(644)
Exchange realignment	–	19	–	16	36	71
At 30 September 2008, net of accumulated depreciation	<u>–</u>	<u>696</u>	<u>87</u>	<u>746</u>	<u>2,869</u>	<u>4,398</u>
At 30 September 2008:						
Cost	–	1,394	6,248	2,298	8,316	18,256
Accumulated depreciation	–	(698)	(6,161)	(1,552)	(5,447)	(13,858)
Net carrying amount	<u>–</u>	<u>696</u>	<u>87</u>	<u>746</u>	<u>2,869</u>	<u>4,398</u>

The Group's land and building were held under a long-term lease and were situated in Hong Kong.

The Group's land and building with net book values of approximately HK\$22,204,000 and HK\$21,688,000 as at 31 March 2006 and 2007, respectively, were pledged to secure general banking facilities granted to the Group (note 24). The pledged land and building were released upon the disposal of land and building during the year ended 31 March 2008. Prior to its disposal, the land and building was occupied by Mr Liang as a part of his employee benefits given by the Group. The terms of this occupation may not be comparable to similar transactions in the market.

15. INVESTMENT PROPERTY

The Group's investment property is held under a long-term lease and is situated in Hong Kong.

	As at 31 March			As at 30 September
	2006	2007	2008	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amount at beginning of year/period	7,950	7,950	8,300	8,175
Depreciation provided during the year/period	(209)	(209)	(209)	(105)
Reversal of impairment loss	209	559	84	–
Carrying amount at end of year/period	<u>7,950</u>	<u>8,300</u>	<u>8,175</u>	<u>8,070</u>
Fair value	<u>7,950</u>	<u>8,300</u>	<u>10,190</u>	<u>10,000</u>

The Group's investment property with carrying amounts of HK\$7,950,000, HK\$8,300,000, HK\$8,175,000 and HK\$8,070,000 as at 31 March 2006, 2007 and 2008, and 30 September 2008, respectively, was pledged to secure general banking facilities granted to the Group (note 24).

The fair value of the investment property as at each of the balance sheet dates was determined based on the valuations performed by Vigers Appraisal & Consulting Limited, an independent firm of professional valuers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.

16. INTANGIBLE ASSET

The balance represents a club membership which was acquired at a cost of HK\$8,300,000 in April 2007.

17. INVENTORIES

	As at 31 March			As at 30 September
	2006	2007	2008	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Merchandise	147,441	133,937	167,862	164,097
Packaging materials	–	71	4,291	17,772
	<u>147,441</u>	<u>134,008</u>	<u>172,153</u>	<u>181,869</u>

18. TRADE RECEIVABLES

The Group normally allows a credit period of not more than 90 days to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables of the Group as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 March			As at 30 September
	2006	2007	2008	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 2 months	5,818	12,976	12,993	56,474
2 to 6 months	5,273	1,461	5,012	1,127
6 months to 1 year	362	835	–	322
Over 1 year	–	280	815	–
	<u>11,453</u>	<u>15,552</u>	<u>18,820</u>	<u>57,923</u>
Less: Impairment	(261)	(815)	(815)	–
	<u>11,192</u>	<u>14,737</u>	<u>18,005</u>	<u>57,923</u>

The carrying amounts of the trade receivables approximate to their fair values.

The movements in the provision for impairment of trade receivables as at 31 March 2006, 2007 and 2008, and 30 September 2008, are as follows:

	As at 31 March			As at 30 September
	2006	2007	2008	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April	–	261	815	815
Impairment losses recognised (note 7)	261	554	–	–
Write-off	–	–	–	(815)
	<u>261</u>	<u>815</u>	<u>815</u>	<u>–</u>
At 31 March/30 September	<u>261</u>	<u>815</u>	<u>815</u>	<u>–</u>

The individually impaired trade receivables related to a customer that was long outstanding over one year. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are not considered to be impaired as at 31 March 2006, 2007 and 2008, and 30 September 2008 is as follows:

	As at 31 March			As at
	2006	2007	2008	30 September
	HK\$'000	HK\$'000	HK\$'000	2008
				HK\$'000
Not past due	7,787	8,273	14,793	48,004
Within 60 days past due	3,405	6,464	3,212	9,403
Over 60 days past due	—	—	—	516
Total	<u>11,192</u>	<u>14,737</u>	<u>18,005</u>	<u>57,923</u>

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the Group's trade receivables is an amount due from 深圳市鴻騰達貿易有限公司, a company beneficially-owned by Mr Liang Guosheng, a brother of Mr Liang who is also a director of Silver Base Trading (Shenzhen) and Silver Base Spirit (Shenzhen) of HK\$322,000 and HK\$1,159,000 as at 31 March 2006 and 2007, respectively, which was repayable on similar credit term to those offered to the major customers of the Group (note 30(c)). The balance was fully settled during the year ended 31 March 2008.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March			As at
	2006	2007	2008	30 September
	HK\$'000	HK\$'000	HK\$'000	2008
				HK\$'000
Prepayments to suppliers	27,769	10,159	80,703	49,417
Value-added tax recoverable	—	3,180	13,917	20,248
Advances to staff	965	4,400	485	750
Rental and utility deposits	286	303	1,626	2,676
Prepayment related to the listing of the Company's shares	—	—	3,441	5,972
Others	<u>683</u>	<u>1,013</u>	<u>2,876</u>	<u>4,539</u>
	<u>29,703</u>	<u>19,055</u>	<u>103,048</u>	<u>83,602</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables which has no recent history of default.

Included in the rental and utility deposits as at 31 March 2008 and 30 September 2008 is a rental deposit of HK\$1,438,000 placed with Silver Base (Holdings) Limited, a company controlled by Mr Liang (note 30(c)). The balance is unsecured, non-interest-bearing and is repayable at the end of the lease term.

20. BALANCES WITH A CONTROLLING SHAREHOLDER AND MINORITY SHAREHOLDERS OF A SUBSIDIARY

(a) Balances with a controlling shareholder

The balances with a controlling shareholder, Mr Liang, was unsecured, interest-free and had no fixed terms of repayment (note 30(c)). The maximum receivable balances outstanding during the years ended 31 March 2006, 2007 and 2008, and the six months ended 30 September 2008 were approximately HK\$4,454,000, HK\$81,191,000, HK\$89,667,000 and nil, respectively. The payable balance with Mr Liang of HK\$10,006,000 as at 30 September 2008 has been settled prior to the Listing.

(b) Due to minority shareholders of a subsidiary

The amounts due to minority shareholders of a subsidiary were unsecured, interest-free and had no fixed terms of repayment (note 30(c)). Upon the acquisition of minority interest during the year ended 31 March 2008, the remaining balance of amounts due to minority shareholders of a subsidiary were transferred to "other payables and accruals" account (note 23).

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 March			As at
	2006	2007	2008	30 September
	HK\$'000	HK\$'000	HK\$'000	2008
				HK\$'000
Cash and bank balances	36,366	123,209	474,627	391,725
Less: Pledged deposits for trust receipt loans – note 24	–	–	(123,118)	–
Cash and cash equivalents	<u>36,366</u>	<u>123,209</u>	<u>351,509</u>	<u>391,725</u>

The Group's cash and bank balances denominated in Renminbi ("RMB") amounted to HK\$12,007,000, HK\$10,565,000, HK\$116,284,000 and HK\$68,593,000 as at 31 March 2006, 2007 and 2008, and 30 September 2008, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash and bank balances approximate to their fair values.

22. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables of the Group as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 March			As at
	2006	2007	2008	30 September
	HK\$'000	HK\$'000	HK\$'000	2008
				HK\$'000
Within 2 months	82,059	56,168	43,881	10,458
2 to 6 months	–	482	61	1,275
	<u>82,059</u>	<u>56,650</u>	<u>43,942</u>	<u>11,733</u>

Included in the trade and bills payable is amount due to 宜賓市鴻騰達商貿有限公司, a company beneficially-owned by Mr Liang Guoning, a brother of Mr Liang, who is also a director of Silver Base Trading (Shenzhen) of HK\$22,122,000 and HK\$3,981,000 as at 31 March 2006 and 2007, respectively. The balance was repayable within 90 days, which represented similar credit terms to those offered by the related party to its major customers (note 30(c)). The balance was fully settled during the year ended 31 March 2008.

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

23. OTHER PAYABLES AND ACCRUALS

	As at 31 March			As at
	2006	2007	2008	30 September
	HK\$'000	HK\$'000	HK\$'000	2008
				HK\$'000
Deposits received from customers . .	96,272	52,431	69,517	9,939
Value-added tax and other taxes				
payables	1,526	–	12,185	11,722
Sales rebate ⁽ⁱ⁾	1,782	4,066	10,427	6,139
Advertising fee payable ⁽ⁱⁱ⁾	–	1,919	–	–
Accruals	2,731	1,768	9,700	7,026
Provision for penalties ⁽ⁱⁱⁱ⁾	–	–	3,064	570
Amount payable to former minority shareholders of a subsidiary (note 20(b))	–	–	34,405	–
	<u>102,311</u>	<u>60,184</u>	<u>139,298</u>	<u>35,396</u>

Notes:

- (i) Sales rebate payable represented the amounts payable to the customers of the Group based on a certain percentage of the total sales made by the Group to these customers.
- (ii) Advertising fee payable was due to 深圳銀基廣告有限公司, a company beneficially-owned by Mr Liang Guosheng, which was unsecured, interest-free and was fully settled during the year ended 31 March 2008 (note 30(c)).

- (iii) The balance at 31 March 2008 represented the provision for penalty related to the incorrect filing of employer's returns of HK\$2,534,000 which was settled in June 2008, and the provision for penalty of RMB500,000 related to the violations of the Regulations of the PRC on the management of foreign exchange regulations. The balance at 30 September 2008 represented the provision for penalty of RMB500,000.

24. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	As at 31 March			As at 30 September
			2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2008 HK\$'000
Bank loan – secured	3 – 6.25	2015	13,412	12,232	–	–
Trust receipt loans – secured	0.75	2008	1,404	31,157	34,632	68,141
			<u>14,816</u>	<u>43,389</u>	<u>34,632</u>	<u>68,141</u>
Total bank borrowings			14,816	43,389	34,632	68,141
Less: Portion classified as current liabilities			<u>(2,584)</u>	<u>(32,419)</u>	<u>(34,632)</u>	<u>(68,141)</u>
Long term portion			<u>12,232</u>	<u>10,970</u>	<u>–</u>	<u>–</u>

	As at 31 March			As at 30 September
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2008 HK\$'000
Analysed into:				
Bank loan and overdraft repayable:				
Within one year				
or on demand	1,180	1,262	–	–
In the second year	1,262	1,274	–	–
In the third to fifth years, inclusive	4,086	4,332	–	–
Beyond five years	<u>6,884</u>	<u>5,364</u>	<u>–</u>	<u>–</u>
	13,412	12,232	–	–
Trust receipt loans repayable:				
Within one year	<u>1,404</u>	<u>31,157</u>	<u>34,632</u>	<u>68,141</u>
	<u>14,816</u>	<u>43,389</u>	<u>34,632</u>	<u>68,141</u>

Notes:

- (a) Except for the trust receipt loans, which were denominated in United States dollars, all interest-bearing bank borrowings were denominated in Hong Kong dollars. All interest-bearing bank borrowings were secured by the Group's land and building and investment property with aggregate net book values of approximately HK\$30.2 million, HK\$30.0 million as at 31 March 2006 and 2007, respectively. The interest-bearing bank borrowings were also guaranteed by Mr Liang and two properties owned by Silver Base (Holdings) Limited, a related

company beneficially-owned and controlled by Mr Liang. The pledged land and building (note 14) and two properties owned by Silver Base (Holdings) Limited were released upon the disposal of the land and building during the year ended 31 March 2008.

As at 31 March 2008, the Group had banking facilities, which were secured by the Group's investment property with a net book value of HK\$8,175,000, bank deposits of HK\$123.1 million and guaranteed by Mr Liang.

As at 30 September 2008, the Group had banking facilities, which were secured by the Group's investment property with a net book value of HK\$8,070,000 and guaranteed by Mr Liang. The guarantee provided by Mr Liang will be released upon the Listing and replaced by a corporate guarantee provided by the Company.

- (b) The Group's bank loan bore interest at 2% below the Hong Kong dollar prime rate ("Prime Rate") per annum and was repayable by monthly equal installments of HK\$163,000. The effective annual interest rate of the bank loan during each of the years ended 31 March 2006, 2007 and 2008 ranged from 3% to 6.25%. The bank loan was fully settled during the year ended 31 March 2008.
- (c) The trust receipt loans as at 31 March 2006, 2007 and 2008 were interest-free within a credit period of 60 to 90 days and bore interest at 3.5% plus the Prime Rate per annum after the credit period, while the trust receipt loans as at 30 September 2008 are interest-free within a credit period of 60 to 90 days and bear interest at 1% below the Prime Rate per annum after the credit period. All trust receipt loans were fully settled within the credit period during the Relevant Periods.

25. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 12 September 2007, with an authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each, with one share issued and allotted to Yinji Investments.

On 23 June 2008, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000,000 divided into 100,000,000,000 shares of HK\$0.10 each.

The issued capital balances as presented in the consolidated balance sheets as at 31 March 2006, 2007 and 2008 represented the issued combined paid-in capital of the companies shown in note 1 to this report.

The issued capital as at 30 September 2008 represented the issued capital of the Company of 3,800,000 ordinary shares of HK\$0.10 each out of which 3,799,999 shares were issued, allotted and credited as fully paid to Yinji Investments upon the Reorganisation (note 33).

26. CONTINGENT LIABILITIES

At the end of each of the Relevant Periods, the Group did not have any significant contingent liabilities.

27. PLEDGE OF ASSETS

Details of the Group's assets pledged for securing bank borrowings and banking facilities during the Relevant Periods are included in notes 14, 15 and 21 to this report, respectively.

28. OPERATING LEASE ARRANGEMENTS**(a) As lessor**

The Group leases its properties under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits.

As at the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2006	As at 31 March 2007	2008	As at 30 September 2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	77	40	–	23
In the second to fifth years, inclusive	–	2	–	–
	<u>77</u>	<u>42</u>	<u>–</u>	<u>23</u>

(b) As lessee

The Group leases certain of its properties and a motor vehicle under operating lease arrangements. Leases for properties and a motor vehicle are negotiated for terms ranging from six months to three years.

At the end of each of the Relevant Periods, the Group had the following total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2006	As at 31 March 2007	2008	As at 30 September 2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	–	9,550	19,573	12,985
In the second to fifth years, inclusive	–	17,506	9,384	8,099
	<u>–</u>	<u>27,056</u>	<u>28,957</u>	<u>21,084</u>

29. COMMITMENTS

The Group had the following commitments, principally for the purchase of inventories and a motor vehicle, at the end of each of the Relevant Periods:

	As at 31 March		As at 30 September	
	2006	2007	2008	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracted, but not provided for:				
Within one year	264,411	351,153	404,343	163,629
In the second to fifth years, inclusive	182,327	218,793	262,551	287,556
Over five years	850,834	780,403	695,885	647,590
	<u>1,297,572</u>	<u>1,350,349</u>	<u>1,362,779</u>	<u>1,098,775</u>

In addition to the above, the Group had commitments in respect of the professional service fees for the Listing of HK\$10,389,000 and HK\$14,200,000 as at 31 March 2008 and 30 September 2008, respectively.

30. RELATED PARTY TRANSACTIONS

- (a) In addition to note 24 in this report, the Group had the following material transactions with related parties during the Relevant Periods and the six months ended 30 September 2007:

	Notes	Year ended 31 March			Six months ended 30 September	
		2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000
Continuing transactions:						
Mr Liang:						
Rental expenses	(i)	-	346	747	326	378
Related companies beneficially- owned by Mr Liang:						
Rental expenses paid to:						
Silver Base (Holdings) Limited	(ii)	<u>2,280</u>	<u>2,520</u>	<u>8,628</u>	<u>4,314</u>	<u>4,314</u>
Discontinued transactions:						
Related companies beneficially-owned by Mr Liang:						
Rental expenses paid to:						
Silver Base (Holdings) Limited	(ii)	-	-	960	480	-
Silver Base International Investment Co., Limited	(iii)	720	720	720	360	-
Related companies beneficially-owned by directors of the subsidiaries:						
Sales of liquors:						
深圳市鴻騰達貿易有限公司	(iv)	(462)	(1,929)	(1,479)	-	-
Purchase of liquors:						
宜賓市鴻騰達商貿有限公司	(v)	24,370	-	873	-	-
Purchase of packaging materials:						
宜賓市鴻騰達商貿有限公司	(v)	-	-	751	-	-
Provision of advertising services:						
深圳銀基廣告有限公司	(vi)	-	<u>3,757</u>	-	-	-

Notes:

- (i) The office rental expenses for the years ended 31 March 2007 and 2008 and the six months ended 30 September 2007 and 2008 were charged based on mutually agreed terms at a fixed monthly amount of RMB50,000 starting from September 2006. In addition, during the year ended 31 March 2008 and the six months ended 30 September 2008, the Group paid additional rental expense for the lease of an office based on mutually agreed terms at a fixed monthly amount of RMB15,000 starting from September 2007. Since 1 April 2008, the fixed monthly rental expenses of the two offices have been revised to RMB37,000 and RMB19,000, respectively. In the opinion of the directors, the rental expenses were determined by reference to the prevailing market rental of comparable premises.
- (ii) The office rental expenses for the years ended 31 March 2006, 2007 and 2008 and the six months ended 30 September 2007 and 2008 were charged based on mutually agreed terms at fixed monthly amounts of HK\$190,000, HK\$210,000, HK\$239,000, HK\$239,000 and HK\$239,000, respectively. In addition, starting from 1 April 2007, the Group paid additional rental expense for the leases of two staff quarters based on mutually agreed terms at fixed monthly amounts of HK\$480,000 and HK\$80,000, respectively. The rental of a staff quarter with a monthly amount of HK\$80,000 has ceased since 1 April 2008. In the opinion of the directors, the rental expenses were determined by reference to the prevailing market rental of comparable premises.

- (iii) The rental expense for a motor vehicle was charged based on mutually agreed terms at a fixed monthly amount of HK\$60,000 during the years ended 31 March 2006, 2007 and 2008 and the six months ended 30 September 2007. The transaction has ceased since 1 April 2008.
- (iv) The sales to the related party were made according to the published prices and conditions offered to the major customers of the Group.
- (v) The purchase prices of liquors and packaging materials from the related party were based on mutually agreed terms.
- (vi) The advertising expenses charged by the related party were based on mutually agreed terms.

In the opinion of the directors, the above related party transactions were carried out in the ordinary course of business and in accordance with the terms of the underlying agreements.

(b) Other transactions with related parties

- (i) On 27 July 2007, the Group entered into an agreement with 宜賓五糧液股份有限公司 and 深圳市鴻騰達貿易有限公司 to transfer the distribution right of Wuliangye 68% to the Group at nil consideration commencing 1 January 2006. Such right allows the Group to distribute Wuliangye 68% within the PRC market.
- (ii) On 20 June 2006, 上海銀倉商貿有限公司 a company beneficially-owned by Mr Liang Guofeng, a cousin of Mr Liang, who is the director of Silver Base Tobacco, assigned the distribution right of Dimple Scotch Whisky to the Group at nil consideration. Such right allows the Group to distribute Dimple Scotch whisky within the PRC market.
- (iii) On 11 September 2008, the Group entered into a novation agreement with Silver Base Int'l Investment Co., Ltd., a company beneficially-owned by Mr Liang and Mr Liang Guofeng, and a supplier of a motor vehicle (the "Vehicle"), an independent third party, in respect of the purchase of the Vehicle, pursuant to which the Group agreed to novate all its interests and obligations in the Vehicle to Silver Base Int'l Investment Co., Ltd. at a consideration of HK\$8.3 million, which was equivalent to the purchase cost of the Group. As at 31 March 2008, the Group had paid HK\$1.7 million to the supplier as a deposit. Subsequent to 31 March 2008, the Group had settled the remaining consideration of HK\$6.6 million. After the effective of the novation agreement on 11 September 2008, the total consideration of HK\$8.3 million paid by the Group has been recorded as an amount due from Silver Base Int'l Investment Co., Ltd., which was fully paid during the six months ended 30 September 2008.
- (iv) Pursuant to a deed of indemnity dated 25 March 2009, Mr Liang agreed to provide the Group taxation indemnities for the benefit of the companies now comprising the Group.
- (v) The personal guarantee provided by Mr Liang in relation to the Group's general banking facilities (note 24(a)) will be released upon the Listing.

(c) Balances with related parties

	As at 31 March			As at 30 September	
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2008 HK\$'000	2008 HK\$'000
Trade receivables:					
深圳市鴻騰達貿易有限公司 .	322	1,159	-	-	-
Due from/(to) a controlling shareholder:					
Mr Liang*	4,454	(28,533)	12,719	(10,006)	(10,006)
Rental and utility deposits:					
Silver Base (Holdings) Limited	-	-	1,438	1,438	1,438
Trade payables:					
宜賓市鴻騰達商貿有限公司 .	(22,122)	(3,981)	-	-	-
Advertising fee payable:					
深圳銀基廣告有限公司	-	(1,919)	-	-	-
Due to minority shareholders of a subsidiary	-	(17,412)	-	-	-
Dividend payable:					
Yinji Investments**	-	-	-	(250,000)	(250,000)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* The balance with Mr Liang as at 30 September 2008 has been settled prior to the Listing.

** The dividend payable to Yinji Investments as at 30 September 2008 will be settled prior to the Listing.

(d) Compensation of key management personnel of the Group

	Year ended 31 March			Six months ended 30 September	
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000
Salaries, allowances and benefits in kind	19,776	20,568	28,471	12,603	13,764
Retirement benefit contributions	132	135	126	60	66
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total compensation paid to key management personnel	<u>19,908</u>	<u>20,703</u>	<u>28,597</u>	<u>12,663</u>	<u>13,830</u>

Further details of the directors' remuneration are included in note 10 to this report.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The board of directors reviews and approves policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates. The effective interest rates and terms of repayment of the interest-bearing bank borrowings of the Group are set out in note 24 to this report.

A reasonably possible change of 50 basis points in interest rates would have no material impact on the Group's profit or loss during the Relevant Periods and there would be no impact on the Group's equity.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and trade finance facilities. The Group's financing activities are managed centrally by maintaining an adequate level of cash and cash equivalents to finance the Group's operations. The Group also ensures the availability of bank credit facilities to address any short term funding requirements.

The Group's cash and bank balances are placed with reputable financial institutions.

Credit risk

Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements. The carrying amounts of cash and bank balances, trade receivables and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets.

At the end of each of the Relevant Periods, there was no significant concentration of credit risk.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. For Hong Kong operations, all sales and purchases transactions are settled in Hong Kong dollars or United States dollars. Meanwhile, most of sales and purchases transactions in the PRC operations are settled in RMB. Accordingly, the transactional currency exposures of the Group are not significant. The Group has not entered into any hedging transaction to reduce the Group's exposure to foreign currency risk in this regard.

A reasonably possible change of 5% to 10% in the exchange rate between Hong Kong dollar and RMB per annum would have no material impact on the Group's profit or loss during the Relevant Periods and there would be no material impact on the Group's equity.

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes of the Group's capital management policy during the Relevant Periods.

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, other payables, an amount due to a controlling shareholder, dividend payable and amounts due to minority shareholders of a subsidiary, less cash and cash equivalents balances. Capital represents equity attributable to the equity holders of the parent. The Group's policy is to maintain the gearing ratio at a reasonable level.

The gearing ratios as at 31 March 2006, 2007 and 2008, and 30 September 2008 were as follows:

	As at 31 March		As at 30 September	
	2006	2007	2008	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest-bearing bank borrowings . .	14,816	43,389	34,632	68,141
Trade and bills payables	82,059	56,650	43,942	11,733
Other payables	99,580	56,497	129,598	28,370
Due to a controlling shareholder . .	–	28,533	–	10,006
Dividend payable	–	–	–	250,000
Due to minority shareholders of a subsidiary	–	17,412	–	–
Less: Cash and cash equivalents . . .	<u>(36,366)</u>	<u>(123,209)</u>	<u>(351,509)</u>	<u>(391,725)</u>
Net debt	160,089	79,272	(143,337)	(23,475)
Equity	<u>58,044</u>	<u>100,743</u>	<u>507,677</u>	<u>229,586</u>
Equity and net debt	<u>218,133</u>	<u>180,015</u>	<u>364,340</u>	<u>206,111</u>
Gearing ratio	<u>73%</u>	<u>44%</u>	<u>N/A</u>	<u>N/A</u>

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS**Major non-cash transactions**

- (a) During the year ended 31 March 2007, Silver Base Development declared an interim dividend of HK\$70,000,000. The balance was settled by offsetting the amount with a controlling shareholder.
- (b) During the year ended 31 March 2008, the minority shareholders agreed to bear the losses incurred by their non-wholly-owned subsidiary of HK\$10,280,000 by offsetting the amounts due to the minority shareholders of a subsidiary.
- (c) During the six months ended 30 September 2008, the Company entered into a share swap agreement with Yinji Investments and Mr Liang, pursuant to which the Company issued and credited 3,799,999 shares at a nominal value of HK\$0.10 each as fully paid to Yinji Investments in exchange for 100% of equity interest in Richmind, acquired from Mr Liang by the Company.
- (d) During the year ended 31 March 2008, Silver Base Development proposed a final dividend of HK\$350,000,000. An amount of HK\$316,100,000 has been paid to Mr Liang in cash, while the remaining balance of HK\$33,900,000 was settled by offsetting the amount with a controlling shareholder during the six months ended 30 September 2008.

33. NET ASSETS OF THE COMPANY

The Company was incorporated on 12 September 2007. As at 31 March 2008, the Company had no assets and liabilities. Pursuant to the Reorganisation, the Company became the holding company of the Group on 26 September 2008.

The balance sheet of the Company as at 30 September 2008 is as follow:

	Note	As at 30 September 2008 HK\$'000
NON-CURRENT ASSET		
Investment in a subsidiary		229,586
		<u>229,586</u>
Net asset		<u>229,586</u>
EQUITY		
Issued capital	25	380
Other reserve (note)		229,206
		<u>229,586</u>
Total equity		<u>229,586</u>

Note: The Company's other reserve represents the excess of the net asset value of the subsidiary acquired pursuant to the Reorganisation as set out in the section headed "Corporate reorganisation" in Appendix VI "Statutory and General Information" of the Prospectus, over the nominal value of the Company's shares issued in exchange therefor.

34. POST BALANCE SHEET EVENTS**(a) Dividend declared**

On 20 February 2009, the directors declared an interim dividend of HK\$60 million payable to Yinji Investments. The balance will be settled prior to the Listing.

(b) Capitalisation issue

Pursuant to a written resolution passed on 20 February 2009, the directors were authorised to allot and issue a total of 896,200,000 shares credited as fully paid to Yinji Investments by way of capitalisation of the sum of HK\$89,620,000 standing to the credit of the share premium account of the Company. The shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued shares.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 September 2008.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

For illustrative purposes only, the financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out here to provide the prospective investors with further information about how the proposed listing might have affected the financial position of the Group after completion of the Global Offering. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the actual results and financial position of the Group as at 30 September 2008 or at any future date or the earnings per Share of the Group for the six months ended 30 September 2008 or any future period.

(A) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

	Audited consolidated net tangible assets attributable to the equity holders of the Company as at 30 September 2008¹ HK\$'000	Estimated net proceeds from the Global Offering² HK\$'000	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company HK\$'000	Unaudited pro forma adjusted net tangible assets per Share³ HK\$
Based on an Offer Price of HK\$2.30 per Share.	221,286	598,101	819,387	0.68
Based on an Offer Price of HK\$3.45 per Share.	221,286	927,545	1,148,831	0.96

Notes:

- 1 The audited consolidated net tangible assets attributable to the equity holders of the Company as at 30 September 2008 is compiled based on the Accountants' Report of the Group as at 30 September 2008, the text of which is set out in Appendix I to this prospectus, which is based on the audited consolidated net assets attributable to the equity holders as at 30 September 2008 of HK\$229,586,000 with an adjustment for intangible assets of HK\$8,300,000 as at 30 September 2008.
- 2 The estimated net proceeds from the offer of 300,000,000 new Shares are based on the Offer Price of HK\$2.30 and HK\$3.45 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. If the Over-allotment Option is exercised in whole or in part, the adjusted net tangible assets per Share will then increase while the earnings per Share will be diluted accordingly.
- 3 The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis of 1,200,000,000 Shares (being the number of shares expected to be in issue immediately after completion of the Capitalisation Issue and the Global Offering but without taking into account any Shares which may be issued upon exercise of the Over-allotment Option) and has not taken into account any revaluation surplus of the Group's property interests as such property interests are stated at cost. Taking into account the additional interim dividend of HK\$60.0 million which is declared on 20 February 2009 and will be paid by the Company to Yinji Investments prior to the Listing, the unaudited pro forma adjusted net tangible assets per Share shall be HK\$0.63 and HK\$0.91, computed based on the Offer Price of HK\$2.30 per Share and HK\$3.45 per Share, respectively.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

(B) UNAUDITED PRO FORMA FORECASTED PROFIT EARNINGS PER SHARE**PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 MARCH 2009**

In the absence of any unforeseen circumstances and on the bases and assumptions set out in Appendix III to this prospectus, certain forecasted data for the Group for the financial year ending 31 March 2009 are set out below:

Forecasted consolidated profit attributable to
equity holders of the Company for
the financial year ending 31 March 2009¹not less than HK\$400 million

Unaudited pro forma forecasted earnings per Share
for the financial year ending 31 March 2009²not less than HK\$0.33

Notes:

- 1 The bases and assumptions on which the above profit forecast for the financial year ending 31 March 2009 have been prepared are summarised in Appendix III to this prospectus.

- 2 The calculation of unaudited pro forma forecasted earnings per Share is calculated by dividing the forecasted consolidated profit attributable to equity holders of the Company for the financial year ending 31 March 2009 by a total of 1,200,000,000 Shares (assuming the Shares in issue at the date of this prospectus and those Shares to be issued under the Capitalisation Issue and the Global Offering had been in issue on 1 April 2008 but without taking into account any options which may be granted under the Share Option Scheme or any Shares which may be allocated and issued or repurchased by us pursuant to the Over-allotment Option, the Issuing Mandate and Repurchase Mandate).

(C) REPORT FROM THE REPORTING ACCOUNTANTS

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

30 March 2009

The Directors
Silver Base Group Holdings Limited
UBS AG

Dear Sirs,

We report on the unaudited pro forma financial statements of adjusted net tangible assets and unaudited pro forma forecasted earnings per share (collectively referred to as the "Pro Forma Financial Information") of Silver Base Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors for illustrative purposes only, to provide information about how the global offering of 300,000,000 shares of HK\$0.10 each of the Company might have affected the relevant financial information presented, for inclusion in section (A) and (B) of Appendix II to the prospectus of the Company dated 30 March 2009.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments, and discussing the Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board and, accordingly, should not be relied upon as if it has been carried out in accordance with those standards.

The Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 September 2008 or any future date; or
- the forecasted earnings per share of the Group for the financial year ending 31 March 2009 or any future periods.

Opinion

In our opinion:

- a. the Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

A. OVERVIEW

Our forecasted consolidated profit attributable to our equity holders for the financial year ending 31 March 2009 is set out in the section headed “Financial Information – Profit forecast for the financial year ending 31 March 2009” in this prospectus.

B. BASES AND ASSUMPTIONS

Our Directors have prepared the forecast of the consolidated profit attributable to our equity holders for the financial year ending 31 March 2009 based on the unaudited management accounts for the four months ended 31 January 2009 and a forecast of the consolidated results of the Group for the remaining two months ending 31 March 2009. The forecast has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by our Group as summarised in Appendix I and on the following principal assumptions:

- 1 there will be no material changes in the existing political, legal, fiscal, market or economic conditions in the countries in which the Group carries on business or from which it buys or to which it sells the products;
- 2 there will be no material changes in inflation, exchange rates and interest rates from those presently prevailing;
- 3 there will be no changes in government policies, legislation or regulations whether in Hong Kong, or the PRC, or any other country or territory where we carry on our business; and
- 4 there will be no material changes in the bases or rates of taxations, both directly and indirectly, in the PRC or Hong Kong where we carry on our business.

C. LETTERS

Set out below are texts of letters received by our directors from Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, and from the Sponsor in connection with the forecasted consolidated profit attributable to our equity holders for the financial year ending 31 March 2009.

(a) Letter from the reporting accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

30 March 2009

The Directors
Silver Base Group Holdings Limited
UBS AG

Dear Sirs,

We have reviewed the accounting policies and calculations adopted in arriving at the forecast of the consolidated profit attributable to equity holders of Silver Base Group Holdings Limited (the "Company") in respect of the Company and its subsidiaries (hereafter collectively referred to as the "Group") for the year ending 31 March 2009 (the "Profit Forecast") for which the directors of the Company are solely responsible, as set out in the subsection headed "Profit Forecast for the financial year ending 31 March 2009" under the section headed "Financial Information" in the prospectus of the Company dated 30 March 2009 (the "Prospectus"). The Profit Forecast has been prepared by the directors of the Company based on the audited financial statements for the six months ended 30 September 2008, unaudited management accounts for the four months ended 31 January 2009 and a forecast of the consolidated results of the Group for the remaining two months ending 31 March 2009.

In our opinion, the Profit Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the bases adopted by the directors of the Company as set out in Appendix III to the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies adopted by the Group as set out in our accountants' report dated 30 March 2009, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

(b) Letter from the Sponsor

52nd Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

30 March 2009

The Directors
Silver Base Group Holdings Limited

Dear Sirs,

We refer to the forecast of the consolidated profit attributable to equity holders of Silver Base Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the financial year ending 31 March 2009 (the "**Profit Forecast**") as set out in the section headed "Financial Information" in the prospectus issued by the Company dated 30 March 2009 (the "**Prospectus**").

We understand that the Profit Forecast has been prepared by the directors of the Company (the "**Directors**") based on the audited financial statements for the six months ended 30 September 2008, unaudited management accounts for the four months ended 31 January 2009 and a forecast of the consolidated results of the Group for the remaining two months ending 31 March 2009.

We have discussed with you the bases made by the Directors as set out in Appendix III to the Prospectus upon which the Profit Forecast has been made. We have also considered the letter dated 30 March 2009 addressed to yourselves and ourselves from Ernst & Young regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Ernst & Young, we are of the opinion that the Profit Forecast, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
UBS AG

Patrick Tsang
Executive Director

Raymond Lau
Associate Director

Vigers Appraisal & Consulting Limited
International Property Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong



30 March 2009

The Directors
Silver Base Group Holdings Limited
27th Floor
The Sun's Group Centre
No. 200 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Silver Base Group Holdings Limited (the "**Company**") and its subsidiaries (together referred to as the "**Group**") in the People's Republic of China (the "**PRC**") and the Hong Kong Special Administrative Region of the PRC ("**Hong Kong**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 31 December 2008 ("**date of valuation**") for the purpose of incorporation into this prospectus.

Our valuation is our opinion of the market value of the property interest. We define market value to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interest in Group I, we have valued the property by the direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

In valuing the property interest in Group II, we have valued the property on the basis of capitalization of net rental income derived from the existing tenancy with allowance for the reversionary income potential of the property or by reference to comparable market transactions.

For property interests in Group III and IV which are rented by the Group in Hong Kong and the PRC, we have assigned no commercial value to them mainly due to the prohibition against assignment or sub-letting, the lack of substantial profit rents or the short term nature of such interests.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not conducted title searches on property interests at the relevant government bureau in the PRC. For the property interests in Hong Kong, we have conducted searches with the Land Registry. We have been provided with certain extracts of title documents relating to the property interest in the PRC. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest, we have relied on the legal opinion (the “**PRC legal opinion**”) provided by the Company’s PRC legal adviser, Fangda Partners.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Hong Kong Dollars (HK\$). The exchange rate used in valuing the property in the PRC as at 31 December 2008 was HK\$1 = RMB0.88. There has been no significant fluctuation in the exchange rate for Renminbi (RMB) against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith a summary of the valuation and the valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS MHKIS MSc(e-com)
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty two years of experience in undertaking valuations of properties in Hong Kong and has over fifteen years of experience in valuations of properties in the PRC.

SUMMARY OF VALUATION

Group I – Property interest owned and occupied by the Group in Hong Kong

Property	Market value in existing state as at 31 December 2008	Interest attributable to the Group	Market value in existing state attributable to the Group as at 31 December 2008
1. Flat 2 on 2nd Floor of Block B, Imperial Court, No. 62G Conduit Road, Mid-Levels, Hong Kong	HK\$9,000,000	100%	HK\$9,000,000

Group II – Property interest owned by the Group for investment in Hong Kong

2. Car Parking Space No. 10 on Ground Floor, Imperial Court, No. 62G Conduit Road, Mid-Levels, Hong Kong	HK\$780,000	100%	HK\$780,000
Sub-total:	HK\$9,780,000		HK\$9,780,000

Group III – Property interests rented and occupied by the Group in Hong Kong

3. 27th Floor, Car Parking Space No. 37 on 2nd Floor and Car Parking Space No. 47 on 3rd Floor, The Sun's Group Centre, No. 200 Gloucester Road, Wan Chai, Hong Kong	No commercial value	100%	Nil
4. House No. 8, No. 33 Island Road, Island South, Hong Kong	No commercial value	100%	Nil
5. Flat 9B, Fook Yee Building, Nos. 324-330A Lockhart Road, Wan Chai, Hong Kong	No commercial value	100%	Nil
Sub-total:	Nil		Nil

Group IV – Property interests rented and occupied by the Group in the PRC

Property	Market value in existing state as at 31 December 2008	Interest attributable to the Group	Market value in existing state attributable to the Group as at 31 December 2008
6. Room 5709, Shun Hing Square, Jiefang Road, Luohu District, Shenzhen City, the PRC	No commercial value	100%	Nil
7. Room 5713, Shun Hing Square, Jiefang Road, Luohu District, Shenzhen City, the PRC	No commercial value	100%	Nil
8. Rooms 03B and 05A on 20th Floor, No. 3 Office Building, China Central Place, No. 77 Jianguo Road, Chaoyang District, Beijing City, the PRC	No commercial value	100%	Nil
9. Rooms 2201-02, Hong Kong Plaza, No. 283 Huaihai Zhong Road, Luwan District, Shanghai City, the PRC	No commercial value	100%	Nil
Sub-total:	Nil		Nil
Grand total:	HK\$9,780,000		HK\$9,780,000

VALUATION CERTIFICATES

Group I – Property interest owned and occupied by the Group in Hong Kong

Property	Description	Particulars of occupancy	Market value in existing state as at 31 December 2008
1. Flat 2 on 2nd Floor of Block B, Imperial Court, No. 62G Conduit Road, Mid-Levels, Hong Kong	The property comprises a residential unit on the 2nd Floor of an 8-storey residential building completed in 1996.	The property is currently occupied by the Group for residential purpose.	HK\$9,000,000
932/212,000th equal undivided shares of and in Sections B and C and the Remaining Portion of Sub-section 1 of Section A of Inland Lot No. 946 and Inland Lot No. 7956	The property has a gross floor area of approximately 1,284 sq.ft. (119.29 sq.m.). The property is held under a Government Lease and Conditions of Exchange No. 8717 for a term of 999 years commencing from 21 June 1886 and a term of 75 years commencing from 10 August 1964 with the right of renewal for a further term of 75 years respectively.		Interest attributable to the Group 100%
	The current ground rent for the Lots is HK\$910 per annum.		Market value in existing state attributable to the Group as at 31 December 2008 HK\$9,000,000

Notes:

1. According to the Land Registry record, the current registered owner of the property is Silver Base International Development Co. Limited ("**Silver Base Development**").
2. The property is subject to a mortgage in favour of Industrial and Commercial Bank of China (Asia) Limited dated 15 February 2008 vide memorial no. 08030601630104.
3. Silver Base Development is an indirect wholly-owned subsidiary of the Company.

Group II – Property interest owned by the Group for investment in Hong Kong

Property	Description	Particulars of occupancy	Market value in existing state as at 31 December 2008
2. Car Parking Space No. 10 on Ground Floor, Imperial Court, No. 62G Conduit Road, Mid-Levels, Hong Kong	The property comprises a car parking space on the ground floor of an 8-storey residential building constructed in 1996.	The property is leased to a tenant, an independent third party, for a term of 1 year from 15 April 2008 to 14 April 2009 at a monthly rent of HK\$3,500, inclusive of rates, government rent and management fees.	HK\$780,000
103/212,000th equal undivided shares of and in Sections B and C and the Remaining Portion of Sub-section 1 of Section A of Inland Lot No. 946 and Inland Lot No. 7956	The property is held under a Government Lease and Conditions of Exchange No. 8717 for a term of 999 years commencing from 21 June 1886 and a term of 75 years commencing from 10 August 1964 with the right of renewal for a further term of 75 years respectively.		Interest attributable to the Group 100%
	The current ground rent for the lots is HK\$910 per annum.		Market value in existing state attributable to the Group as at 31 December 2008 HK\$780,000

Notes:

1. According to the Land Registry record, the current registered owner of the property is Silver Base International Development Co. Limited ("**Silver Base Development**").
2. The property is subject to a mortgage in favour of Industrial and Commercial Bank of China (Asia) Limited dated 15 February 2008 vide memorial no. 08030601630104.
3. Silver Base Development is an indirect wholly-owned subsidiary of the Company.

Group III – Property interests rented and occupied by the Group in Hong Kong

Property	Description	Particulars of occupancy	Market value in existing state as at 31 December 2008
3. 27th Floor, Car Parking Space No. 37 on 2nd Floor and Car Parking Space No. 47 on 3rd Floor, The Sun's Group Centre, No. 200 Gloucester Road, Wan Chai, Hong Kong	<p>The property comprises the whole 27th Floor and two car parking spaces on the 2nd and 3rd Floors of a 30-storey commercial building constructed in 1996.</p> <p>The property (excluding the 2 car parking spaces) has a gross floor area of approximately 7,287 sq.ft. (676.98 sq.m.).</p>	<p>The property is leased to Silver Base International Development Co. Limited by Silver Base (Holdings) Limited, a connected party, for a term of 3 years from 1 April 2007 to 31 March 2010 at a monthly rent of HK\$239,000, exclusive of rates and management fees.</p> <p>The property is occupied by the Group for office and car parking purposes.</p>	No commercial value

Notes:

1. According to the Land Registry record, the current registered owner of the property is the lessor, Silver Base (Holdings) Limited.
2. The property is subject to a mortgage in favour of Industrial and Commercial Bank of China (Asia) Limited dated 15 February 2008 vide memorial no. 08030601630042
3. Silver Base International Development Co. Limited is an indirect wholly-owned subsidiary of the Company.

Property	Description	Particulars of occupancy	Market value in existing state as at 31 December 2008
4. House No. 8, No. 33 Island Road, Island South, Hong Kong	<p>The property comprises a 4-storey detached house completed in 2004.</p> <p>The property has a gross floor area of approximately 6,389 sq.ft. (593.55 sq.m.) and garden area of approximately 2,247 sq.ft. (208.75 sq.m.).</p>	<p>The property is leased to Silver Base International Development Co. Limited by Silver Base (Holdings) Limited, a connected party, for a term of 3 years from 1 April 2007 to 31 March 2010 at a monthly rent of HK\$480,000, exclusive of rates and management fees.</p> <p>The property is occupied by the Group for residential use.</p>	No commercial value

Notes:

1. According to the Land Registry record, the current registered owner of the property is the lessor, Silver Base (Holdings) Limited.
2. The property is subject to a mortgage in favour of Industrial and Commercial Bank of China (Asia) Limited dated 15 February 2008 vide memorial no. 08030601630089.
3. Silver Base International Development Co. Limited is an indirect wholly-owned subsidiary of the Company.

Property	Description	Particulars of occupancy	Market value in existing state as at 31 December 2008
5. Flat 9B, Fook Yee Building, Nos. 324-330A Lockhart Road, Wan Chai, Hong Kong	The property comprises a residential unit on the 9th Floor of a 22-storey composite commercial/residential building completed in 1980. The property has a saleable area of approximately 342 sq.ft. (31.8 sq.m.).	The property is leased to Silver Base International Development Co. Limited by Fook Lee Holdings Limited, an independent third party, for a term of 2 years from 1 December 2008 to 30 November 2010 at a monthly rent of HK\$8,800, inclusive of rates, government rent, management fees and special fund but exclusive of all utility charges. The property is occupied by the Group for residential use.	No commercial value

Notes:

1. According to the Land Registry record, the current registered owner of the property is the lessor, Fook Lee Holdings Limited.
2. Silver Base International Development Co. Limited is an indirect wholly-owned subsidiary of the Company.

Group IV – Property interests rented and occupied by the Group in the PRC

Property	Description	Particulars of occupancy	Market value in existing state as at 31 December 2008
6. Room 5709, Shun Hing Square, Jiefang Road, Luohu District, Shenzhen City, the PRC	<p>The property comprises an office unit on the 57th Floor of a 69-storey commercial building completed in 1996.</p> <p>The property has a gross floor area of approximately 248.69 sq.m.</p>	<p>The property is leased to Silver Base Trading and Development (Shenzhen) Co., Ltd. by Liang Guoxing (梁國興), a connected party, for a term from 1 April 2008 to 31 March 2010 at a monthly rent of RMB37,000, exclusive of water, electricity, management and other charges.</p> <p>The property is occupied by the Group for office use.</p>	No commercial value

Notes:

1. Pursuant to a lease agreement entered into between Liang Guoxing ("Party A") and Silver Base Trading and Development (Shenzhen) Co., Ltd. ("Party B") dated 20 February 2008, the property has been leased from Party A to Party B for a term from 1 April 2008 to 31 March 2010 for office use at a monthly rent of RMB37,000, exclusive of water, electricity, management and other charges.
2. Silver Base Trading and Development (Shenzhen) Co., Ltd. ("**Silver Base Trading (Shenzhen)**") is an indirect wholly-owned subsidiary of the Company.
3. The PRC legal opinion states, inter alia, the following:
 - (i) The lessor is the legitimate owner of the property and is entitled to lease the property to Silver Base Trading (Shenzhen).
 - (ii) The lease agreement is legal, valid, enforceable and binding on both parties under the laws of the PRC.
 - (iii) The contents of the lease agreement do not contravene the laws of the PRC.
 - (iv) The lease agreement was duly registered with Shenzhen City Luohu District People's Government House Leasing Administration Office on 20 February 2008.

Property	Description	Particulars of occupancy	Market value in existing state as at 31 December 2008
7. Room 5713, Shun Hing Square, Jiefang Road, Luohu District, Shenzhen City, the PRC	The property comprises an office unit on the 57th Floor of a 69-storey commercial building completed in 1996. The property has a gross floor area of approximately 128.29 sq.m.	The property is leased to Silver Base Wine & Spirit (Shenzhen) Co., Limited by Liang Guoxing (梁國興), a connected party, for a term from 1 April 2008 to 31 March 2010 at a monthly rent of RMB19,000, exclusive of water, electricity, management and other charges. The property is occupied by the Group for office use.	No commercial value

Notes:

1. Pursuant to a lease agreement entered into between Liang Guoxing ("Party A") and Silver Base Wine & Spirit (Shenzhen) Co., Limited ("Party B") dated 20 February 2008, the property has been leased from Party A to Party B for a term from 1 April 2008 to 31 March 2010 for office use at a monthly rent of RMB19,000, exclusive of water, electricity, management and other charges.
2. Silver Base Wine & Spirit (Shenzhen) Co., Limited ("**Silver Base Spirit (Shenzhen)**") is an indirect wholly-owned subsidiary of the Company.
3. The PRC legal opinion states, inter alia, the following:
 - (i) The lessor is the legitimate owner of the property and is entitled to lease the property to Silver Base Spirit (Shenzhen).
 - (ii) The lease agreement is legal, valid, enforceable and binding on both parties under the laws of the PRC.
 - (iii) The contents of the lease agreement do not contravene the laws of the PRC.
 - (iv) The lease agreement was duly registered with Shenzhen City Luohu District People's Government House Leasing Administration Office on 20 February 2008.

Property	Description	Particulars of occupancy	Market value in existing state as at 31 December 2008
8. Rooms 03B and 05A on 20th Floor, No. 3 Office Building, China Central Place, No. 77 Jianguo Road, Chaoyang District, Beijing City the PRC	The property comprises two office units on the 20th Floor of a 40-storey commercial building completed in 2007. The property has a total gross floor area of approximately 249.38 sq.m.	The property is leased to Silver Base Trading and Development (Shenzhen) Co., Ltd. by Beijing Guo Hua Zhi Ye Co., Ltd. (北京國華置業有限公司), an independent third party, for a term from 1 July 2008 to 15 August 2011 at a monthly rent of RMB69,826.40, exclusive of water, electricity, management and other charges. The property is occupied by the Group for office use.	No commercial value

Notes:

1. Pursuant to a lease agreement entered into between Beijing Guo Hua Zhi Ye Co., Ltd. ("Party A") and Silver Base Trading and Development (Shenzhen) Co., Ltd. ("Party B") dated 10 July 2008, the property has been leased from Party A to Party B for a term from 1 July 2008 to 15 August 2011 for office use at a monthly rent of RMB69,826.40, exclusive of water, electricity, management and other charges.
2. Silver Base Trading and Development (Shenzhen) Co., Ltd. ("**Silver Base Trading (Shenzhen)**") is an indirect wholly-owned subsidiary of the Company.
3. The PRC legal opinion states, inter alia, the following:
 - (i) The lessor is the legitimate owner of the property and is entitled to lease the property to Silver Base Trading (Shenzhen).
 - (ii) The lease agreement is legal, valid, enforceable and binding on both parties under the laws of the PRC.
 - (iii) The contents of the lease agreement do not contravene the laws of the PRC.
 - (iv) The lease agreement was duly registered with Beijing City Chaoyang District House Administrative Bureau on 1 September 2008.

Property	Description	Particulars of occupancy	Market value in existing state as at 31 December 2008
9. Rooms 2201-02, Hong Kong Plaza, No. 283 Huaihai Zhong Road, Luwan District, Shanghai City, the PRC	The property comprises two office units on the 22nd Floor of a 38-storey commercial building completed in 2000. The property has a total gross floor area of approximately 294.32 sq.m.	The property is leased to Silver Base Trading and Development (Shenzhen) Co., Ltd. by Shanghai Li Xing Real Estate Co., Ltd. (上海麗興房地產有限公司), an independent third party, for a term from 15 August 2008 to 14 August 2010 at a monthly rent of RMB58,637, exclusive of water, electricity, management and other charges. The property is occupied by the Group for office use.	No commercial value

Notes:

1. Pursuant to a lease agreement entered into between Shanghai Li Xing Real Estate Co., Ltd. ("Party A") and Silver Base Trading and Development (Shenzhen) Co., Ltd. ("Party B") dated 11 August 2008, the property has been leased from Party A to Party B for a term from 15 August 2008 to 14 August 2010 for office use at a monthly rent of RMB58,637, exclusive of water, electricity, management and other charges.
2. Silver Base Trading and Development (Shenzhen) Co., Ltd. ("**Silver Base Trading (Shenzhen)**") is an indirect wholly-owned subsidiary of the Company.
3. The PRC legal opinion states, inter alia, the following:
 - (i) The lessor is the legitimate owner of the property and is entitled to lease the property to Silver Base Trading (Shenzhen).
 - (ii) The lease agreement is legal, valid, enforceable and binding on both parties under the laws of the PRC.
 - (iii) The contents of the lease agreement do not contravene the laws of the PRC.
 - (iv) The lease agreement was duly registered with Shanghai City Real Estate Registry Office on 4 September 2008.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of the Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 September 2007 under the Companies Law. The Memorandum and the Articles of Association comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may, by special resolution, alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 20 February 2009. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the

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board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

**APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

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(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided among the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or

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ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by the members in general meeting.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;

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- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

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(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

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(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five (95) per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' notice has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

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(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95) per cent in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors whether by rotation or otherwise in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty (20) per cent in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

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(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

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(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made

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payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty (20) per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

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If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty (20) per cent. per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

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(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution among the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

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(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

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The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 16 October 2007.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily, or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) among them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five (75) per cent. in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than ninety (90) per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

- (a) Our Company was incorporated in the Cayman Islands as an exempted limited liability company under the Companies Law on 12 September 2007. Our Company has established its principal place of business in Hong Kong at 27th Floor, The Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong and has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance. Mr Liang of House No. 8, No. 33 Island Road, Hong Kong has been appointed as our agent for acceptance of service of process and notices on our Company in Hong Kong.
- (b) As our Company was incorporated in the Cayman Islands, our corporate structure and our Memorandum of Association and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our Memorandum of Association and Articles of Association and certain relevant aspects of the Cayman Islands company law is set out in Appendix V to this prospectus.

2. Changes in share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 3,800,000 Shares of par value of HK\$0.10 each. The following sets out the changes in our share capital since the date of our incorporation:

- (a) On 12 September 2007, one Share was allotted and issued fully paid to Codan Trust Company (Cayman) Limited as the initial subscriber, which was transferred to Yinji Investments for HK\$0.10 on the same date.
- (b) On 23 June 2008, the authorised share capital of our Company was increased from HK\$380,000 to HK\$10,000,000,000 by the creation of additional 99,996,200,000 new Shares under a resolution in writing passed by the sole Shareholder referred to in the paragraph headed "Written resolutions of the sole Shareholder" below.
- (c) On 26 September 2008, in consideration of the transfer of one share of US\$1.00 in Richmond by Mr Liang to our Company, 3,799,999 Shares were allotted and issued, credited as fully paid, at the direction of Mr Liang to Yinji Investments.

The authorised share capital of the Company is HK\$10,000,000,000 divided into 100,000,000,000 Shares. Assuming that the Global Offering becomes unconditional, the Offer Shares and the Shares under the Capitalisation Issue are issued and the Over-allotment Option has been fully exercised, immediately upon completion of the Capitalisation Issue and the Global Offering but not taking into account of any Shares which may be issued under any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$124,500,000 divided into 1,245,000,000 Shares fully paid or credited as fully paid, and 98,755,000,000 Shares will remain unissued.

Other than any options which may be granted under the Share Option Scheme, our Company does not have any present intention to issue any Shares out of the authorised but unissued share capital of our Company.

3. Changes in share capital of our subsidiaries

The subsidiaries of our Company are referred to in the Accountants' Report as set out in Appendix I to this prospectus. The following alterations in the share capital (or registered capital, as the case may be) of our subsidiaries have taken place within the two years preceding the date of this prospectus.

(a) *Silver Base Spirit*

On 25 January 2008, each of Kauri Wood Pte. Ltd. ("**Kauri Wood**"), Mr Jake Pison Hawila ("**Mr Hawila**") and Mr To Man Chung ("**Mr To**") entered into the respective sale and purchase agreements, instruments of transfer, and bought and sold notes with Richmind for the transfer of 500 shares, 2,800 shares and 1,000 shares, respectively, to Richmind for HK\$500, HK\$2,800 and HK\$1,000, respectively.

On 4 June 2008, pursuant to a share purchase agreement, instrument of transfer, and bought and sold notes, Richmind purchased 5,700 shares in Silver Base Spirit from Mr Liang, representing a 57% of the issued share capital of Silver Base Spirit, for HK\$1.00 each. After the share purchase, Silver Base Spirit became wholly-owned by Richmind.

(b) *Silver Base Spirit (Shenzhen)*

On 28 August 2007, Silver Base Spirit (Shenzhen) was established in the PRC as a limited liability company. The registered capital is HK\$20,000,000, which has been fully paid. All the equity of Silver Base Spirit (Shenzhen) is held by Silver Base Spirit.

(c) *Silver Base Development*

On 4 June 2008, pursuant to a share purchase agreement (and an instrument of transfer and bought and sold notes) between Richmind and Mr Liang, Richmind purchased the entire issued shares in Silver Base Development (i.e. one share held by Mr Liang and one share held by Mr Liang Guoning as a trustee in favour of Mr Liang) for HK\$1.00 each.

(d) *Silver Base Tobacco*

On 4 June 2008, pursuant to a share purchase agreement (and an instrument of transfer and bought and sold notes) between Richmind and Mr Liang, Richmind purchased the entire issued shares in Silver Base Tobacco (i.e. 9,999,999 shares held by Mr Liang and one share held by Mr Liang Guofeng) for HK\$1.00 each.

(e) *Richmind*

On 26 September 2008, pursuant to a share swap agreement among Mr Liang, our Company and Yinji Investments (and an instrument of transfer between Mr Liang and our Company), our Company acquired the entire issued share capital in Richmind from Mr Liang. In consideration of the transfer of the shares in Richmind, our Company, at the direction of Mr Liang, allotted and issued 3,799,999 Shares, all credited as fully paid, to Yinji Investments, which is wholly-owned by Mr Liang.

Save as disclosed in this prospectus, there has been no other alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

4. Written resolutions of the sole Shareholder

Under the written resolutions of the sole Shareholder passed on 23 June 2008, the authorised share capital of our Company was increased from HK\$380,000 to HK\$10,000,000,000 by the creation of 99,996,200,000 new Shares which shall, when issued and paid, rank pari passu in all respects with the existing issued Shares (other than the participation in the Capitalisation Issue).

Under the written resolutions of the sole Shareholder passed on 20 February 2009:

- (a) conditional upon the conditions stated in the paragraph headed "Conditions of the Hong Kong Public Offering" under the section headed "Structure of the Global Offering" in this prospectus being fulfilled or waived:
 - (i) the Global Offering was approved and our Directors were authorised to allot and issue, and to approve the transfer of, such number of Offer Shares in connection with the Global Offering as they think fit, on the terms and subject to the conditions stated in this prospectus and the Application Forms;
 - (ii) conditional further on the Listing Committee of the Stock Exchange granting approval of the Share Option Scheme, the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee established by our Board were authorised, at their sole discretion, to make such further changes to the Share Option Scheme as requested by the Stock Exchange and which they deem necessary and/or desirable and at their absolute discretion to grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme and to allot, issue and deal with Shares under the exercise of any options which may be granted under the Share Option Scheme and to take all such action as they consider necessary, desirable and/or expedient to implement or give effect to the Share Option Scheme;
- (b) subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares under the Global Offering, our Directors are authorised to allot and issue a total of 896,200,000 Shares credited as fully paid at par to each of the holders of Shares whose names appear on the register of members of our Company at the close of business on 20 February 2009 (or as they may direct) in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued by fraction of a Share) by way of capitalisation of the sum of HK\$89,620,000 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued under this resolution shall rank pari passu in all respects with the existing issued Shares ("**Capitalisation Issue**");

- (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, other than under (i) a Rights Issue (as defined below); (ii) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association; or (iii) any specific authority granted by our Shareholders in general meeting; or (iv) the exercise of any options which may be granted under the Share Option Scheme, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering, excluding the Shares which may be issued under the Over-allotment Option;
- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering, excluding Shares which may be issued under the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme;
- (e) the general unconditional mandate as mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors under such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company under the mandate to repurchase Shares referred to in paragraph (d) above; and
- (f) the Articles of Association were approved and adopted with immediate effect.

For the purposes of paragraph (c) above, "**Rights Issue**" means an offer of Shares or issue of options, warrants or other securities giving the right to subscribe for Shares open for a period fixed by our Directors to holders of Shares whose names appear on the register of members of our Company (and, where appropriate, to holders of other securities of our Company entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities) (subject in all cases to such exclusions or other arrangements as our Directors may deem necessary or expedient (but in compliance with the relevant provisions of the Listing Rules) in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to our Company).

Each of the general mandates referred to in paragraphs (c) and (d) above will remain in effect until the earliest of (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; and (3) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

5. Corporate reorganisation

In preparation for the Global Offering, we undertake the following reorganisation to rationalise the business and structure of our Group:

In preparation for the Global Offering, we underwent the following reorganisation:

(a) *Sale and purchase of Silver Base Development*

On 4 June 2008, pursuant to a share purchase agreement, instruments of transfer, and bought and sold notes between Richmind and Mr Liang, Richmind purchased the entire issued share capital in Silver Base Development (i.e. one share held by Mr Liang and one share held by Mr Liang Guoning as a trustee in favour of Mr Liang) for HK\$1.00 per share.

(b) *Sale and purchase of Silver Base Tobacco*

On 4 June 2008, pursuant to a share purchase agreement, instruments of transfer, and bought and sold notes between Richmind and Mr Liang, Richmind purchased the entire issued share capital in Silver Base Tobacco (i.e. 9,999,999 shares held by Mr Liang and one share held by Mr Liang Guofeng) for HK\$1.00 per share.

(c) *Sale and purchase of Silver Base Spirit*

On 4 June 2008, pursuant to a share purchase agreement, instrument of transfer, and bought and sold notes between Richmind and Mr Liang, Richmind purchased 57% of the issued share capital in Silver Base Spirit from Mr Liang for HK\$1.00 per share.

(d) *Share swap*

On 26 September 2008, pursuant to a share swap agreement between Mr Liang, our Company and Yinji Investments, and instrument of transfer between Mr Liang and our Company, our Company acquired the entire issued share capital in Richmind from Mr Liang. In consideration of the transfer of the shares in Richmind, our Company, at the direction of Mr Liang, allotted and issued 3,799,999 Shares, all credited as fully paid, to Yinji Investments, which is wholly-owned by Mr Liang.

(e) Set out below is the structure of our Group immediately following the Reorganisation:



(f) Following the Reorganisation, our Company became the holding company of our Group. The shareholding structure of the members of our Group upon completion of the Reorganisation, the Capitalisation Issue and the Global Offering is set out in “Business – Group Structure”.

6. Information about our WFOEs

We have established two WFOEs in the PRC. Summaries of the corporate information and the principal terms of the WFOEs are as follows:

(a) Silver Base Trading (Shenzhen)

Date of establishment	:	21 December 2005
Total Investment	:	US\$2,200,000
Registered Capital	:	US\$2,200,000
Registered holder of equity interest and percentage of equity interest	:	Richmind (100%)
Term	:	15 years (from 21 December 2005 to 21 December 2020)
Business Scope	:	The conduct of wholesale of, import and export of, and accessory business for, alcohol, packaging containers, glassworks, potteries, plastic products, construction materials (excluding steels), small household electrical appliances and electronic products (commodities subject to quota, permit or special regulations shall be administered according to the relevant national regulations)

(b) Silver Base Spirit (Shenzhen)

Date of establishment	:	28 August 2007
Total Investment	:	HK\$20,000,000
Registered Capital	:	HK\$20,000,000
Registered holder of equity interest and percentage of equity interest	:	Silver Base Spirit (100%)
Term	:	15 years (from 28 August 2007 to 28 August 2022)
Business Scope	:	The conduct of wholesale of, import and export of, and accessory business for, alcohol, construction materials (excluding steels), household electrical appliances and electronic products (commodities subject to quota, permit or special regulations shall be administered according to the relevant national regulations); conduct of economic information consultancy. (Food hygiene permit expires on 29 July 2011; alcohol wholesale permit expires on 31 March 2010)

7. Repurchase of our own securities

This section includes information relating to the repurchase of our Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) *Relevant legal and regulatory requirements*

The Listing Rules permit our Shareholders to grant to our Directors a general mandate to repurchase our Shares that are listed on the Stock Exchange. The mandate is required to be given by way of an ordinary resolution passed by our Shareholders in a general meeting.

(b) *Shareholders' approval*

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

On 20 February 2009, our Directors were granted a general unconditional mandate to repurchase up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the Capitalisation Issue and the Global Offering (excluding Shares which may be allotted and issued under any options which may be granted under the Share Option Scheme or the Over-allotment Option) on the Stock Exchange or on any other stock exchange on which our securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. This mandate will expire at the earliest of (i) the conclusion of our next annual Shareholders' general meeting, (ii) the date by which our next Shareholders' general meeting is required by applicable laws and our Articles of Association to be held, or (iii) such mandate being revoked or varied by ordinary resolutions of our Shareholders in a general meeting (the "**Relevant Period**").

(c) *Source of funds*

Our repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with our Memorandum of Association and Articles of Association and the applicable laws of the Cayman Islands. We may not repurchase our Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, we may make repurchases out of our profit or out of the proceeds of a fresh issue of Shares for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of our Shares to be repurchased must be out of profits of our Company or out of our Company's share premium account. If authorised by our Articles of Association and subject to the Companies Law, repurchase may also be made out of capital.

(d) *Reasons for repurchases*

Our Directors believe that it is in our and our Shareholders' best interests for our Directors to have general authority to execute repurchases of our Shares in the market. The repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets per Share and/or earnings per Share and will only be made where our Directors believe that the repurchases will benefit us and our Shareholders.

(e) *Funding of repurchases*

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Memorandum of Association, Articles of Association, the Listing Rules, the Companies Law and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(f) *Share capital*

The exercise in full of the current Repurchase Mandate, on the basis of 1,200,000,000 Shares in issue immediately after the Capitalisation Issue and the Global Offering (without taking into account the exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option), could accordingly result in up to 120,000,000 Shares being repurchased by us during the Relevant Period.

(g) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any of our Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, our Memorandum of Association and Articles of Association, the Companies Law and any other applicable laws of the Cayman Islands.

If, as a result of any repurchase of our Shares, a Shareholder's proportionate interest in our voting rights is increased, the increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

No connected person (as defined in the Listing Rules) of the Company has notified us that he or it has a present intention to sell his or its Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of material contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

- (a) the sale and purchase agreement, instrument of transfer, and bought and sold notes dated 25 January 2008 entered into between Kauri Wood and Richmind for the transfer of 500 shares in Silver Base Spirit to Richmind for HK\$500;
- (b) the sale and purchase agreement, instrument of transfer, and bought and sold notes dated 25 January 2008 entered into between Mr Hawila and Richmind for the transfer of 2,800 shares in Silver Base Spirit to Richmind for HK\$2,800;
- (c) the sale and purchase agreement, instrument of transfer, and bought and sold notes dated 25 January 2008 entered into between Mr To and Richmind for the transfer of 1,000 shares in Silver Base Spirit to Richmind for HK\$1,000;
- (d) the deed of assignment dated 25 January 2008 entered into between Kauri Wood and Richmind for the assignment of the shareholders' loan due by Silver Base Spirit to Kauri Wood for HK\$4,004,621.96;
- (e) the deed of assignment dated 25 January 2008 entered into between Mr Hawila and Richmind for the assignment of the shareholders' loan due by Silver Base Spirit to Mr Hawila for HK\$22,425,928.96;
- (f) the deed of assignment dated 25 January 2008 entered into between Mr To and Richmind for the assignment of the shareholders' loan due by Silver Base Spirit to Mr To for HK\$8,009,193.91;
- (g) the 20 trade mark assignment agreements dated 21 January 2008 between Silver Base Trading (Shenzhen) and Silver Base (Holdings) for trademarks that are in a process of application for registration in the PRC by Silver Base (Holdings) as set out in the section headed "Intellectual property rights" below for nil consideration;
- (h) the trade mark licence agreement dated 10 March 2008 among Silver Base (Holdings), Silver Base Development, Richmind, Silver Base Trading (Shenzhen), Silver Base Tobacco, Silver Base Spirit and Silver Base Spirit (Shenzhen) under which the trademarks listed in the agreement are licensed to the use for any member of the Group at a fixed fee of HK\$10 for the duration of the trademarks;
- (i) the share purchase agreement, instruments of transfer, and bought and sold notes dated 4 June 2008 entered into between Mr Liang as seller and Richmind as buyer in relation to the acquisition of the entire issued share capital of Silver Base Development by Richmind from Mr Liang and Mr Liang Guoning for HK\$1.00 per share;
- (j) the sale and purchase agreement, instruments of transfer, and bought and sold notes dated 4 June 2008 entered into among Mr Liang and Mr Liang Guofeng sellers and Richmind as buyer in relation to the acquisition of the entire issued share capital of Silver Base Tobacco by Richmind from Mr Liang and Mr Liang Guofeng for HK\$1.00 per share;

- (k) the share purchase agreement, instrument of transfer, and bought and sold notes dated 4 June 2008 entered into among Mr Liang as seller and Richmind as buyer in relation to the acquisition of 57% of the issued share capital of Silver Base Spirit by Richmind from Mr Liang for HK\$1.00 per share;
- (l) the share swap agreement dated 23 June 2008 entered into among Mr Liang, Yinji Investments and our Company, and the instrument of transfer between Mr Liang and our Company dated 26 September 2008 in relation to the acquisition of the entire issued share capital of Richmind by us from Mr Liang for 3,799,999 Shares issued by us (at the direction of Mr Liang) to Yinji Investments, which is wholly-owned by Mr Liang;
- (m) the deed of indemnity dated 25 March 2009 given by Mr Liang and Yinji Investments in favour of our Company, pursuant to which Mr Liang and Yinji Investments jointly and severally provided taxation indemnities for the benefit of our Company (for itself and as trustee for its subsidiaries);
- (n) the deed of non-competition dated 25 March 2009 given by the Controlling Shareholders (being Mr Liang and Yinji Investments) in favour of our Company (for itself and as trustee for its subsidiaries from time to time) regarding the non-competition undertaking as more particularly set out in the section "Relationship with Controlling Shareholders" in this prospectus; and
- (o) the Hong Kong Underwriting Agreement dated 27 March 2009 entered into among our Company, Mr Liang, Yinji Investments, and UBS in relation to the underwriting of the Hong Kong Public Offering by the Hong Kong Underwriters as referred to in the section headed "Underwriting" in this prospectus.

2. Intellectual property rights

(a) Trademarks






As at the Latest Practicable Date, we obtained licences to use the following trademarks in Hong Kong:

Trademark	Registered owner	Place of registration	Expiry date	Classes	Registration number
	Silver Base (Holdings) ¹	Hong Kong	15 July 2017	35, 36, 39, 43 and 45	300912456
	Silver Base (Holdings) ¹	Hong Kong	15 July 2017	35, 36, 39, 43 and 45	300912465
Silver Base	Silver Base (Holdings) ¹	Hong Kong	15 July 2017	35, 36, 39, 43 and 45	300912474
	Silver Base (Holdings) ¹	Hong Kong	15 July 2017	35, 36, 39, 43 and 45	300912483
	Silver Base (Holdings) ¹	Hong Kong	15 July 2017	35, 36, 39, 43 and 45	300912519

Note:

¹ We obtained a licence from Silver Base (Holdings) to use the respective trademark under a trade mark licence agreement dated 10 March 2008.

As at the Latest Practicable Date, we entered into a licence agreement for the use of the following trademarks in the PRC:

Trademark	Applicant	Intended place of registration	Expiry date	Class	Registration number
銀基	Silver Base (Holdings) ¹	The PRC	Date pending	35	6149360
銀基	Silver Base (Holdings) ¹	The PRC	Date pending	36	6149356
銀基	Silver Base (Holdings) ¹	The PRC	Date pending	39	6149352
銀基	Silver Base (Holdings) ¹	The PRC	Date pending	43	6149365
銀基	Silver Base (Holdings) ¹	The PRC	Date pending	45	6149361
Silver base	Silver Base (Holdings) ¹	The PRC	Date pending	35	6149343
Silver base	Silver Base (Holdings) ¹	The PRC	Date pending	36	6149359
Silver base	Silver Base (Holdings) ¹	The PRC	Date pending	39	6149355
Silver base	Silver Base (Holdings) ¹	The PRC	Date pending	43	6149351
Silver base	Silver Base (Holdings) ¹	The PRC	Date pending	45	6149364
Silverbase	Silver Base (Holdings) ¹	The PRC	Date pending	35	6149342
Silverbase	Silver Base (Holdings) ¹	The PRC	Date pending	36	6149358
Silverbase	Silver Base (Holdings) ¹	The PRC	Date pending	39	6149354
Silverbase	Silver Base (Holdings) ¹	The PRC	Date pending	43	6149367
Silverbase	Silver Base (Holdings) ¹	The PRC	Date pending	45	6149363
	Silver Base (Holdings) ¹	The PRC	Date pending	35	6149341
	Silver Base (Holdings) ¹	The PRC	Date pending	36	6149357
	Silver Base (Holdings) ¹	The PRC	Date pending	39	6149353
	Silver Base (Holdings) ¹	The PRC	Date pending	43	6149366
	Silver Base (Holdings) ¹	The PRC	Date pending	45	6149362

Note:

- ¹ The respective trademark (currently under an application for registration in the PRC) has been assigned under a trade mark assignment agreement dated 21 January 2008 from Silver Base Trading (Shenzhen) to Silver Base (Holdings), from whom we obtained a licence to use the respective trademark under a trade mark licence agreement dated 10 March 2008.

(b) *Patents*

Patent	Registered Owner	Place of registration	Expiry date	Patent number
酒瓶(4)	Silver Base Trading (Shenzhen)	the PRC	21 August 2016	ZL200630137240.2
酒瓶(2)	Silver Base Trading (Shenzhen)	the PRC	10 August 2016	ZL200630129405.1

(c) *Domain names*

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain Name	Name of registered proprietor	Expiry Date
www.silverbase.com.cn	Silver Base Trading (Shenzhen)	13 July 2009
www.silverbase.com.hk	Silver Base Development	30 October 2010

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Disclosure of interests

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the Over-allotment Option and any options which may be granted under the Share Option Scheme), the interests of our Directors and chief executives of our Company in the equity or debt securities of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, under section 352 of the SFO, to be entered in the register referred to in that section, or under the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case, once the Shares are listed will be as follows:

Name of Director	Nature of Interest	Number and class of securities ¹	Approximate percentage of interest in our Company immediately after the Global Offering
Mr Liang	Interest in a controlled corporation ²	900,000,000 Shares (L) 45,000,000 Shares (S) ³	75%

Notes:

- The letters "L" and "S" denote the person's long and short position, respectively, in such Shares.
- Mr Liang is the beneficial owner of 100% of the issued share capital of Yinji Investments and is deemed to be interested in the Shares held by Yinji Investments by virtue of Mr Liang being entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Yinji Investments.
- These Shares will be the subject of the Stock Borrowing Agreement.

2. Substantial shareholders

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the Over-allotment Option or any options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, 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 our Company or any of our subsidiaries:

Name of Shareholder	Nature of Interest	Number of Shares ¹	Approximate percentage of interest in our Company immediately after the Global Offering
Yinji Investments	Beneficial interest	900,000,000 (L) 45,000,000 (S) ³	75%
Mr Liang	Interest in a controlled corporation ²	900,000,000 (L) 45,000,000 (S) ³	75%

Notes:

- 1 The letters "L" and "S" denote the person's long and short position, respectively, in such Shares.
- 2 Mr Liang is the beneficial owner of 100% of the issued share capital of Yinji Investments and is deemed to be interested in the Shares held by Yinji Investments by virtue of Mr Liang being entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Yinji Investments.
- 3 These Shares will be the subject of the Stock Borrowing Agreement.

3. Particulars of service contracts

(a) Executive Directors

Each of the executive Directors has entered into a service contract with our Company under which they agreed to act as executive Directors for an initial term of three years commencing from 12 September 2007 (except Ms Cheung Mei Sze who entered into a service agreement with us commencing from 6 March 2008). Either party has the right to give not less than three months' written notice to terminate the respective service contract.

Each of the executive Directors is entitled to a salary and bonus payment, allowance and benefits-in-kind, at the discretion of our Board. The aggregate annual salary of the four executive Directors is HK\$27.3 million.

(b) *Non-executive Directors and independent non-executive Directors*

Each of the non-executive Directors and independent non-executive Directors has entered into a service contract with our Company on 6 March 2008 for an initial term of three years. The aggregate annual fees payable to our non-executive Directors and independent non-executive Directors under the appointment letters is HK\$1.6 million.

(c) *Remuneration of Directors*

- (1) The aggregate amount of remuneration paid and benefits-in-kind granted to our Directors in respect of each of the three financial years ended 31 March 2008 and the six months ended 30 September 2008 were approximately HK\$16.4 million, HK\$16.5 million, HK\$23.6 million and HK\$11.0 million, respectively.
- (2) Under the existing arrangements currently in force, the aggregate remuneration payable to and benefits-in-kind received by our Directors in respect of the financial year ending 31 March 2009 are estimated to be approximately HK\$25.3 million.
- (3) A discretionary bonus in the aggregate amount of HK\$1.2 million was paid to the non-executive Director and the three independent non-executive Directors for their services rendered during the financial year ending 31 March 2009.

Save as disclosed in this prospectus, none of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

4. Fees or commissions received

Save as disclosed in this prospectus, none of our Directors nor any of the persons whose names are listed in the paragraph headed "Consents" in this appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of our Company or any of our subsidiaries from our Company within the two years preceding the date of this prospectus.

5. Related party transactions

During the two years preceding that date of this prospectus, we were engaged in related party transactions as described under the section headed "Connected Transactions" and note 30 of section II to the Accountants' Report set out in Appendix I to this prospectus.

6. Interest in our largest suppliers or customers

Save as disclosed in this prospectus, none of our Directors nor their associates, nor any Shareholder (which to the knowledge of our Directors owns more than 5% of our Company's share capital) has any interest in our five largest suppliers or our five largest customers.

7. Personal guarantees

Mr Liang and Silver Base (Holdings) have provided personal guarantees in favour of certain banks for banking facilities granted to certain members of our Group. Our Directors confirm that all such guarantees will be released and replaced by corporate guarantees and/or other collaterals provided by our Company and/or other members of our Group upon the Listing.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted under the written resolutions of our sole Shareholder passed on 20 February 2009:

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive for the Qualified Participant (defined below) to work with commitment towards enhancing the value of our Company and our Shares for the benefit of our Shareholders and to retain and attract persons whose contributions are or may be beneficial to the growth and development of our Group.

2. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

Our Board may at its discretion grant options to (i) any executive director, or employee (whether full time or part time) of our Company, any member of our Group or any entity in which any member of our Group holds an equity interest ("**Invested Entity**"); (ii) any non-executive directors (including independent non-executive directors) of our Company, any member of our Group or any Invested Entity ((i) and (ii) collectively, the "**Eligible Employees**"); (iii) any supplier of goods or services to our Company, any member of our Group or any Invested Entity; (iv) any customer of our Company, any member of our Group or any Invested Entity; and (v) any such persons (including but not limited to consultant, adviser, contractor, business partner or service provider of our Company or any member of our Group or any Invested Entity) who in the absolute discretion of the Board has contributed or will contribute to our Group (individually, the "**Qualified Participant**", and collectively, the "**Qualified Participants**").

3. Status of the Share Option Scheme

(a) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to: (i) the commencement of dealing in the Shares on the Stock Exchange; (ii) the passing of the necessary resolutions to adopt the Share Option Scheme by our Shareholders; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms or otherwise; and (iv) the Listing Committee approving the listing of, and permission to deal in, any Shares to be allotted and issued under the exercise of options under the Share Option Scheme (the "**Conditions**").

Application has been made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares which fall to be issued under the exercise of any options which may be granted under the Share Option Scheme.

(b) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for 10 years (the "**Scheme Period**") from the date on which the last of the Conditions is fulfilled, after which time no further option may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects.

4. Grant of options

(a) *Making of offer*

An offer of the grant of an option shall be made to a Qualified Participant by letter (the "**Offer Letter**") in such form as our Board may in its sole and absolute discretion from time to time determine, requiring the Qualified Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme (including any operational rules made under the Share Option Scheme). The offer shall remain open for acceptance for a period of five business days from the date on which it is made provided that no such offer shall be open for acceptance after the expiry of the Scheme Period or after the termination of the Share Option Scheme. Unless otherwise determined by our Board and stated in the Offer Letter, there shall be no general performance target for the vesting or exercise of options.

(b) *Acceptance of an offer*

An option shall be deemed to have been granted to, and accepted by, the Qualified Participant (the "**Grantee**") and to have taken effect upon the issue of an option certificate after the duplicate letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favour of our Company of HK\$1 by way of consideration for the grant of the option shall have been received by our Company on or before the last day for acceptance set out in paragraph 4(a) above. The remittance is not in any circumstances refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Grantee.

(c) *Restrictions on time of grant*

(i) No grant of options shall be made after a price sensitive event in relation to the securities of our Company has occurred or a price sensitive matter in relation to the securities of our Company has been the subject of a decision, until the price sensitive information has been announced under the requirements of the Listing Rules. In particular, no option shall be granted during the period commencing one month immediately preceding the earlier of:

- (1) the date of our Board meeting as shall have been notified to the Stock Exchange for the approval of our Company's results for any year, half-year or quarterly or any other interim period (whether or not required under the Listing Rules); and
- (2) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(ii) No grant of options shall be made to a Qualified Participant who is a Director during a period in which our Directors are prohibited from dealing in Shares under the Model Code for Securities Transactions by Directors of Listed Issuers or our Company's own equivalent code.

(d) *Grant to connected persons*

Any grant of options to a connected person must be approved by all the independent non-executive Directors (excluding any independent non-executive Director who is also a proposed Grantee of the options).

(e) *Grants to substantial shareholders and independent non-executive Directors*

Without prejudice to paragraph 4(d) above, any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by our Shareholders in general meeting if the Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12 month period up to and including the proposed date of such grant:

- (i) would represent in aggregate more than 0.1% of the Shares then in issue; and
- (ii) would have an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million (or such other amount as shall be permissible under the Listing Rules from time to time).

(f) *Proceedings in general meeting to approve the grant of option*

At the general meeting to approve the proposed grant of options under paragraph 4(d), all connected persons of our Company must abstain from voting unless he intends to vote against the proposed grant. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the relevant provisions of the Listing Rules.

5. **Subscription price**

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the "**Subscription Price**") shall, subject to any adjustment under paragraph 7 below, be a price determined by our Board in its sole and absolute discretion but in any event shall be at least the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the option is offered (the "**Offer Date**");
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and
- (iii) the nominal value of the Shares,

except that for the purpose of calculating the Subscription Price under paragraph 5(ii) above for an option offered within five business days of the Listing Date, the price at which the Shares are to be offered for subscription under the Global Offering shall be used as the closing price for any business day falling within the period before the Listing Date.

6. Maximum number of Shares available for subscription*(a) Scheme Mandate*

Subject to paragraphs 6(b) and 6(c) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed the number of Shares as shall represent 10% of the total number of Shares in issue as at the Listing Date (excluding Shares which may be allotted or sold under the Over-allotment Option) ("**Scheme Mandate**") which is expected to be 120,000,000 Shares. For the purpose of calculating the Scheme Mandate, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted in calculating the 10% limit.

(b) Renewal of Scheme Mandate

Our Company may seek approval by our Shareholders in general meeting for renewing the Scheme Mandate provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes of our Company under the Scheme Mandate as renewed must not exceed 10% of the total number of Shares in issue as at the date of Shareholders' approval. Options previously granted under the Share Option Scheme and any other share option schemes of our Company, whether outstanding, cancelled or lapsed in accordance with its applicable rules or already exercised, will not be counted for the purpose of calculating the limit as renewed.

For the purpose of seeking the approval of our Shareholders under this paragraph 6(b), a circular containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules must be sent to our Shareholders.

(c) Grant of options beyond Scheme Mandate

Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the Scheme Mandate provided that the options in excess of the Scheme Mandate are granted only to Qualified Participants who are specifically identified before such approval is sought.

For the purpose of seeking the approval of our Shareholders under this paragraph (6)(c), our Company must send a circular to our Shareholders containing a generic description of the specified Grantees who may be granted such options, the number and terms of the options to be granted, the purpose of granting such options to the Grantees with an explanation as to how the terms of options serve such purpose and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer as required under Rule 17.02(4) of the Listing Rules.

(d) Maximum number of Shares issued under Options

Notwithstanding anything to the contrary in the Share Option Scheme, the maximum limit on the number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company must not exceed such number of Shares as shall represent 30% of the Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

Shares issued or transferred under options or other rights granted upon assumption of, or in substitution for, outstanding awards previously granted by a company or other entity acquired by our Company or with which our Company combines shall not count against the limits in this paragraph (6)(d).

(e) *Grantee's maximum holding*

Unless approved by our Shareholders in general meeting in the manner prescribed in the Listing Rules, our Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that Grantee on exercise of his options during any 12-month period exceeding 1% of the total Shares then in issue.

Where any further grant of options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such Grantee (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant exceeding 1% of the total number of Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Grantee and his associates abstaining from voting. Our Company must send a circular to our Shareholders and the circular must disclose the identity of the Grantee, the number and terms of the options to be granted and options previously granted to such Grantee and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the Subscription Price) of the options to be granted to such Qualified Participant must be fixed before our Shareholders' approval. The date of the meeting of our Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the Subscription Price.

(f) *Adjustment*

The number of Shares subject to the options and to the Share Option Scheme may be adjusted in such manner as our Company's independent financial adviser or auditors (acting as expert and not as arbitrator) shall certify in writing to our Board to be in its opinion fair and reasonable in accordance with paragraph 7(b) below.

7. Reorganisation of capital structure

(a) *Adjustment of options*

In the event of any alteration in the capital structure of our Company whilst any option becomes or remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), our Board shall make (and shall notify to the Grantee) such corresponding alterations (if any) in:

- (i) the number of Shares subject to any option so far as such option remains unexercised;
- (ii) the Subscription Price; or

(iii) the number of Shares subject to the Share Option Scheme,

that are required to give each Grantee the same proportion of the share capital as that to which the Grantee was previously entitled (as interpreted in accordance with the Supplementary Guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes), but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value, provided that no adjustments to the Subscription Price and number of Shares should be made to the advantage of the Qualified Participants without specific prior approval of our Shareholders.

(b) *Auditor's or independent financial adviser certificate*

On any capital reorganisation other than a capitalisation issue, the auditors or an independent financial adviser shall certify in writing to our Board that the adjustments made by our Board under paragraph 7(a) above are in its opinion fair and reasonable.

8. Cancellation of options

Subject to the consent from the relevant Grantee, our Board may at its sole and absolute discretion cancel options previously granted to and yet to be exercised by a Grantee for the purpose of re-issuing new options to that Grantee provided that there are sufficient available unissued options under the Scheme Mandate as renewed from time to time (excluding such cancelled options) in accordance with the terms of the Share Option Scheme.

9. Assignment of options

An option is personal to the Grantee and shall not be transferable or assignable. No Grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so (except that the Grantee may nominate a nominee, of which the Grantee is the sole beneficial owner, in whose name the Shares issued under the Share Option Scheme may be registered provided that evidence of such trust arrangement between the Grantee and the nominee has been provided to the satisfaction of, and on terms acceptable by, our Board).

10. Rights attached to the Shares

The Shares to be allotted upon exercise of an option will be subject to all the provisions of our Articles of Association and will rank *pari passu* with the fully paid Shares in issue as from the day when the name of the Grantee is registered on the register of members of our Company (the "**Registration Date**"). Accordingly, the Shares will entitle the holders to participate in all dividends or other distributions paid or made on or after the Registration Date other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which is before the Registration Date.

A Share issued upon the exercise of an option shall not carry any voting rights until the registration of the Grantee or his nominee as the holder of the Share on the register of members of our Company.

Unless otherwise regulated by applicable law, a Grantee shall have no rights as a Shareholder with respect to any Shares covered by an option before such Grantee exercises the option.

11. Exercise of options*(a) General*

The period during which an option may be exercised in accordance with the terms of the Share Option Scheme (the "**Option Period**") shall be the period of time to be notified by our Board to each Grantee, which our Board may in its sole and absolute discretion determine, save such period shall not be more than ten years commencing on the Offer Date.

(b) Rights of Grantee upon his retirement or death

If the Grantee ceases to be a Qualified Participant by reason of retirement, death or disability, the option shall vest immediately at the date of cessation and the Grantee or his legal personal representative shall be entitled within a period of 12 months from the date of retirement or death (or within such longer period as our Board may determine) to exercise the option (to the extent not already exercised).

(c) Rights of Grantee upon his cessation of employment under certain circumstances

If the Grantee ceases to be a Qualified Participant for any reason other than his retirement or death or disability or the termination of his employment on one or more of the grounds specified in paragraph 12(iv) below or the termination of his business relation with the relevant member of our Group, the Grantee may exercise the option up to his or her entitlement at the date of cessation.

(d) Rights on a takeover

In the event of a general or partial offer, whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner, is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the option granted to them, Shareholders of our Company.

If such offer becomes or is declared unconditional, the Grantee shall be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to our Company in exercise of the option at any time before the expiry of the period of three business days following the date on which the offer becomes or is declared unconditional.

(e) Rights on a voluntary winding up

In the event a notice is given by our Company to our Shareholders to convene a general meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each of our Shareholders give notice to all Grantees (together with a notice of the existence of the provisions of this paragraph 11(e)). Upon receipt of such notice, each Grantee (or where permitted under paragraph 11(b) his or her legal personal representative(s)) shall be entitled to exercise all or any of the option (to the extent such option has become exercisable and not already exercised) at any time not later than two business days before the proposed general meeting of our Company by

giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given. Upon receipt of such notice together with the remittance by our Company, our Company shall as soon as possible and, in any event, no later than the business day immediately before the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid. The allotted Shares shall rank pari passu with all other Shares in issue on the date before the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.

(f) *Rights on a compromise or arrangement*

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice to the Grantee on the same day as it gives notice of the meeting to its shareholders or creditors to consider the compromise or arrangement. Upon receipt of the notice, the Grantee may, during the period commencing on the date of the notice and ending on the earlier of:

- (i) the date two calendar months after the date of the notice; and
- (ii) the date on which such compromise or arrangement is sanctioned by the court,

exercise the option (to the extent not already exercised), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall immediately be suspended. Our Company may require the Grantees to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the Grantees in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court) the rights of Grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full and shall upon the making of the order become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.

12. Lapse of options

An option whether vested or unvested shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraphs 11(b) to (f) above;

- (iii) in respect of a Grantee (being a Director or employee of our Group or Invested Entity) who ceases to be engaged by our Group or the Invested Entity by reasons other than termination of employment on grounds under paragraph 12(iv) below, the last date on which such Grantee was at work with our Group or the Invested Entity (whether salary is paid in lieu of notice or not);
- (iv) the date on which the Grantee (being a director or employee of our Group or Invested Entity) ceases to be a Qualified Participant by reason of the termination of his employment on any one or more of the following grounds:
 - (a) that he has been guilty of misconduct; or
 - (b) that he has committed an act of bankruptcy or has become insolvent or has made an arrangement or composition with creditors generally; or
 - (c) that he has been convicted of a criminal offence involving his integrity or honesty; or
 - (d) any misconduct based on the sole and absolute option of our Company.

A resolution of our Board or the board of directors of the relevant subsidiary of our Company or of the Invested Entity to the effect that the employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph 12(iv) shall be conclusive;

- (v) in the event of the Grantee not being a Director or employee of our Group or Invested Entity, the date on which our Board in its sole and absolute discretion resolves that such Grantee ceases to be qualified as a Qualified Participant by reason of termination of its business relation with the relevant member of our Group or by reason of its failure to comply with the provisions of the relevant contracts or agreements and/or its breaches of its fiduciary duties under common law or otherwise on other grounds as our Board considers appropriate;
- (vi) the date on which the Grantee commits a breach of paragraph 9 above;
- (vii) if an option is granted subject to certain conditions, restrictions or limitation, the date on which our Board resolves that the Grantee has failed to satisfy or comply with such conditions, restrictions or limitation; and
- (viii) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Letter, if any.

13. Amendment of the Share Option Scheme

- (a) *Amendments requiring Board approval*

Any amendment to the Share Option Scheme other than those set out in paragraph 13(b) below must be approved by the majority of our Board or the scheme administrator of our Company.

(b) Amendments requiring Shareholder approval

Subject to paragraphs 13(c) and (d), the following matters require the prior sanction of a resolution of our Shareholders in general meeting:

- (i) any change to the provisions relating to:
 - (1) the purpose of the Share Option Scheme;
 - (2) the definitions of "Grantee", "Option Period", "Qualified Participant" and "Scheme Period" contained in the Share Option Scheme;
 - (3) the provisions relating the Scheme Period, the basis of eligibility for options, the making of offer, the contents of offer letter, the acceptance of an option, the Subscription Price, granting options to connected persons, the exercise of options, the lapse of options, the maximum number of Shares available for subscription, cancellation of options, reorganisation of capital structure, termination and amendments of the Share Option Scheme,

which operates to the advantage of Qualified Participants or Grantees;

- (ii) any change to the authority of our Board or the scheme administrator;
- (iii) any amendment to the terms and conditions of the Share Option Scheme which are of a material nature except where such amendment takes effect automatically under the existing terms of the Share Option Scheme; and
- (iv) any amendment to the terms of options granted except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

(c) Amendments requiring the super majority consent from the Grantees

Notwithstanding any approval obtained under paragraph 13(b) above, no amendment shall operate to adversely affect the terms of issue of any option granted or agreed to be granted before such amendment except with the consent or sanction in writing of such number of Grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to the options may be granted under the Share Option Scheme, except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

(d) Amendments requiring the approval of the Stock Exchange

Any amendment to the terms and conditions of the Share Option Scheme which are of a material nature shall first be approved by the Stock Exchange except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

14. Termination

Our Company may at any time terminate the operation of the Share Option Scheme by resolution of our Board or resolution of our Shareholders in general meeting and in such event no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects to the extent necessary to give effect to the exercise of the options (to the extent not already exercised or expired) granted before the termination or otherwise or may be required in accordance with the provisions of the Share Option Scheme. All options granted before the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

As at the date of this prospectus, no option has been granted by our Company under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnity

Mr Liang and Yinji Investments, being our Controlling Shareholders (together, the “**Indemnifiers**”), have entered into a deed of indemnity in favour of our Company (being a material contract referred to in the paragraph headed “Summary of material contracts” in this appendix) to provide the following indemnities in favour of our Company.

Under the deed of indemnity, among others, the Indemnifiers will indemnify each of the members of our Group against taxation falling on any member of our Group resulting from, or relating to or in consequence of, any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the date when the Global Offering becomes unconditional.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation where, among others, (a) provision has been made for such taxation in the audited accounts of our Group for the three financial years ended 31 March 2008 and the six months ended 30 September 2008; (b) the taxation falling on our Company and our subsidiaries in respect of any accounting period commencing on or immediately on or after 30 September 2008 unless liability for such taxation would not have arisen but for some event entered into by the Indemnifiers, our Company, our subsidiaries or any of them otherwise than in the course of normal day-to-day trading operations on or before the date on which the Global Offering becomes unconditional; and (c) the taxation arises or is incurred as a result of a retrospective change in law or regulation or its interpretation or practice by the relevant tax authority coming into force after the date on which the Global Offering becomes unconditional or to the extent that the taxation arises or is increased by an increase in rates of taxation as a result of a change in law or regulation or its interpretation or practice by the relevant tax authority after the date on which the Global Offering becomes unconditional with retrospective effect.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Cayman Islands, the BVI or the PRC.

2. Litigation

As at the date of this prospectus, save as disclosed in the paragraph headed “Legal proceedings and other legal matters” under the section headed “Business” in this prospectus, we are not involved in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group.

3. The Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including any additional Shares that may be sold under the Over-allotment Option and any Shares falling to be issued under the exercise of any options which may be granted under the Share Option Scheme.

4. Preliminary expenses

The estimated preliminary expenses incurred or proposed to be incurred by our Company are approximately HK\$92,000 and are payable by our Company.

5. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding to the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given to, or is proposed to be paid, allotted or given to, any promoter in connection with the Global Offering or the related transactions described in this prospectus.

6. Qualification of experts

The qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
UBS AG, acting through its division, UBS Investment Bank	Registered institution under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) regulated activities under the SFO
Ernst & Young	Certified Public Accountants
Vigers Appraisal & Consulting Limited	Property valuers
Fangda Partners	PRC legal advisers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law

7. Consents

Each of UBS, Ernst & Young, Vigers Appraisal & Consulting Limited, Fangda Partners and Conyers Dill & Pearman has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included in this prospectus in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Share register

The register of members of our Company will be maintained in the Cayman Islands by Butterfield Fund Services (Cayman) Limited and a Hong Kong share register of members will be maintained in Hong Kong by the Hong Kong Share Registrar. Unless our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the share register in Hong Kong and may not be lodged in the Cayman Islands.

9. Miscellaneous

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executives of our Company has any interests and short positions in our Shares, the underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, under section 352 of the SFO, to be entered into the register referred to in that section, or will be required, under the Model Code for Securities Transactions by Directors of Listed Companies to be notified to us and the Stock Exchange, in each case once our Shares are listed;
- (b) none of our Directors nor any of the parties listed in the paragraph headed "Consents" in this appendix has any direct or indirect interest in the promotion of our Company or any of our subsidiaries, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;
- (c) none of our Directors nor any of the parties listed in the paragraph headed "Consents" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

- (d) save for the Underwriting Agreements, none of the parties listed in the paragraph headed "Consents" in this appendix:
- (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities;
- (e) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought from any other stock exchange;
- (f) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (g) we have not issued or agreed to issue any founder shares, management shares or deferred shares;
- (h) we have no outstanding convertible debt securities;
- (i) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special items have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries and we have not issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (j) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in or debentures of our Company;
- (k) no amount or securities or benefit has been paid or allotted or given within the two years preceding the date of this prospectus to any of our promoters nor is any such securities or amount or benefit intended to be paid or allotted or given;
- (l) since 30 September 2008, there has been no material adverse change in the financial or trading position or prospects of our Company;
- (m) there is no arrangement under which future dividends are waived or agreed to be waived;
- (n) the Global Offering does not involve the exercise of any right of pre-emption or the transfer of subscription rights;
- (o) as at the date of this prospectus, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong;
- (p) there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 12 months preceding the date of this prospectus;

- (q) the English text of this prospectus shall prevail over the Chinese text; and
- (r) none of our Company or any of our subsidiaries is presently listed on any stock exchange or traded on any trading system.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus registered by the Registrar of Companies in Hong Kong were copies of the **WHITE, YELLOW** and **GREEN** Application Forms, the written consents referred to in the paragraph entitled "Consents" in Appendix VI to this prospectus, copies of the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix VI to this prospectus and other information required by section 342C of the Companies Ordinance.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Lovells at 11th Floor, One Pacific Place, 88 Queensway, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the Companies Law;
- (c) the Accountants' Report on our Group prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (d) the audited consolidated financial statements which have been prepared for our Group for the three financial years ended 31 March 2008 and the six months ended 30 September 2008;
- (e) the report on the unaudited pro forma financial information prepared by Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (f) the letters from each of the reporting accountants and the Sponsor relating to the profit forecast, the texts of which are set out in Appendix III to this prospectus;
- (g) the letter, the summary of valuation and valuation certificates prepared by Vigers Appraisal & Consulting Limited, the text of which is set out in Appendix IV to this prospectus;
- (h) the letter prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law as referred to in Appendix V to this prospectus;
- (i) the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix VI to this prospectus;
- (j) the service contracts referred to in the paragraph headed "Particulars of service contracts" in Appendix VI to this prospectus;
- (k) the rules of the Share Option Scheme;
- (l) the written consents referred to in the paragraph headed "Consents" in Appendix VI to this prospectus; and
- (m) the PRC legal opinion dated 30 March 2009 and issued by Fangda Partners, the PRC legal advisers of the Company.