



THE GRAND COURT OF THE CAYMAN ISLANDS

FINANCIAL SERVICES DIVISION

CAUSE NO. FSD 329 OF 2021 (DDJ)

IN THE MATTER OF THE COMPANIES ACT (2021 REVISION)

AND IN THE MATTER OF SILVER BASE GROUP HOLDINGS LIMITED

WINDING UP PETITION

TO: THE GRAND COURT OF THE CAYMAN ISLANDS

The humble petition of SILVER BASE GROUP HOLDINGS LIMITED (the “Petitioner” or the “Company”) of SIX, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands., shows that:

Background

1. The Company was incorporated in the Cayman Islands on 12 September 2007 as an exempted company with limited liability pursuant to the laws of Cayman Islands with registration number F0015573 and has its registered office at SIX, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
2. The Company has its principal place of business in Hong Kong at Unit 2501, 25th Floor, One Hennessy, 1 Hennessy Road, Hong Kong. The Company is listed on the Main Board of the Hong Kong Stock Exchange (“**HKSE**”) under stock code 886.
3. The authorized share capital of ordinary shares of the Company is HK\$10,000,000,000 divided into 100,000,000,000 shares at HKD 0.1 each.

4. The Company is an investment holding company which operates through its subsidiaries. The principal¹ subsidiaries of the Company are:-
 - (a) Silver Base International Development Co. Limited (“**Silver Base International**”), a company incorporated in Hong Kong, whose principal activity is international distribution of liquor and cigarette products;
 - (b) Richmind International Limited, a company incorporated in the BVI, whose principal activity is investment holding;
 - (c) Silver Base Investment Development Limited (“**Silver Base Investment**”), a company incorporated in Hong Kong, whose principal activity is trading wine.

5. The Group is primarily engaged in the distribution of liquor products, but does have interests in other sectors. The Group mainly operates through three segments, being (1) liquor segment; (2) cigarettes segment; and (3) property investment:
 - (a) The liquor segment is engaged in the distribution of Wuliangye liquor series, National Cellar 1573 baijiu with 43% alcohol content, Kweichow Moutai Chiew products, Fen Wine with 55% alcohol content liquor series, Red Fen Shijia liquor series, Yaxi Classic liquor series, Old Vintage liquor series, wine and foreign liquor series.
 - (b) The cigarettes segment is engaged in the distribution of Chinese cigarettes.
 - (c) The property investment segment is focused on purchasing residential property to generate rental income.

6. The Group mainly operates in the People’s Republic of China (“**PRC**”).

¹ Other subsidiaries of the Company are set out at pages 260-261 of the 2021 Annual Report of the Company

Board resolution

7. On 11 November 2021, the Company's board of directors resolved to present this winding up petition as it is expressly permitted to do pursuant to Article 162(1) of the Company's Articles of Association, thus complying with the provisions of Section 94(2) of the Companies Act (2021 Revision).

Financial Position

8. At the Group level, the total debt is HK\$1,080,470,570.33. The amount of debt already due by the Company and that the Company is unable to pay is approximately HK\$314,071,120.64 ("**Overdue Amount**").
9. The Company's creditors are located in Hong Kong and the PRC. Below is a table setting out the overdue debt amounts and the percentage of the same as compared to the Overdue Amount.

No.	Creditors	Amount Due	Percentage of Overdue Amount
1.	Bond Principal	HK\$115,900,000	36.90%
2.	Bond Interests	HK\$23,442,109.64	7.46%
3.	Hexagon Credit Limited	HK\$10,000,000.00	3.18%
4.	Directors' loan to the Company)	HK\$150,630,450.00	47.96%
5.	Accruals (placing fees)	HK\$14,098,561.00	4.49%
Total		HK\$314,071,120.64	100%

10. A summary of the make-up of the total debt and the creditors which have made demand for payment are set out in the below paragraphs.

Bond Principal and Bond Interests

11. From 20 April 2015 to 23 July 2021, for fundraising purposes, the Company issued and extended various bonds ("**Bonds**") with varying principal amounts to certain independent entities and individuals, with varying aggregate principal amounts which bear interest rates ranging from 6% to 8.5% per annum.
12. The Bonds are governed by the laws of Hong Kong. As at 30 September 2021:
 - (a) the total bond principal amount owed by the Company is approximately HK\$623.6 million, of which HK\$115.9 million ("**Bond Principal Debt**") has already fallen due; and
 - (b) the total bond interest owed by the Company is approximately HK\$23.4 million ("**Bond Interest Debt**").
13. Some of the current liabilities arising out of the Bonds carry default interest of 15% per annum, making it even more difficult for the Company to service the interest bearing bonds.
14. The Company has received several demands from bondholders claiming, as follows:-
 - (a) On 11 October 2021, Zhou Zhenhua ("**Zhou**"), a bondholder holding a bond of HK\$5 million of principal with interest at 7% per annum, which matured on 23 August 2021, commenced an action in the Hong Kong High Court (High Court Action no. 1549) against the Company for repayment of HK\$5 million bond principal, HK\$175,000 of bond interest accrued between February to August 2021, and interest on the same at 7% per annum accruing thereafter (together, the "**Zhou Debt**").
 - (b) On 30 September 2021, Huang Zeming, a bondholder holding a bond of HK\$10 million bond principal with bond interest at 7% per annum, issued

a statutory demand against the Company claiming repayment of a total of HK\$10.35 million (“**Huang Debt**”), which consists of HK\$10 million bond principal due on 23 July 2021 and HK\$350,000 in interest.

- (c) On 3 November 2021, Messrs. Robertsons (“**Robertsons**”), being the Hong Kong solicitors acting for Liu Zhenzen (“**Liu**”), a bondholder holding a bond of HK\$10 million of principal with interest at 8% per annum, issued a letter to the Company demanding that the Company pay the early redemption value owed by the Company (following Liu’s service of redemption notice to the Company), along with the interest accrued thereon under the default rate over the period of default (“**Liu Debt**”). According to the letter, the early redemption payment owed to Liu fell due on 13 July 2021. Robertsons indicated that, if the Company failed to effect full payment within 7 days of its letter, it had standing instructions to commence legal proceedings against the Company without further notice.
- (d) On 3 November 2021, Robertsons, being the Hong Kong solicitors acting for He Jichang (“**He**”) and Zhang Hulin (“**Zhang**”), issued a letter to the Company demanding that payment (as set out below) be made within 7 days, failing which it had standing instructions to commence legal proceedings against the Company without further notice.
- (i) With respect to a bond jointly held by He and Zhang, with principal of HK\$5.4 million and interest at 7% per annum which matured on 10 June 2021, the demand stated that the Company must pay HK\$5.4 million of principal together with HK\$189,000 interest (interest accrued at the default rate of 15% over the period of default from 10 June 2021 to 31 August 2021) (together, the “**He and Zhang Debt**”); and
- (ii) With respect to a bond solely held by Zhang, with principal of HK\$5.8 million and interest at 8% per annum, the Company pay the

early redemption payment (following Zhang's service of redemption notice to the Company on 22 April 2021), together with interest accrued thereon at default rate over the default period ("**Zhang Debt**"). According to the letter, the early redemption payment owed to Zhang already fell due on 22 May 2021.

- (e) On 3 November 2021, Wang Qi, a bondholder, issued a statutory demand against the Company for repayment of HK\$140,000 of bond interest overdue on 9 August 2021 ("**Wang Qi Debt**").
- (f) On 5 October 2021, Mo Fugui, holder of a bond with bond principal of HK\$4,100,000 and bond interest at 7% per annum which matured on 12 July 2021, filed a winding up petition with the Hong Kong court (action number: HCCW 372 of 2021) against the Company, with respect to the Company's failure to repay HK\$4,310,335 ("**Mo Fugui Debt**"). The hearing of the petition is currently scheduled to be heard on 15 December 2021. On or about 5 October 2021 the Company and Mo Fugui reached a settlement agreement that resulted in the Company fully paying off the Mo Fugui Debt and the Company and the solicitors acting for Mo Fugui signing and filing a consent summons with the Hong Kong court to jointly apply for an order by consent of the Hong Kong court, to withdraw the winding up petition filed by Mo Fugui against the Company on 5 October 2021 and to vacate the hearing scheduled for 15 December 2021. By a letter dated 15 October 2021, the Hong Kong Official Receiver's Office advised the solicitors acting for the Company that it did not object to the proposed withdrawal of the said winding up petition against the Company. Despite the signing and filing of the abovementioned consent summons by the parties of HCCW372 of 2021 to the Hong Kong court and the no objection by the Official Receiver to the proposed withdrawal of the said winding-up petition against the Company, the Hong Kong court has yet to make an order in terms of the abovementioned consent summons by the parties.

- (g) On 21 October 2021, Wang Jianfei, holder of a bond with bond principal of HK\$7 million and bond interest at 7% per annum which matured on 15 April 2021, filed a winding up petition with the Hong Kong court (HCCW 385 of 2021) against the Company, with respect to the Company's failure to repay HK\$5,177,013.70 ("**Wang Jianfei Debt**"). The hearing of the petition is currently scheduled to be heard on 29 December 2021. On or about 1 November 2021 the Company and Wang Jianfei reached a settlement agreement whereby the parties agreed to sign and file a consent summons with the Hong Kong court to jointly apply for an order by consent of the Hong Kong court, to withdrawn the winding up petition filed by Wang Jianfei against the Company on 21 October 2021 and the hearing scheduled for 29 December 2021 be vacated. The Company and the solicitors acting for Wang Jianfei are yet to sign the abovementioned consent summons. On 8 November 2021, the Company received a notice filed by Zhao Hongli, a creditor for HK\$8,300,000 of the Company ("**Zhao Hongli Debt**"), notifying that Zhao Hongli intended to appear on the hearing of the petition filed by Wang Jianfei scheduled for 29 December 2021.
15. As at the date of this Affirmation, the Bond Principal Debt and Bond Interest Debt (of which, in particular, the Zhou Debt, the Huang Debt, the Liu Debt, the Hu and Zhang Debt, the Zhang Debt, the Wang Qi Debt, the Wang Jianfei Debt and the Zhao Hongli Debt), remain due and outstanding. The Company accepts that these amounts are due and owing and it is currently unable to pay these debts.

Hexagon Credit Limited ("Hexagon")

16. On 31 May 2021, the Company entered into a loan agreement with Hexagon, a licensed money lender in Hong Kong, for an unsecured short term loan in the principal sum of HK\$10 million, with interest charged at 1.6667% per month and default interest charged at 1.6667% per month ("**Hexagon Debt**"). The principal and interest amounts of the Hexagon Debt were due to be repaid by 15 July 2021.

17. As at the date of this Affirmation, the Hexagon Debt remains due and outstanding. The Company accepts that it is currently unable to pay the Hexagon Debt.

Director's Loan to the Company

18. Dr. Liang Guoxing ("**Dr. Liang**"), Chairman and Chief Executive Officer of the Company, granted to the Company an unsecured and interest-free director's loan of HK\$150,630,450.00 ("**Director's Loan**") with no fixed term of repayment. No formal agreement was entered into with respect to the Directors' Loan and it is recorded on the Company's directors' current account.
19. On 5 October 2021, Dr. Liang served a statutory demand on the Company. Dr. Liang has not taken any steps to enforce it following service.
20. As at the date of this Affirmation, the Director's Loan remains due and outstanding. The Company accepts that it is currently unable to pay the Director's Loan.

The Accruals

21. The Company was indebted to various placing agents and sub-placing agents' accruals for HK\$14,098,561 ("**Accruals Debt**") in relation to placing fees due and payable by the Company to these placing agents and sub-placing agents for placing of certain Bonds to their holders.
22. As at the date of this Affirmation, the Accruals Debt remains due and outstanding. The Company accepts that it is currently unable to pay the Accruals Debt.

Techian International Development Limited ("Techian")

23. For completeness and to provide a full picture of the Group's position, Silver Base International, a wholly owned subsidiary of the Company, is also involved in proceedings before the Hong Kong courts.

24. On 7 September 2021, Silver Base International (a wholly owned subsidiary of the Company) was served with a winding-up petition filed by Techian (“**Techian Petition**”), as petitioner, against Silver Base International, in the Court of First Instance of the High Court in Hong Kong, for the sum of HK\$43,922,031.30 (“**Techian Debt**”), for the refund of a deposit paid by Techian to Silver Base for the supply of Wuliangye baijiu, together with a penalty in the form of interest in relation to its claim.
25. The hearing of the Techian Petition was heard on 10 November 2021. Silver Base International contested the Techian Petition at the hearing, on the basis that Techian was in breach of implied terms to only supply Wuliangye baijiu to the overseas market, and instead had re-shipped the Wuliangye baijiu back to the PRC market. As a result, Silver Base International has suffered damages which exceed the quantum of the Techian Debt.

The Petitioner therefore humbly prays that:

- (1) The Company be wound up by the Court pursuant to Section 92(d) of the Companies Act (2021 Revision).
- (2) Ms. CHAN Pui Sze and Ms. MAK Hau Yin Ha, both of Briscoe Wong Advisory Limited and Mr. Martin Nicholas John Trott of R&H Restructuring (Cayman) Ltd, be appointed as joint official liquidators of the Company (the “JOLs”) with the power to act jointly and severally.
- (3) The JOLs shall not be required to give security for their appointment.
- (4) The JOLs be authorised to exercise such of the powers specified in Part I of the Third Schedule to the Companies Act (2021 Revision) as the Court may direct.
- (5) No suit, action or other proceeding may be proceeded with or commenced against the Company except with the leave of the Court and subject to such terms as the Court may impose.

- (6) The remuneration and expenses of the JOLs be paid out of the assets of the Company in accordance with Part III of the Insolvency Practitioner's Regulations 2018 and Order 20 of the Companies Winding Up Rules, 2018.
- (7) No disposition of the Company's property by or with the authority of the JOLs in carrying out their duties and functions and exercise of their powers under this Order shall be voided by virtue of section 99 of the Companies Act (2021 Revision).
- (8) The JOLs be at liberty to appoint counsel, attorneys, and professional advisors, whether in the Cayman Islands or elsewhere as they may consider necessary to advise and assist them in the performance of their duties and on such terms as they may think fit and to remunerate them out of the assets of the Company.
- (9) The requirement to form a liquidation committee be dispensed with.
- (10) The JOLs be at liberty to apply generally.
- (11) The costs of this Petition shall be paid out of the assets of the Company, as an expense of the liquidation, to be taxed if not agreed.
- (12) Such further or other relief be granted as the Court deems appropriate.

AND your Petitioner will ever pray etc.

Dated this 11 day of November 2021

Conyers Dill & Pearman LLP

Conyers Dill & Pearman

Notice of Hearing

TAKE NOTICE THAT the hearing of this petition will take place at the Law Courts, George Town, Grand Cayman on the ____ day of _____ 2021 at _____ am/pm.

Any correspondence or communication with the Court relating to the hearing of this petition should be addressed to the Registrar of the Financial Services Division of the Grand Court at PO Box 495, Grand Cayman, KY1-1106, telephone 345 949 4296.