SILVER GRANT INTERNATIONAL INDUSTRIES LIMITED
銀建國際實業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 171)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the "Board") of Silver Grant International Industries Limited (the "Company") hereby announces that the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Property management fee income	2	**252,450**	220,376
Rental income	2	**120,280**	86,107
Sales of petrochemical products	2	**48,814**	30,759
		421,544	337,242
Cost of sales and services		**(223,723)**	(228,997)
		197,821	108,245
Dividend income from listed and unlisted securities	2	**5,216**	2,796
Other income, gains and losses	3	**79,151**	118,923
Change in fair value of held-for-trading investments		**(12,189)**	(41,956)
Administrative expenses		**(370,328)**	(297,833)
Other expenses	4	**(22,318)**	(19,124)
Gain on disposal of available-for-sale investments		**28,190**	758
Impairment loss recognised on available-for-sale investments		**—**	(4,323)
Change in fair value of investment properties		**69,995**	36,893
Change in fair value of loan receivable with embedded derivative		**75,778**	41,822
Finance costs	5	**(173,161)**	(47,990)
Change in fair value of structured finance securities		**103**	73
Loss on disposal of a subsidiary		**—**	(5,856)
Share of results of associates		**12,917**	(12,384)
Loss before taxation		**(108,825)**	(119,956)
Taxation	6	**(42,284)**	(9,861)
Loss for the year	7	**(151,109)**	(129,817)
Loss for the year attributable to:			
Owners of the Company		**(35,122)**	(65,777)
Non-controlling interests		**(115,987)**	(64,040)
		(151,109)	(129,817)
Loss per share (in HK dollar)			
— Basic	8	**(0.015)**	(0.029)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 *HK$'000*	2015 *HK$'000*
Loss for the year	**(151,109)**	(129,817)
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss:		
Gain arising on revaluation of leasehold properties	**14,608**	12,659
Exchange differences arising on translation	**(424,732)**	(397,163)
Income tax related to items that will not be reclassified	**(1,432)**	(1,020)
	(411,556)	(385,524)
Items that may be reclassified subsequently to profit or loss:		
Fair value gain (loss) arising on revaluation of available-for-sale investments	**28,173**	(19,102)
Impairment loss on available-for-sale investments recycled to profit for the year	**–**	4,323
Reclassified to profit or loss upon disposal of available-for-sale investments	**(28,190)**	(758)
Share of other comprehensive expense of associates	**(5,573)**	(10,535)
	(5,590)	(26,072)
Other comprehensive expense for the year (net of tax)	**(417,146)**	(411,596)
Total comprehensive expense for the year	**(568,255)**	(541,413)
Total comprehensive expense attributable to:		
Owners of the Company	**(433,084)**	(453,500)
Non-controlling interests	**(135,171)**	(87,913)
	(568,255)	(541,413)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Investment properties		**2,355,619**	2,443,340
Property, plant and equipment		**3,744,918**	3,956,367
Land use rights		**182,465**	199,615
Goodwill		**46,463**	46,463
Interests in associates		**865,037**	743,526
Structured finance securities		**6,831**	6,728
Available-for-sale investments		**288,903**	310,179
Loan receivable with embedded derivative		—	736,866
		7,490,236	8,443,084
Current assets			
Inventories		**98,928**	107,214
Held-for-trading investments		**146,668**	112,998
Trade receivables	*10*	**18,886**	12,950
Deposits, prepayments and other receivables		**697,014**	503,776
Amounts due from associates		**1,140,253**	1,149,637
Loan receivables		**407,682**	270,012
Pledged bank deposits		**1,730**	29,988
Bank balances and cash		**734,988**	459,665
		3,246,149	2,646,240
Assets classified as held-for-sale		—	205,628
		3,246,149	2,851,868
TOTAL ASSETS		**10,736,385**	11,294,952

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
EQUITY			
Capital and reserves			
Share capital		**3,626,781**	3,626,781
Reserves		**2,730,313**	3,163,397
Equity attributable to owners of the Company		**6,357,094**	6,790,178
Non-controlling interests		**233,711**	370,889
TOTAL EQUITY		**6,590,805**	7,161,067
LIABILITIES			
Non-current liabilities			
Borrowings		**1,487,075**	1,236,320
Deferred tax liabilities		**214,412**	196,128
		1,701,487	1,432,448
Current liabilities			
Trade and bills payables	*11*	**76,571**	273,792
Accrued charges, rental deposits and other payables		**717,056**	838,834
Borrowings		**1,621,026**	1,369,567
Taxation payable		**29,440**	16,828
		2,444,093	2,499,021
Liabilities associated with assets classified as held-for-sale		**—**	202,416
		2,444,093	2,701,437
TOTAL LIABILITIES		**4,145,580**	4,133,885
TOTAL EQUITY AND LIABILITIES		**10,736,385**	11,294,952
Net current assets		**802,056**	150,431
Total assets less current liabilities		**8,292,292**	8,593,515

NOTES:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. The Company has delivered the consolidated financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2016 to the Registrar of Companies in due course. The Company's auditor has reported on the consolidated financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for properties and certain financial instruments that are measured at revalued amounts or fair values as appropriate at the end of each reporting period.

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

Revenue from major products, investments and services is analysed as follows:

	2016	2015
	HK$'000	*HK$'000*
Property management fee income	**252,450**	220,376
Rental income	**120,280**	86,107
Dividend income from listed and unlisted securities	**5,216**	2,796
Sales of petrochemical products	**48,814**	30,759
	426,760	340,038

The Group is currently organised into six operating divisions: distressed assets business, investments (including the results from held-for-trading investments, available-for-sale investments, structured finance securities, loan receivable with embedded derivative and loan receivables), sales of properties, property leasing, property management and production and trading of petrochemical products. These operating divisions are the basis of the internal reports about components of the Group that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, in order to allocate resources to segments and to assess their performance. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

No segment assets or liabilities is presented as the chief operating decision maker does not regularly review segment assets and liabilities.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	Year ended 31 December 2016						
	Distressed assets business *HK$'000*	Investments *HK$'000*	Sales of properties *HK$'000*	Property leasing *HK$'000*	Property management *HK$'000*	Production and trading of petrochemical products *HK$'000*	Consolidated *HK$'000*
Revenue	—	5,216	—	120,280	252,450	48,814	426,760
Segment (loss) profit	(1)	113,804	(57)	143,372	5,982	(213,951)	49,149
Other unallocated income, gains and losses							58,546
Corporate expenses							(56,276)
Finance costs							(173,161)
Share of results of associates							12,917
Loss before taxation							(108,825)

	Year ended 31 December 2015						
	Distressed assets business *HK$'000*	Investments *HK$'000*	Sales of properties *HK$'000*	Property leasing *HK$'000*	Property management *HK$'000*	Production and trading of petrochemical products *HK$'000*	Consolidated *HK$'000*
Revenue	—	2,796	—	86,107	220,376	30,759	340,038
Segment (loss) profit	(4)	34,499	(39)	68,737	(19,130)	(150,190)	(66,127)
Other unallocated income, gains and losses							73,373
Corporate expenses							(66,828)
Finance costs							(47,990)
Share of results of associates							(12,384)
Loss before taxation							(119,956)

Segment (loss) profit represents the results of each segment without allocation of items which are not actively reviewed by the chief operating decision maker, including other unallocated income, gains and losses, comprising interest income other than those from loan receivables, net foreign exchange loss, net gain (loss) on disposal of corporate property, plant and equipment and certain miscellaneous unallocated income. The unallocated corporate expenses, finance costs and share of results of associates are not allocated into individual segment as they are under central management. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

3. OTHER INCOME, GAINS AND LOSSES

	2016 *HK$'000*	2015 *HK$'000*
Interest income		
— bank deposits	**6,034**	13,234
— amounts due from an associate	**52,258**	55,763
— loan receivables	**16,755**	41,300
— others	**2,774**	13,732
Commission income	**3,095**	3,290
Net foreign exchange loss	**(3,323)**	(8,878)
Net gain (loss) on disposal of property, plant and equipment	**149**	(566)
Government grant *(Note)*	**826**	1,225
Others	**583**	(177)
	79,151	118,923

Note: During the year ended 31 December 2016 and 2015, amount mainly represents for non-recurring reward received from the People's Republic of China (the "PRC") tax bureau to recognise the Group's significant contribution of tax in prior years.

4. OTHER EXPENSES

Starting from the second half of the year ended 31 December 2013, the Group's subsidiary Tai Zhou United East Petrochemical Company Limited ("TZ United East") voluntarily suspended production due to shortage of raw materials. Direct costs, such as wages, depreciation expenses, consumables and other direct attributable costs incurred by TZ United East during this suspended period were recognised to profit or loss as other expenses for both years.

5. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**123,740**	121,416
Interest on other loans wholly repayable within five years	**49,421**	37,755
Total	**173,161**	159,171
Less: Amounts capitalised in the cost of qualifying assets	**—**	(111,181)
	173,161	47,990

Borrowing costs capitalised during the year ended 31 December 2015 were specifically related to expenditure on qualifying assets.

6. TAXATION

	2016	2015
	HK$'000	*HK$'000*
Tax charge (credit) comprises:		
PRC Enterprise Income Tax — current tax	**25,358**	1,838
PRC Enterprise Income Tax — under (over) provision in prior year	**74**	(1,196)
	25,432	642
Deferred taxation:		
— current year	**16,852**	9,219
Tax charge attributable to the Company and its subsidiaries	**42,284**	9,861

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both years. No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries in Hong Kong incurred tax losses.

The taxation charge of the PRC Enterprise Income Tax for the year has been made based on the Group's estimated assessable profits calculated in accordance with the relevant income tax laws applicable to the subsidiaries in the PRC.

The withholding tax arisen from dividend income received from a PRC subsidiary is calculated at 5%.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of PRC subsidiaries is 25% from 1 January 2008 onwards.

7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	2016	2015
	HK$'000	*HK$'000*
Auditor's remuneration	**2,800**	2,800
Cost of inventories recognised as an expense	**47,947**	52,818
Depreciation for property, plant and equipment	**69,424**	39,814
Release of land use rights	**4,194**	4,487
Operating lease rentals in respect of land and buildings	**2,999**	598
Staff costs including directors' and chief executive's remuneration	**222,858**	191,114
Rental income under operating leases for investment properties, less outgoings of HK$5,675,000 (2015: HK$5,572,000)	**(114,605)**	(80,535)

8. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	2016	2015
	HK$'000	*HK$'000*
Loss:		
Loss for the purpose of basic loss per share (loss for the year attributable to owners of the Company)	**(35,122)**	(65,777)

	2016	2015
	In thousand	*In thousand*
Number of shares:		
Weighted average number of shares for the purpose of basic loss per share	**2,304,850**	2,304,850

No diluted loss per share were presented as the Company has no potential ordinary shares for the year ended 31 December 2016 and 2015.

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2016, nor has any dividend proposed since the end of the reporting period (2015: final dividend of 2014, paid HK$0.05 per share, in aggregate of approximately HK$115,242,000).

10. TRADE RECEIVABLES

The Group allows a credit period of 30 to 60 days to its trade customers.

The following is an aged analysis of trade receivables presented based on the invoice dates at the end of the reporting period which approximated the respective revenue recognition dates:

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**12,074**	1,611
31 to 90 days	**2,432**	2,551
91 to 180 days	**1,412**	5,065
181 to 360 days	**1,403**	3,723
Over 360 days	**1,565**	—
	18,886	12,950

11. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bill payables presented based on the invoice dates at the end of the reporting period:

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**23,998**	40,880
31 to 90 days	**13,424**	11,451
91 to 180 days	**2,772**	148,842
181 to 360 days	**2,816**	14,236
Over 360 days	**33,561**	58,383
	76,571	273,792

As at 31 December 2015, the balance includes an aggregated amount of approximately HK$142,294,000 in relation to the purchase of raw materials from an associate, which were non-interest bearing, repayable within one year and secured by the Group's pledged bank deposits of approximately HK$29,988,000.

REVIEW OF RESULTS

Loss for the year attributable to owners of the Company was approximately HK$35.1 million (2015: HK$65.8 million). Basic loss per share was HK$0.015 (2015: HK$0.029).

The loss attributable to owners of the Company in 2016 recorded a significant decrease of approximately 47% as compared with that of last year. The main reasons were detailed below:

The increase in the Group's major source of income in 2016 was approximately HK$94.5 million in aggregate (including increase in fair value gain on investment properties amounting to approximately HK$33.1 million, increase in gain on disposal of available-for-sale investments amounting to approximately HK$27.4 million and increase in fair value gain on loan receivable with embedded derivative amounting to approximately HK$34.0 million) was not enough to compensate the significant increase in the loss of TZ United East.

In the current year, TZ United East recorded a prominent increase in after tax loss to approximately HK$357.8 million (2015: HK$185.2 million). Increase in loss was mainly attributable to the fact that TZ United East was still in a non-producing condition for a majority time during the year, significant operating loss was thus incurred due to accumulation of operating expenses in the absence of revenue generated from production. Moreover, the construction of the 1.6 million tons per year heavy oil production facility (the "Binjiang Project") by TZ United East was completed and transferred to fixed asset in the current year, the cessation of capitalising loan interest and certain direct expenses in respect of the qualifying assets and commencement to provide for depreciation in respect of the assets had further increased TZ United East's total losses in the current year.

OUTLOOK

A slower China growth coupled with the expectation that United States will continuously raise its interest rates and will adopt protective policies to encourage domestic economy, Hong Kong and China will continue to stay in the stage of adjustments, particularly in the high-end retail sector and the real estate sector. The Board expects the money and the stock market will remain volatile. Year 2017 will face a challenging macro outlook and will be another year of continued adjustments.

The Board believes the China authorities have appropriate tools to support growth and the financial system if necessary for the purpose of maintaining the target economic growth rate. In a tough operating environment in 2017, the Board will continue to focus on execution of its business plans and strategies.

CHANGES IN CONSOLIDATED STATEMENT OF PROFIT OR LOSS ITEMS:

Property Management Fee Income

Increase in property management fee income was mainly due to the management fee income increased upon renovation of certain management projects. Moreover, the Group has carried out an extensive review on property management operations to cope with the replacement of business tax by value-added tax policy which took effect from 1 May 2016.

Rental Income

The increase in rental income was mainly due to continuous improvement in occupation rates and increase in rental rates upon renewal of tenancy agreements. Moreover, the Group has carried out an extensive review on rental operations to cope with the replacement of business tax by value-added tax policy which took effect from 1 May 2016.

Other Income, Gains and Losses

Decrease was mainly due to decrease in interest income from loan receivable amounting to approximately HK$24.5 million as a result of reduction in average loan balance following partial repayments and reduction in interest rates.

Administrative Expenses

Increase was mainly attributable to the increase in administrative expenses of TZ United East in current year. The increased expenses mainly include increase in depreciation amounting to approximately HK$30.0 million resulted from the transfer of the Binjiang Project to fixed asset, increase in staff costs amounting to approximately HK$30.5 million as a result of increase in number of staff and the cessation of capitalising certain staff costs and increase in electricity and steam expenses amounting to approximately HK$37.4 million which was not qualified for capitalising in construction in progress.

Change in fair value of loan receivable with embedded derivative

Loan receivable with embedded derivative represent the exchangeable bond issued by China Uranium Development Company Limited (“CUDC”) to the Company on 1 June 2012 with a term of five years and coupon interest at 5% per annum and is exchangeable into certain quantities of the listed shares of CGN Mining Company Limited (Stock code: 1164) upon fulfillment of certain conditions (the “Bond”). CUDC early redeemed all the principal amount outstanding under the Bond on 6 May 2016 in cash, thus a fair value gain of approximately HK$76.0 million was recognised by the Company.

Finance costs

Increase was mainly due to increase in average loan outstanding balance and payment of handling charges amounting to approximately HK$2.5 million in aggregate in respect of new bank loans raised during the current year. Moreover, TZ United East ceased to capitalize the relevant bank loan interest following the completion of the construction of the Binjiang Project which had caused a significant increase in interest expenses during the year.

Share of results of associates

Share of results of associates change from a net loss in last year to a net profit in current year. The main reason was profit contribution from Zhong Hai You Qi (Taizhou) Petrochemical Company Limited ("Zhong Hai You Qi") for the current year was approximately HK$29.0 million which amount exceed the aggregated loss of the other associates. Profit contribution from Zhong Hai You Qi in last year was only approximately HK$5.9 million which was not enough to compensate the aggregated loss of other associate.

Taxation

Increase was mainly due to additional provision on deferred tax made in respect of increase in the fair value of investment properties and the withholding tax on dividend income received from a PRC subsidiary.

Non-controlling interest

Decrease was mainly due to sharp increase in loss shared by the minority shareholders of TZ United East during the year.

CHANGES IN ITEMS ON CONSOLIDATED STATEMENT OF FINANCIAL POSITION:

Investment properties

Decrease in carrying value was mainly due to the exchange loss recognised amounting to approximately HK$157.7 million upon the change in exchange rates, which was deducted directly in reserve was larger than the increase in the fair value in current year amounting to approximately HK$70.0 million.

Property, Plant and Equipment

Decrease in carrying value was mainly due to exchange loss recognised amounting to approximately HK$248.4 million upon the change in exchange rates, which was deducted directly in reserve.

Interests in Associates

The increase was mainly due to the capital injection, on a pro rata basis, to an associate Zhong Hai You Qi amounting to approximately RMB136.9 million (equivalent to approximately HK$158.9 million) made by the Group during the year.

Loan Receivable with Embedded Derivative

The loan receivable with embedded derivative has been early redeemed by the issuer on 6 May 2016.

Held-for-trading Investments

Increase was mainly due to acquisition of new shares which are listed in Hong Kong during the year for short term trading and hold until the end of the reporting period.

Deposits, Prepayments and Other Receivables

The increase was mainly due to the advance of HK$100.0 million to a business partner as working capital during the year.

Loan Receivables

These were loans made to certain independent borrowers for the purpose of utilising a portion of the Group's idle funds for better returns and to increase interest income in the prevailing low deposit rates era. The increase was mainly due to advance of US$20.0 million (equivalent to approximately HK$155.5 million) short-term working capital to an independent third party which is guaranteed by non-controlling shareholder of TZ United East by the end of the year.

Trade and Bills Payables

Decrease was mainly due to settlement of the bill payables amounting to approximately HK$142.3 million in respect of raw materials acquired from an associate by the end of 2015 during the year.

Accrued Charges, Rental Deposits and Other Payables

Decrease was mainly due to partial settlement of the retention money and balances of payment in respect of the Binjiang Project made by TZ United East during the year. At 31 December 2016, the carrying balances of the retention money and balance amounted to approximately HK$289.0 million in aggregate, decreased by approximately HK$218.8 million as compared with that of 2015. Moreover, receipts in advance at the year end of 2016 was increased by approximately HK$75.1 million as compared to that at the year end of 2015, which partially compensated the effect of settlement of retention money and balance of payment.

Borrowings

	2016	2015
	HK$'000	*HK$'000*
Carrying balances under non-current liabilities	**1,487,075**	1,236,320
Carrying balances under current liabilities	**1,621,026**	1,369,567
Total	**3,108,101**	2,605,887

Increase in total borrowings was mainly due to the Group had obtained new banking facilities during the year and utilized it to finance the working capital needs of TZ United East.

BUSINESS REVIEW

Property Investments, Management and Development

Property Leasing

Rental income of Beijing East Gate Development Co., Ltd. ("Beijing East Gate") for the current year amounted to approximately HK$120.3 million (2015: HK$86.1 million). Rental income increased by approximately 40% was mainly due to continuous improvement in occupation rate and increase in rental rates upon renewal of tenancy agreements of East Gate Plaza. The occupation rates of the commercial portion and the residential portion of East Gate Plaza in the current year was approximately 98% (2015: 89%). Moreover, the Group has carried out an extensive review on rental operations to cope with the replacement of business tax by value-added tax policy which was effective from 1 May 2016. The property leasing segment recorded a significant increase in segment profit to approximately HK$143.4 million (2015: HK$68.7 million). Apart from the aforesaid reasons, fair value gain on revaluation of investment properties in current year increased to approximately HK$70.0 million (2015: HK$36.9 million) has made further contribution to segment results.

Property Management

Property management fee income of Beijing Yinda Property Management Limited ("Yinda") for the current year amounted to approximately HK$252.5 million (2015: HK$220.4 million), representing an increment of approximately 15%. Segment results recorded a profit of approximately HK$6.0 million (2015: loss of HK$19.1 million). The main reason was that the management fee income increased upon renovation of certain management projects. Moreover, the Group has carried out an extensive review on property management operations to cope with the replacement of business tax by value-added tax policy which took effect from 1 May 2016. At 31 December 2016, there were

26 projects (2015: 27 projects) under the management of Yinda, with managed gross floor area in excess of 4.0 million square meters (2015: in excess of 4.0 million square meters).

Property Development

Cinda Jianrun Property Company Limited ("Cinda Jianrun") is a 30% owned associate of the Group. In 2014, there was a downward adjustment trend in the real estate market in China as both prices and floor area of commodity houses sold declined over the previous years. In the second half year of 2014, there were signs of improvement in the real estate market after the local governments (except Beijing, Shanghai, Guangzhou and Shenzhen) gradually loosened the restrictions on mortgage lending and purchase. In addition, as the authority to take austerity measures on the real estate market was delegated from the central to the local governments and with the full liberalization of financing to the real estate industry and mortgage loans for home purchases, it will provide the impetus for recovery of the real estate market.

In addition, due to the fact that Cinda Jianrun need more time to realise its short-term and medium-term investments at appropriate price levels, the Board decided not to close the operations of Cinda Jianrun in 2014 and continue to retain Cinda Jianrun as a vehicle company. When the operating environment of the real estate sector have signs of further improvement, the Group will re-consider to invest in and/or develop medium to high grade real estate projects.

During the current year, Cinda Jianrun was principally concentrated its effort in realizing its investment projects.

Financial Investments

The Group strategically invested in certain PRC enterprises. These enterprises have good potential for separate listing. As at 31 December 2016, the carrying value of these strategic investments was approximately HK$288.9 million in aggregate (2015: HK$310.2 million) with individual allocation (unless otherwise explained, changes in the carrying balance as at both year ends were due to changes in exchange rates) detailed below:

	2016 ***HK$ million***	2015 *HK$ million*
JC International	**124.6**	124.6
Beijing TeraSolar	**64.7**	69.3
CUP	**50.3**	53.8
Kema Yinxiang	**21.2**	22.7
Hejing Zhongdao	**22.5**	—
SINOMA	**—**	34.2
Others	**5.6**	5.6
	288.9	310.2

JC International

The Group invested RMB100.0 million (equivalent to approximately HK$124.6 million) for an indirect equity interest of 10% in Jiangxi Copper International Trading Co., Ltd. ("JC International"). JC International is 60% owned subsidiary of Jiangxi Copper Company Limited and is principally engaged in the trading of copper on both the spot and futures market.

Beijing TeraSolar

Beijing TeraSolar Photothermal Technologies Co., Ltd. ("Beijing TeraSolar")is a high-tech enterprise providing complete solution for solar thermal electric system specialising in research and development, manufacture and marketing services of solar mirrors, concentrating collectors, thermal storage systems, solar tracking devices and supporting structures. It is further supported by a strong technical team of experienced experts, with doctor and master degrees who have been focusing on the research and development of concentrating solar thermal ("CST") technologies and products for over 6 years. In the PRC, it has been granted with 57 patents in total, including 12 invention patents and 45 utility model patents. It also has 35 patents pending for application in total, including 32 invention patents and 3 utility model patents. On the other hand, the Beijing TeraSolar devotes itself to comprehensive utilisation and development of renewable energy. With its advanced technologies, rich experience, foreseeing idea and continuous technical innovation, Beijing TeraSolar is well positioned to play an important role in new product's development, quality assurance and service system, and promote the CST industry in the PRC and the world.

In May 2015, the Group entered into an agreement to invest RMB116.0 million (equivalent to approximately HK$129.5 million) in cash to Beijing TeraSolar for an equity interest of 8.29%. During the year of 2015, the Group paid RMB58.0 million (equivalent to approximately HK$64.7 million) as partial payment in accordance with the terms of the agreement, the remaining balance was initially agreed to be payable on or before the end of year 2016, which has been revised to be paid in accordance with the actual funding need of Beijing TeraSolar.

Beijing TeraSolar has utilised its patent technologies in core technology in solar thermal power generation system to construct a photothermal power station with a 15MW capacity and is progressing at a steady pace as scheduled.

CUP

CUP is the largest bank card association and credit card issuers in the Mainland China having a very bright business prospect. At 31 December 2016, the Group beneficially owns 7.5 million shares in CUP.

Kema Yinxiang

Kema Yinxiang Industries Limited ("Kema Yinxiang") is a construction material supplier specialized in providing all-round bathroom solutions to customers. Its business is the design, manufacture and wholesaling of Italian Style bathroom products in its own brand name of "科馬印象". The core product is bathroom suite known as the "CubiX" series. CubiX series are pre-made modules of bathroom structures capable of being combined into different stylish and tailored bathrooms.

Hejing Zhongdao

In the second half year of 2016, the Company's wholly owned subsidiary established a partnership venture with independent third parties by investing approximately RMB20.2 million (equivalent to approximately HK$22.5 million) to Beijing Hejing Zhongdao Technology Investment Partnership ("Hejing Zhongdao") for a partnership interest of approximately 18%. The partnership purpose of Hejing Zhongdao is to invest unlisted entities engaged in high and new technology sectors such as information technology, new energy and new materials industries.

SINOMA (Hong Kong: 1893)

The Group has an effective interest in approximately 23.1 million foreign domestic shares in the share capital of China National Materials Company Limited ("SINOMA"), which can be freely transferred after the application to be made to the China Securities Regulatory Commission. In the second half year of 2016, the Group has disposed the entire interest in SINOMA to realize cash amounting to approximately HK$62.4 million and recognised gain on disposal amounting to approximately HK$28.2 million.

Petrochemical Products

TZ United East

TZ United East is a 66.77% owned subsidiary of the Group. TZ United East's principal business is the manufacturing and trading of organic solvent methyl ethyl ketone. After the completion of the Binjiang Project, the current annual production capacity of TZ United East has been increased from 110,000 tons to 1,600,000 tons.

The operating results of TZ United East are summarized below:

	2016	2015	Change
	Tons	*Tons*	*%*
Raw material processed *(Note)*	—	378,500	(100%)
Products sold *(Note)*	**13,100**	263,100	(95%)
			Change
	HK$ million	*HK$ million*	*%*
Revenue	**48.8**	30.8	58%
Net loss	**(357.8)**	(185.2)	93%

(Note) The quantities of raw material processed and products sold in 2015 were derived from the data of the test-production period.

TZ United East was still in a non-producing condition for a majority time during the year. As there was limited formal production activities during the year, there were only limited quantities of raw materials being processed and products being sold during the year. Revenue for the both years represented the revenue received from the direct selling of the raw materials acquired through previously contracted supply contracts. As the revenue from sale of raw materials in both years was limited, it was not capable of covering all the operating expenses during the year. Therefore, TZ United East incurred a net loss in both years. Moreover, the construction of the Binjiang Project by TZ United East was completed and transferred to fixed asset in the current year, the cessation of capitalising loan interest and certain direct expenses in respect of the qualifying assets and commencement to provide for depreciation in respect of the assets had further increased TZ United East's total losses in the current year.

The OPEC had reached an agreement to reduce crude oil production in December 2016. Moreover, Russia also agreed to freeze her production. Together with arbitration activities of investors, international crude oil prices rose and continued to fluctuate in the range of US$45-55 per barrel in the first quarter of 2017. The Board believes that international crude oil prices has basically stabilized at the current prices and the possibility for a further significant drop is relatively low. The production cycle of TZ United East is approximately one month, a long-term stable or a continuous rising international crude oil prices is most beneficial to the operation of TZ United East.

TZ United East cooperated Zhong Hai You Qi and resumed production by the end of the year by way of joint production. The Board expects that after resuming production, the loss pressure originated from TZ United East will ease off prominently and it will significantly improve the Group's profitability in the future.

Zhong Hai You Qi

Zhong Hai You Qi is a 23.03% owned associate of the Group. Its principal business is the manufacturing and trading of fuel oil, basic lubricant oil and heavy duty bitumen. The current annual production capacity of Zhong Hai You Qi is 4.5 million tons.

The Integration Project undergone by Zhong Hai You Qi was completed in September 2016 and commenced production in December 2016. The Integration Project is a renovation project aiming at expanding production capacity and extending products line. The renovation project composing a portfolio of nine principal production devices, a storage and transportation system and the related supporting public engineering system, amongst which the major production devices include an oil refinery device with a 3,000,000 tons per year capacity, a fuel oil device with a 1,700,000 tons per year capacity, a hydrocracking device with a 1,500,000 tons per year capacity and a lubricant oil device with a 600,000 tons per year capacity. The Integration Project will enable Zhong Hai You Qi to produce a full range of petrochemical products including liquid gas, lubricant oil, fuel oil (diesel) and solvent oil, covering over 90% of the products output with an output volume over 4,000,000 tons per year.

The operating results of Zhong Hai You Qi are summarized below:

	2016	2015	Changes
	Tons	*Tons*	*%*
Annual production capacity	**4,500,000**	1,500,000	200%
Crude oil processed	**1,332,100**	1,501,300	(11%)
			Changes
	HK$ million	*HK$ million*	*%*
Revenue	**2,978.1**	5,103.4	(42%)
Net profit	**87.7**	17.8	393%
Profit contribution before non-controlling interests	**29.0**	5.9	392%

During the past two years, international crude oil prices has dropped continuously and significantly. In the first half year of 2015, international crude oil prices were fluctuating at the range of approximately US$50-70 per barrel and suddenly dropped significantly to approximately US$40 per barrel by the end of 2015. In the first half year of 2016, international crude oil prices were basically fluctuating at the range of approximately US$30-40 per barrel. Thereafter in the second half year of 2016, crude oil price increase again to the range of approximately US$40-55 per barrel. Severe fluctuation in crude oil prices has seriously affected the production stability and profitability of Zhong Hai You Qi. In addition, the slowdown in economic activities in the mainland market had caused a sharp decrease in the retail prices of petrochemical products and affected the sales revenue. Thus, Zhong Hai You Qi inevitably incurred operating loss for both years under review. Having made application to the government for government subsidies, Zhong Hai You Qi maintained its annual results at a profitable position for both years.

Despite revenue dropped significantly, Zhong Hai You Qi was able to record a significant increase in net profit in the current year. The main reason was due to the fact that increase in crude oil prices during 2016 resulted in increase in gross profit margin.

Distressed Assets Business and Sales of Properties

There was no material operating activities for the distressed assets business segment and the sales of properties segment for both years ended 31 December 2016 and 2015.

GROWTH STRATEGIES

To expand its existing investments in power and petrochemical products production remain the growth strategy of the Group. The Group is also actively searching and identifying investment and/or merger and acquisition opportunities which is capable of generating enormous profit and ample cash flows to the Group. The Board remains to focus on executing its business plan and strategy in 2017. The Board believes that these growth strategies will eventually result in extending the sources of recurring income and expanding the magnitude of recurring income.

Power Aspect

The Group has made further investment in renewable energy sector. On 8 October 2015, the Group's wholly owned subsidiary Taizhou Yinjian Energy Investment Co., Ltd. ("Taizhou Yinjian") entered into a joint venture agreement with six other parties (including two connected parties). Pursuant to the joint venture agreement, the joint venture shareholders agreed to co-invest in construction and operation of the concentrated solar power stations in Zhangbei, Hebei in two phases with a total installed capacity of 100MW by establishing Zhongxin Zhangbei Solar Energy Thermal Power Generation Co., Ltd ("Solar Energy Thermal Power"). Due to the advantageous geological location, the Zhangbei county area is selected by the PRC Government as one of the key districts for developing solar power generation.

The total investment of the concentrated solar power stations is expected to be RMB3,400.0 million (equivalent to approximately HK$3,794.6 million), of which RMB1,800.0 million (equivalent to approximately HK$2,008.9 million) shall be applied to its first phase of the construction of a 50MW demonstration power station with a construction period of 24 months. Whereas the second phase of the construction of a 50MW commercial power station shall proceed only after the demonstration power station is to be proven to meet the expected technical indicator. The construction period of the second phase is 18 months. The registered capital of Solar Energy Thermal Power is RMB1,000.0

million (equivalent to approximately HK$1,116.1 million). Taizhou Yinjian shall contribute RMB150.0 million (equivalent to approximately HK$167.4 million) for an equity interest of 15% in Solar Energy Thermal Power.

The proposed establishment of Solar Energy Thermal Power and the investment in the construction of the concentrated solar power stations was approved by the independent shareholders of the Company at the extraordinary general meeting held on 19 February 2016. On 13 September 2016, the National Energy Administration announced China's first batch of 20 accredited solar power projects. The concentrated solar power stations project was selected as one of the on-list projects. Accordingly, Solar Energy Thermal Power will proceed with the construction works of its demonstration power station being the first phase of the CSP Project and will make further investments in accordance with the terms of the shareholders' agreement.

Petrochemical Products Aspect

The Integration Project undergone by Zhong Hai You Qi and the construction of the Binjiang Projects by TZ United East has been completed and transferred to production use. TZ United East cooperated with Zhong Hai You Qi and resumed production at the same time by the end of 2016 by way of joint production in order to achieve the purpose of centralizing the processing of resources, reducing logistic costs, consolidating complimentary advantages and enhancing the economics of scale and synergy effect.

The Board is currently investigating the feasibility of a collective capital restructure of the Group's petrochemical investments located in Tai Zhou to aim at achieving a more efficient and effective operation model.

FINANCIAL REVIEW

Exchange Exposure

The Group's principal assets, liabilities, revenue and payments are denominated in HKD and RMB. Moreover, the Board is capable of maintaining a net monetary asset position denominated in RMB for the Group. Therefore, the Board is confident that the Group's exposure to exchange rate fluctuations in respect of RMB will not have material adverse effect on the financial position of the Group given that the RMB to HKD exchange rate is maintained at a relatively stable range. In addition, the Board does not anticipate that there is any material exchange exposure in respect of other currencies.

In the opinion of the Board, the one-time small scale of depreciation of the RMB exchange rate in early August 2015 and the subsequent widening of RMB exchange rate fluctuation do not have material adverse effect on the financial position of the Group. However, the Board will closely monitor the future development of the RMB exchange rate and will take appropriate measures as necessary.

At the end of the reporting period, the Group has no material liability denominated in other foreign currencies other than RMB. There was also no hedging transaction contracted for by the Group during the year.

Pledge of Assets

As at 31 December 2016, the Group pledged certain investment properties, leasehold land and buildings, land use right and factory, plant and machinery with an aggregate carrying value at the end of the reporting period of approximately HK$2,205.2 million (2015: HK$2,294.0 million), HK$200.5 million (2015: HK$195.0 million), HK$182.5 million (2015: HK$199.6 million) and HK$719.8 million (2015: nil) respectively to secure general banking facilities granted to the Group, other loans and other payable to an independent third party.

As at 31 December 2016, the Group also pledged approximately HK$1.7 million (2015: HK$30.0 million) bank deposits to secure settlements for certain of Group's purchase of raw materials.

Working Capital & Borrowings

At the end of the reporting period, the Group's total borrowings amounted to approximately HK$3,108.1 million in aggregate. The composition of these borrowings is summarized below:

	HK$ million	*Percentage*
Short term borrowings	1,621.0	52%
Long term borrowings	1,487.1	48%
Total	3,108.1	100%

Interests for all borrowings were charged at fixed and floating rates ranging from 2.30% per annum to 7.00% per annum.

At the end of the reporting period, the Group's cash and bank balances (included pledged bank deposits) was approximately HK$736.7 million in aggregate. The Group's net borrowings was approximately HK$2,371.4 million. The Group's net current assets was approximately HK$802.1 million. In addition, the Group has unutilised banking facilities of approximately HK$935.4 million in aggregate. Based on the foregoing information, the Board is confident that the Group has adequate working capital to meet daily operations and to finance future expansion. Despite this, the Board will seek to dispose short and medium term investments to replenish funds in order to further increase the Group's working capital to a stronger level.

At the end of the reporting period, the Gearing Ratio (calculated as total borrowings over equity attributable to owners of the Company) and Current Ratio (calculated as current assets over current liabilities) of the Group were 48.9% (2015: 38.4%) and 1.3x (2015: 1.1x) respectively. Both ratios are maintained at good level.

CAPITAL STRUCTURE

At the end of the reporting period, the shareholders' fund of the Group decreased by HK$433.1 million to approximately HK$6,357.1 million (2015: HK$6,790.2 million), representing a decrement of approximately 6%. The decrease was mainly due to the loss for the year amounting to approximately HK$35.1 million and the depreciation of RMB resulted in exchange loss amounting to approximately HK$411.1 million upon translating PRC subsidiaries and associates.

HUMAN RESOURCES

At the end of the reporting period, the Group employed 1,453 (2015: 1,399) employees in Hong Kong and in the PRC. The Group offers its employees competitive remuneration packages, which are consistent with the prevailing market practices. The Group's remuneration policies remain unchanged during the year. Total staff costs for the year was approximately HK$222.9 million (2015: HK$191.1 million). Total staff costs increased by approximately 17%. The main reasons were that the number of staffs in TZ United East has increased by 75 headcounts and the cessation of capitalizing certain staff costs in the cost of construction in progress and the effect of annual increment in salaries in current year.

FINAL DIVIDEND

In light of the loss incurred for the year, the Board has resolved not to recommend payment of a final dividend for the year ended 31 December 2016 (2015: Nil). The Board will endeavor to resume payment of dividend soonest possible.

CLOSURE OF REGISTER OF MEMBERS

To ascertain shareholders' entitlement to attend and vote at the forthcoming annual general meeting, the register of members will be closed from Thursday, 18 May 2017 to Tuesday, 23 May 2017, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar of the Company, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 17 May 2017.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Boardroom 3 & 4, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 23 May 2017 at 10:30 a.m..

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, during the year and up to the date of this announcement, there is sufficient public float, as not less than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

Except for the deviation specified below, the Company has complied with all code mandatory provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2016.

Provision A.1.1 stipulated that Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year, a total of two regular meetings of the Board were held across the year. The Board considers that the two meetings were sufficient to deal with matters of the Company. Apart from Board meetings, consent of directors on issues was also sought through circulating written resolutions.

Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Mr. Chen Xiaozhou, the Chairman of the Board was out of town and is unable to attend the annual general meeting of the Company held on 23 May 2016. The Chairman will endeavor to attend all future annual general meeting of the Company unless unexpected or special circumstances preventing him from doing so.

Further information of the Company's corporate governance practices will be set out in the corporate governance report to be incorporated in the Company's Annual Report 2016, which will be sent out to the shareholders by the end of April 2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group is committed to the long-term sustainability of its businesses and the communities with which it engages. The Group pursue this business approach by managing its businesses prudently and executing management decisions with due care and attention. The Group's corporate responsibility and sustainability performance are set out in the "Environmental, Social and Governance" section of the Annual Report 2016.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. All directors have confirmed that, following specific enquiry by the Company, they have complied with the required standards set out in the Model Code throughout the year.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed and accepted the Group's annual results for the year ended 31 December 2016.

The Audit Committee together with the Board have reviewed risk management and the internal control system of the Group and were satisfied that it is operating effectively and is appropriate for the Group for the time being.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the results announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the results announcement.

CHANGES IN BOARD MEMBERS

On 20 January 2017, Mr. Chen Xiaozhou resigned as a non-executive director of the Company and chairman of the Board. Mr. Gu Jianguo also resigned as an executive director of the Company on the same day.

On 20 January 2017, Mr. Wu Songyun was appointed as a non-executive director of the Company and chairman of the Board. Mr. Ma Yilin was also appointed as an executive director of the Company on the same day.

APPRECIATION

On behalf of the Board, I would like to express my appreciation and gratitude to those resigned directors for their past contribution and service to the Group and give my warmest welcome to those newly appointed directors for joining our Group. Moreover, I would like to express my appreciation and gratitude to our shareholders for their support and all the Group's employees for their hard work and dedication in carrying out their duties and in achieving the Group's business goal.

By order of the Board of
Silver Grant International Industries Limited
Gao Jian Min
Executive Director & Managing Director

Hong Kong, 27 March 2017

As at the date of this announcement, the Board comprises Mr. Gao Jian Min (Managing Director), Mr. Liu Tianni (Deputy Managing Director) and Mr. Ma Yilin as executive directors; Mr. Wu Songyun (Chairman), Mr. Hui Xiao Bing (Vice Chairman) and Mr. Chen Qiming (Vice Chairman) as non-executive directors and Mr. Liang Qing, Mr. Zhang Lu and Mr. Hung Muk Ming as independent non-executive directors.