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 2017

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 2017 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
Continuing operations			
Rental income	3	**100,439**	120,280
Sales of petrochemical products	3	**90,143**	48,814
Sub-contracting income	3	**715,158**	—
		905,740	169,094
Cost of sales and services		**(558,982)**	(53,622)
		346,758	115,472
Dividend income from listed and unlisted securities	3	**23,494**	5,216
Other income, gains and losses	4	**95,446**	72,477
Change in fair value of held-for-trading investments		**7,425**	(12,189)
Administrative expenses		**(295,430)**	(290,111)
Other expenses	7	—	(22,318)
Gain on disposal of available-for-sale investments		—	28,190
Change in fair value of investment properties		**55,285**	69,995
Change in fair value of loan receivable with embedded derivative		—	75,778
Finance costs	5	**(178,446)**	(173,161)
Change in fair value of structured finance securities		**168**	103
Share of results of associates		**311,112**	12,917
Profit (loss) before taxation		**365,812**	(117,631)
Taxation	6	**(45,259)**	(39,436)
Profit (loss) for the year from continuing operations	7	**320,553**	(157,067)
Discontinued operation			
Profit for the year from discontinued operation	2	**648**	5,958
Profit (loss) for the year		**321,201**	(151,109)
Profit (loss) attributable to owners of the Company:			
— from continuing operations		**259,834**	(40,442)
— from discontinued operation		**367**	5,320
		260,201	(35,122)

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
Profit (loss) attributable to non-controlling interests:			
— from continuing operations		**60,719**	(116,625)
— from discontinued operation		**281**	638
		61,000	(115,987)
		321,201	(151,109)
Earnings (loss) per share (in HK cents)	*8*		
From continuing and discontinued operations			
— Basic		**11.29**	(1.52)
From continuing operations			
— Basic		**11.27**	(1.75)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 *HK$'000*	2016 *HK$'000* (Restated)
Profit (loss) for the year	**321,201**	(151,109)
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss:		
Gain arising on revaluation of leasehold properties	**41,097**	14,608
Exchange differences arising on translation	**443,910**	(424,732)
Income tax related to items that will not be reclassified	**(5,216)**	(1,432)
Reclassification adjustments relating to foreign operation disposed of during the year	**(1,776)**	—
	478,015	(411,556)
Items that may be reclassified subsequently to profit or loss:		
Fair value gain arising on revaluation of available-for-sale investments	—	28,173
Reclassified to profit or loss upon disposal of available-for-sale investments	—	(28,190)
Share of other comprehensive income (expense) of associates	**25,710**	(5,573)
	25,710	(5,590)
Other comprehensive income (expense) for the year (net of tax)	**503,725**	(417,146)
Total comprehensive income (expense) for the year	**824,926**	(568,255)
Total comprehensive income (expense) attributable to:		
Owners of the Company	**746,306**	(433,084)
Non-controlling interests	**78,620**	(135,171)
	824,926	(568,255)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Investment properties		**2,583,770**	2,355,619
Property, plant and equipment		**3,918,338**	3,744,918
Land use rights		**191,955**	182,465
Goodwill		**39,462**	46,463
Interests in associates		**1,334,651**	865,037
Structured finance securities		**6,999**	6,831
Available-for-sale investments		**300,655**	288,903
Loan receivables		**223,044**	—
		8,598,874	7,490,236
Current assets			
Inventories		**102,425**	98,928
Available-for-sale investments		**606,242**	—
Held-for-trading investments		**100,526**	146,668
Trade receivables	*10*	**70,350**	18,886
Deposits, prepayments and other receivables		**311,364**	697,014
Amounts due from associates		**671,372**	1,140,253
Loan receivables		—	407,682
Pledged bank deposits		**844**	1,730
Structured bank deposits		**1,182,473**	—
Bank balances and cash		**301,850**	734,988
		3,347,446	3,246,149
TOTAL ASSETS		**11,946,320**	10,736,385

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
EQUITY			
Capital and reserves			
Share capital		**3,626,781**	3,626,781
Reserves		**3,476,619**	2,730,313
Equity attributable to owners of the Company		**7,103,400**	6,357,094
Non-controlling interests		**385,093**	233,711
TOTAL EQUITY		**7,488,493**	6,590,805
LIABILITIES			
Non-current liabilities			
Borrowings		**989,915**	1,487,075
Deferred tax liabilities		**232,383**	214,412
		1,222,298	1,701,487
Current liabilities			
Trade and bills payables	*11*	**7,886**	76,571
Accrued charges, rental deposits and other payables		**948,746**	717,056
Borrowings		**2,241,205**	1,621,026
Taxation payable		**37,692**	29,440
		3,235,529	2,444,093
TOTAL LIABILITIES		**4,457,827**	4,145,580
TOTAL EQUITY AND LIABILITIES		**11,946,320**	10,736,385
Net current assets		**111,917**	802,056
Total assets less current liabilities		**8,710,791**	8,292,292

NOTES:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The financial information relating to the years ended 31 December 2017 and 2016 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 2016 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 2017 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 certain properties and financial instruments that are measured at revalued amounts or fair values, as appropriate, at the end of each reporting period.

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

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014-2016 cycle

Except as described below, 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.

Amendments to HKAS 7 Disclosure initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flow; (ii) changes arising from obtaining or losing control of subsidiaries or other business, (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Apart from the additional disclosure, the application of these amendments has had no impact on consolidated financial statements.

2. DISCONTINUED OPERATION

On 28 April 2017, the Group entered into a sale and purchase agreement to dispose a subsidiary, Straight View Investment Limited ("Straight View"), and its non-wholly owned subsidiary, Beijing Yinda Property Management Limited ("Yinda"), which carried out the Group's Property Management Operation ("Property Management Operation"). The sale and purchase agreement was entered between the Group and the two directors of Yinda (the "Purchasers") and the total consideration for this disposal was HK$31.7 million. The disposal was completed on 30 June 2017, on which date the control of Straight View and its subsidiary passed to the Purchasers and Straight View and its subsidiary were ceased to be subsidiaries of the Company.

The profit for the year from the Property Management Operation is set out below. The comparative figures in the consolidated statement of profit or loss have been restated to re-present the Property Management Operation as discontinued operation.

The result of the discontinued operation which has been included in the consolidated statement of profit or loss, was as follows:

	2017	2016
	HK$'000	*HK$'000*
Revenue	**103,245**	252,450
Cost of sales	**(69,538)**	(170,101)
Other income, gains or losses	**2,048**	6,674
Administrative expenses	**(32,275)**	(80,217)
Profit before taxation	**3,480**	8,806
Taxation	**(1,719)**	(2,848)
Profit for the year	**1,761**	5,958
Loss on disposal of subsidiaries *(Note 12)*	**(1,113)**	—
Profit for the year from discontinued operation	**648**	5,958

Profit for the year from discontinued operation includes the following:

	2017	2016
	HK$'000	*HK$'000*
Auditor's remuneration	**—**	—
Depreciation of property, plant and equipment	**(1,695)**	(2,761)
Operating lease rentals in respect of land and building	**(1,007)**	(1,454)
Staff cost	**(47,197)**	(107,566)
Interest income – bank deposits	**217**	612
Interest income – others	**826**	2,075
Commission income	**999**	3,095
Loss on disposal of property, plant and equipment	**(23)**	(70)
Government grants	**—**	826
Other income	**29**	20

Cash flows from discontinued operation:

Net cash outflow used in operating activities	**(46,951)**	(50,824)
Net cash (outflow) inflow from investing activities	**(1,505)**	15,484
Net cash outflow used in financing activities	**(3,121)**	—

The carrying amounts of the assets and liabilities of Straight View and its subsidiary at the date of disposal are disclosed in note 12.

3. REVENUE AND SEGMENT INFORMATION

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

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Rental income	**100,439**	120,280
Dividend income from listed and unlisted securities	**23,494**	5,216
Sales of petrochemical products	**90,143**	48,814
Sub-contracting income	**715,158**	—
	929,234	174,310

The Group is currently organised into three operating divisions: (1) investments (including the results from held-for-trading investments, available-for-sale investments, structured finance securities and loan receivables), (2) property leasing and (3) production and trading of petrochemical products and provision of sub-contracting service. 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.

During the year ended 31 December 2017, the Group disposed of its entire interest in Straight View and its subsidiary, which engaged in Property Management Operation. Property Management Operation was classified as discontinued operation as described in note 2.

Besides, the Group's distressed assets operation and sales of properties operation were not presented in segment information, as the directors considered the financial information related to these operations are insignificant.

Segment revenues and results

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

Year ended 31 December 2017
Continuing operations

	Investments	**Property leasing**	**Production and trading of petrochemical products and provision of sub-contracting service**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**23,494**	**100,439**	**805,301**	**929,234**
Segment profit	**53,055**	**97,888**	**88,519**	**239,462**
Other unallocated income, gains and losses				**69,420**
Corporate expenses				**(75,736)**
Finance costs				**(178,446)**
Share of results of associates				**311,112**
Profit before taxation				**365,812**

Year ended 31 December 2016 (Restated)
Continuing operations

	Investments	Property leasing	Production and trading of petrochemical products and provision of sub-contracting service	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	5,216	120,280	48,814	174,310
Segment profit (loss)	113,804	143,372	(213,951)	43,225
Other unallocated income, gains and losses				55,722
Corporate expenses				(56,334)
Finance costs				(173,161)
Share of results of associates				12,917
Loss before taxation				(117,631)

Segment profit (loss) 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 gain (loss), net (loss) gain 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.

Information about major customers

During the year, revenue from an associate Zhong Hai You Qi (Tai Zhou) Petrochemical Company Limited ("Zhong Hai You Qi") contributed over 10% of total revenue of the Group. Total sub-contracting income and sales of petrochemical products generated from Zhong Hai You Qi was HK$715,158,000 (2016: nil) and HK$80,957,000 (2016: nil) respectively.

4. OTHER INCOME, GAINS AND LOSSES

Continuing operations

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Interest income		
— bank deposits	**2,864**	5,422
— amounts due from an associate	**65,138**	52,258
— loan receivables	**22,157**	16,755
— others	**836**	699
Net foreign exchange gain (loss)	**1,786**	(3,439)
Net (loss) gain on disposal of property, plant and equipment	**(3,122)**	219
Government grant	**3,869**	–
Others	**1,918**	563
	95,446	72,477

5. FINANCE COSTS

Continuing operations

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Interest on bank loans wholly repayable within five years	**112,123**	123,740
Interest on other loans wholly repayable within five years	**66,323**	49,421
	178,446	173,161

6. TAXATION

Continuing operations

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Tax charge comprises:		
PRC Enterprise Income Tax — current tax	**18,353**	22,573
PRC Enterprise Income Tax — underprovision in prior years	**14,151**	11
	32,504	22,584
Deferred taxation:		
— current year	**12,755**	16,852
	45,259	39,436

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 People's Republic of China (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 PRC subsidiaries is calculated at 5%.

Under the Law of the PRC 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. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year from continuing operations has been arrived at after charging (crediting):

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Auditor's remuneration	**2,800**	2,800
Cost of inventories recognised as an expense	**92,332**	47,947
Reversal of impairment loss on inventories	**(27,678)**	—
Depreciation for property, plant and equipment	**229,973**	66,663
Release of land use rights	**4,140**	4,194
Operating lease rentals in respect of land and buildings	**1,133**	1,545
Staff costs including directors' and chief executive's remuneration	**159,541**	115,292
Rental income under operating leases for investment properties, less outgoings of HK$6,793,000 (2016:HK$5,675,000)	**(93,646)**	(114,605)

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 suspension period were recognised to profit or loss as other expenses for the year ended 31 December 2016.

8. EARNINGS (LOSS) PER SHARE

From continuing operations

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

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Earnings (loss):		
Earnings (loss) for the purpose of basic earnings (loss) per share (profit (loss) for the year attributable to owners of the Company)	**260,201**	(35,122)
Less: Profit for the year from discontinued operation attributable to owners of the Company	**(367)**	(5,320)
Earnings (loss) for the purpose of basic earnings (loss) per share from continuing operations	**259,834**	(40,442)

	2017	2016
	In thousand	In thousand
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**2,304,850**	2,304,850

From continuing and discontinued operations

The calculation of the basic earnings (loss) per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Earnings (loss):		
Earnings (loss) for the purpose of basic earnings (loss) per share (profit (loss) for the year attributable to owners of the Company)	**260,201**	(35,122)

From discontinued operation

Basic and diluted earnings per share for the discontinued operation is HK$0.02 cents per share (2016: HK$0.23 cents per share), based on the profit for the year attributable to owners of the Company from the discontinued operation of HK$367,000 (2016: HK$5,320,000).

No diluted earnings (loss) per share were presented as the Company has no potential ordinary shares for the years ended 31 December 2017 and 2016.

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2017, nor has any dividend proposed since the end of the reporting period (2016: nil).

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:

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**70,350**	12,074
31 to 90 days	—	2,432
91 to 180 days	—	1,412
181 to 360 days	—	1,403
Over 360 days	—	1,565
	70,350	18,886

11. TRADE AND BILLS PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**7,886**	23,998
31 to 90 days	—	13,424
91 to 180 days	—	2,772
181 to 360 days	—	2,816
Over 360 days	—	33,561
	7,886	76,571

12. DISPOSAL OF SUBSIDIARIES

As referred to in note 2, the Group discontinued its Property Management Operation at the time of disposal of Straight View and its subsidiary. The consolidated net assets of Straight View and its subsidiary at the date of disposal were as follows:

	HK$'000
Consideration received:	
Cash received	31,700
Analysis of assets and liabilities for which control was lost:	
Property, plant and equipment	12,279
Goodwill	7,001
Inventories	768
Trade and other receivables	74,047
Bank balances and cash	111,550
Trade and other payables	(158,893)
Tax payable	(9,263)
Net assets disposed of	37,489
Loss on disposal of subsidiaries:	
Consideration received	31,700
Net assets disposed of	(37,489)
Non-controlling interests	2,900
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiaries	1,776
Loss on disposal	(1,113)
Net cash outflow arising on disposal:	
Cash consideration	31,700
Less: Bank balances and cash disposed of	(111,550)
	(79,850)

The impact of Straight View and its subsidiary on the Group's results and cash flows in the current and prior periods is disclosed in note 2.

REVIEW OF RESULTS

The results of the Group have recorded a turnaround from loss in last year to profit for the current year. The profit attributable to owners of the Company for 2017 was approximately HK$260.2 million (2016: loss of approximately HK$35.1 million). Basic earnings per share was 11.29 HK cents (2016: loss of 1.52 HK cents).

The increase in profit was mainly attributable to the significant improvement in the operating results achieved by the subsidiary, TZ United East and the associate, Zhong Hai You Qi during the current year.

In 2017, the global economy recovered moderately. The global crude oil supply gradually tended to be balanced, the international crude oil price increased prominently as compared with the previous year. As a result, the overall selling prices of petrochemical products in the Mainland China recorded a moderate increase. In additions, as production efficiency and effectiveness was enhanced under the joint production arrangements, the operating results of TZ United East and Zhong Hai You Qi recorded significant improvement during the current year. The net loss of TZ United East decreased significantly by approximately HK$330.7 million to approximately HK$27.1 million (2016: HK$357.8 million) in the current year. Share of results of Zhong Hai You Qi improved significantly from profit of approximately HK$29.0 million in the last year to profit of approximately HK$251.5 million in the current year. Having taken into account the effect of the one-off gain on early redemption of loan receivable with embedded derivative of approximately HK$75.8 million in the last year, profit contributions from the petrochemical products business, still made significant contribution to the improvement and increment in the net profit in the current year.

In additions, the Group's associate, Cinda Jianrun Property Company Limited ("Cinda Jianrun") has completed the disposal of a majority portion of its investments in the second half year of 2017. As a result, Cinda Jianrun recorded an improved result with net profit of approximately HK$198.8 million (2016: loss of approximately HK$53.5 million) and contributed a growth of approximately HK$75.7 million to the profit growth of the Group in the current year.

OUTLOOK

The Board anticipates that global economy will continue to be very challenging in 2018. The possibility of a slowdown in China's economy, a potential further US rate hikes coupled with the protective policies adopted by US government to support domestic economy and geopolitical uncertainties are three major threats in 2018. Macro-economic outlook will remain volatile in 2018.

While the Board believes that the China authorities have appropriate tools to support growth and the financial system in order to maintain the target economic growth rate. In a tough operating environment in 2018, the Board will continue to focus on the execution of its business plans and strategies and will endeavor to lower the Group's debt level.

CHANGES IN CONSOLIDATED STATEMENT OF PROFIT OR LOSS ITEMS:

Sub-contracting Income/Cost of Sales and Services

In 2017, TZ United East and Zhong Hai You Qi have agreed to increase their production effectiveness and efficiency under the joint production arrangements. Under the joint production arrangements, Zhong Hai You Qi provides key production raw materials such as crude oil and fuel oil and authorizes TZ United East to process the production by sub-contracting and receive sub-contracting income by TZ United East. Cost of sales and services also record a significant increment in light of the new sub-contracting services.

Other Income, Gains and Losses

Increase was mainly due to increase in interest income amounting to approximately HK$15.9 million as a result of increase in average interest rate.

Change in fair value of loan receivable with embedded derivative

Loan receivable with embedded derivative represents 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 was recognised by the Company during the year ended 31 December 2016.

Share of results of associates

Share of results of associates increased significantly. The main reason was that the operating results of Zhong Hai You Qi in current year improved significantly and thus contributed profit of approximately HK$251.5 million to the Group. In addition, Cinda Jianrun disposed of a majority portion of its investments in the current year and recognised disposal gain. Its result was improved significantly and contributed approximately HK$59.6 million profit to the Group.

Non-controlling interests

The amount in the current year mainly represented the non-controlling interests' share of the profit of Tai Zhou Dong Thai Petrochemical Company Limited ("TZ Dong Thai") whereas the amount in the previous year mainly represent the non-controlling interests' share of the loss of TZ United East. TZ Dong Thai is the shareholder of Zhong Hai You Qi and thus benefited from the significant improvement in operating results of the same.

CHANGES IN ITEMS ON CONSOLIDATED STATEMENT OF FINANCIAL POSITION:

Investment properties

Increase in carrying value was mainly due to the translation gain recognised amounting to approximately HK$172.9 million, which was credited directly to reserve and the increase in the fair value amounting to approximately HK$55.3 million in the current year.

Property, Plant and Equipment

Increase in carrying value was mainly due to the additions of construction in progress amounting to approximately HK$186.7 million during the current year.

Interests in Associates

The increase was mainly attributable to the shares of results of associates amounting to approximately HK$311.1 million, capital injection to the associate, Zhong Hai You Qi amounting to approximately HK$77.6 million and the translation gain recognised amounting to approximately HK$55.2 million, which was credited directly to reserve.

Held-for-trading Investments

Decrease was mainly due to the disposal of certain listed shares during the year.

Available-for-sale Investments

	2017	2016
	HK$'000	*HK$'000*
Carrying balances under non-current assets	**300,655**	288,903
Carrying balances under current assets	**606,242**	—
Total	**906,897**	288,903

Increase was mainly due to the new investment amounting to RMB505.0 million (equivalent to approximately HK$606.2 million) made in The National Trust Ltd. ("National Trust") during the year.

Loan Receivables

	2017	2016
	HK$'000	*HK$'000*
Carrying balances under non-current assets	**223,044**	—
Carrying balances under current assets	—	407,682
Total	**223,044**	407,682

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 decrease was mainly due to repayment of certain loan receivables during the year.

Trade Receivables

Increase was mainly due to the sub-contracting income amounted to approximately HK$62.6 million receivable from Zhong Hai You Qi.

Deposits, Prepayments and Other Receivables

The decrease was mainly due to repayment of certain other receivables during the year.

Amounts due from Associates

Decrease was mainly due to repayment of amount due from Cinda Jianrun.

Bank deposits, Bank balances and Cash

	2017	2016
	HK$'000	*HK$'000*
Pledged bank deposits	**844**	1,730
Structured bank deposits	**1,182,473**	—
Bank balances and cash	**301,850**	734,988
Total	**1,485,167**	736,718

Increase in total bank deposits, bank balances and cash was mainly attributable to the net cash generated from operating activities including profit for the year amounting to approximately HK$321.2 million. At the end of the reporting period, a majority of the cash was placed with principal banks with principle protection clauses for higher interest income.

Borrowings

	2017	2016
	HK$'000	*HK$'000*
Carrying balances under non-current liabilities	**989,915**	1,487,075
Carrying balances under current liabilities	**2,241,205**	1,621,026
Total	**3,231,120**	3,108,101

Borrowings in both years mainly represent the RMB denominated working capital loan granted to the Group's subsidiaries in China. Total borrowings as at the year end of 2017 increased slightly as compared with the ended of 2016 was mainly due to the effect of exchange translation. In additions, the changes in the carrying values under non-current liabilities and current liabilities was caused by the reallocation and reclassification in accordance with the maturity dates of individual bank loans.

Trade and bills payables

The decrease was mainly resulted from the disposal of Yinda during the year which has carrying balances of trade and bills payables amounting to approximately HK$65.1 million in aggregate as at 31 December 2016.

Accrued Charges, Rental Deposits and Other Payables

Increase was mainly due to the fact that the Group collected a proceed amounting to approximately HK$391.1 million for and on behalf of a company controlled by a director of the Company in the second half year of 2017. The proceed has been repaid to that company in early 2018. Moreover, the significant decrease in the carrying amount of receipts in advance from customers as at the year end of 2017 amounting to approximately HK$92.7 million has partially compensated the effect of the aforesaid reason.

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$100.4 million (2016: HK$120.3 million). Rental income decreased by approximately 17% was mainly due to the fact that 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 occupation rates of the commercial portion and the residential portion of East Gate Plaza in the current year was approximately 97% (2016: 98%). The property leasing segment recorded a decrease of approximately 32% to approximately HK$97.9 million (2016: HK$143.4 million). Segment results recorded a larger decrease was mainly due to the additional impact of fair value gain on revaluation of investment properties decreased by 21% to approximately HK$55.3 million (2016: approximately HK$70.0 million) which has further reduced the segment results.

On 30 June 2017, the Company completed the disposal of its entire interest in Straight View and its subsidiary at a cash consideration of approximately HK$31.7 million in aggregate. Straight View was an investment vehicle of the Company to hold the Group's 90% interests in Yinda. Yinda is a company established in the PRC whose principal business is the provision of property management services in Beijing. Even though the property management business of Yinda remained stable in terms of number of projects and gross floor area managed for the last five years, the results recorded by Yinda in the property management segment in the corresponding period could not keep up with the growing trend in its total revenue. In anticipation of continuing growth in labour cost in the PRC whilst it is doubtful as to whether Yinda could secure new projects or could increase management fees to keep up with the increasing labour cost, the Board expects that the operating results of the property management segment will continue to be volatile and is likely to incur loss in the foreseeable future.

Having considered that the property management business operated by Yinda is not able to contribute a stable profit to the Group, is a labour intensive business and will not be able to solicit any significant business opportunities in the foreseeable future, the Board is of the view that the property management business simply cannot meet the Board's expectation and thus decided to cease investing in such business segment.

Property Development

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.

In the second half year of 2017, Cinda Jianrun completed the disposal of a majority of its investments to realize a large amount of cash and recognized a significant gain at the same time. As a result, the results of Cinda Jianrun achieved improvement and recorded a net profit of approximately HK$198.8 million (2016: loss of approximately 53.5 million).

Financial Investments

The Group strategically invested in certain PRC enterprises. These enterprises have good potential for separate listing. As at 31 December 2017, the carrying value of these strategic investments was approximately HK$906.9 million in aggregate (2016: HK$288.9 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:

	2017	2016
	HK$ million	*HK$ million*
JC International	**124.6**	124.6
National Trust	**606.2**	—
Beijing TeraSolar	**69.7**	64.7
CUP	**54.0**	50.3
Kema Yinxiang	**—**	21.2
Hejing Zhongdao	**24.2**	22.5
CITIC International Trading	**22.6**	—
Others	**5.6**	5.6
	906.9	288.9

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.

National Trust

On 24 November 2017, Beijing East Gate which is a subsidiary of the Group entered into a trust agreement with National Trust for a term of one year. Pursuant to the trust agreement, Beijing East Gate agreed to invest a principal amount not exceeding RMB500.0 million (equivalent to approximately HK$600.2 million) in aggregate in the trust scheme, and National Trust agreed to apply, through investment vehicles, the principal amount for investment in merger, acquisition and reorganisation funds on behalf of and for the benefit of Beijing East Gate during the term of the trust scheme. The expected annual rate of return of the trust scheme is 6% but is not a guaranteed return. National Trust was established in 1987 in the PRC which is a non-banking financial institution regulated by the China Banking Regulatory Commission and is specializing in trust business and financial advisory services. Pursuant to the trust agreement and for the service provided, National Trust will charge a service fee of RMB1.0 million (equivalent to approximately HK$1.2 million) per year from the effective date. Beijing East Gate has the right to renew for another year or terminate the trust scheme at each anniversary date from the effect date by mean of giving a 30-days prior written notice.

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 will 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 2017, the Group beneficially owns 7.5 million shares in CUP.

Kema Yinxiang

Kema Yinxiang Industries Limited ("Kema Yinxiang"), a former 50% owned joint venture of the Group, 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. The Group disposed the entire interest to the PRC shareholder at the carrying value of RMB19.0 million (equivalent to approximately HK$21.9 million) during the year.

Hejing Zhongdao

In the second half year of 2016, the Company's wholly subsidiary established a partnership venture with independent third parties by investing approximately RMB20.2 million (equivalent to approximately HK$24.2 million) to Beijing Hejing Zhongdao Technology Investment Partnership ("Hejing Zhongdao") for a partnership interest of approximately 18.0%. 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.

CITIC International Trading

In the second half year of 2017, the Group invested RMB20.0 million (equivalent to approximately HK$24.0 million) for an 20% initial equity interest in CITIC International Trading Center Co., Limited ("CITIC International Trading"). Pursuant to mutual agreement, certain equity interest will be transferred to the key management and critical persons of core business of CITIC International Trading. Citic International Trading was a new company established in Qianhai Shenzhen in China by CITIC Limited. It has a dual development plan. One is to carry on an exchange platform for resources after national policies open up for such business. For the time being, it is focusing on the development of data management, application and exchange including electronic identity certification (eID) services.

Petrochemical Products

In light of the fact that there are complementary advantages in the raw materials structure, the manufacturing processes and the common engineering systems employed in production by TZ United East and Zhong Hai You Qi. TZ United East and Zhong Hai You Qi has reached a joint production arrangement in 2017 for the purpose of enhancing production effectiveness and efficiency of each other. Under the joint production arrangement, Zhong Hai You Qi will provide the critical raw material including crude oil and fuel oil and appoint TZ United East to carry out the production processes as a subcontractor. Consequently, Zhong Hai You Qi will oversee sales on a group basis. Through joint production arrangement, the purpose of centralizing the processing of resources, reducing logistic costs, consolidating complimentary advantages and enhancing the economics of scale and synergy effect is achieved.

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:

	2017	2016	Change
	Tons	*Tons*	*%*
Raw material processed under joint production	**1,160,900**	—	N/A
Raw materials sold	**34,900**	13,100	166%

			Change
	HK$ million	*HK$ million*	*%*
Revenue — raw materials processed	**715.2**	—	N/A
Revenue — raw materials sold	**90.1**	48.8	85%
Net loss	**(27.1)**	(357.8)	(92%)

Revenue from raw materials sold for both years represented revenue received from the direct selling of the raw materials acquired through previously contracted supply contracts. As the revenue from sale of raw materials is limited which is not capable of covering all the operating expenses during the period. Therefore, TZ United East incurred a net loss for both periods. However, net loss for the current year reduced significantly as a result of the joint production arrangement which benefited TZ United East by way of recovering certain direct production cost like direct labour cost, consumables, interest expenses and depreciation, etc.

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 continuously from US$45-55 per barrel in the first quarter of 2017 to over US$60 per barrel for the time being. 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.

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. Following the completion of the Integration Project in September 2016, Zhong Hai You Qi is capable 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. The current annual production capacity of Zhong Hai You Qi is 4.5 million tons.

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

	2017	2016	Change
	Tons	*Tons*	*%*
Annual production capacity	**4,500,000**	4,500,000	N/A
Crude oil processed	**4,032,600**	1,332,100	203%
			Changes
	HK$ million	*HK$ million*	*%*
Revenue	**19,003.6**	2,978.1	538%
Net profit	**762.0**	87.7	769%
Profit contribution before non-controlling interests	**251.5**	29.0	767%

In 2017, the global economy recovered moderately. The global crude oil supply gradually tends to be balanced, the international crude oil price increased prominently as compared with the corresponding period of last year. As a result, the overall selling prices of petrochemical products in Mainland China recorded a moderate increase. In addition, as production efficiency and effectiveness was enhanced under the joint production arrangements, the operating results of Zhong Hai You Qi during the current period have recorded significant improvement and contributed profit of approximately HK$251.5 million (2016: HK$29.0 million) to the Group.

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 2018. The Board believes that these growth strategies will eventually result in extending the sources of recurring income and expanding the magnitude of recurring income.

Petrochemical Products Aspect

The joint production arrangements carried out by TZ United East and Zhong Hai You Qi have indicated that profitability of both companies were enhanced and translated into much improved operating results as a whole. The Board anticipates that full year results of the petrochemical businesses will also mark significant improvement under the joint production arrangements.

Nevertheless, the Board is currently investigating the feasibility of a collective capital restructure of the Group's petrochemical investments located in Tai Zhou for the purpose of achieving a more efficient and effective operation model in the long run.

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$4,082.0 million), of which RMB1,800.0 million (equivalent to approximately HK$2,161.0 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$1200.5 million). Taizhou Yinjian shall contribute RMB150.0 million (equivalent to approximately HK$180.1 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.

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, RMB will still be currency under control in the foreseeable future. Although the market expects that RMB will widen its exchange rate fluctuation, the Board is not expected that it will 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 2017, 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$2,424.7 million (2016: HK$2,205.2 million), HK$228.3 million (2016: HK$200.5 million), HK$131.8 million (2016: HK$182.5 million) and HK$737.5 million (2016: HK$719.8 million) respectively to secure general banking facilities granted to the Group, other loans and other payable to an independent third party.

As at 31 December 2017, the Group also pledged approximately HK$0.8 million (2016: HK$1.7 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$3,231.1 million in aggregate. The composition of these borrowings is summarized below:

	HK$ million	*Percentage*
Short term borrowings	2,241.2	69%
Long term borrowings	989.9	31%
Total	3,231.1	100%

Interests for all borrowings were charged at fixed and floating rates ranging from 2.30% per annum to 7.50% per annum.

At the end of the reporting period, the Group's cash and bank balances (included pledged bank deposits and structured bank deposits) was approximately HK$1,485.2 million in aggregate. The Group's net borrowings was approximately HK$1,745.9 million. The Group's net current assets was approximately HK$111.9 million. In addition, the Group has unutilised banking facilities of approximately HK$762.2 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 45.5% (2016: 48.9%) and 1.0x (2016: 1.3x) respectively. Both ratios are maintained at good level.

CAPITAL STRUCTURE

At the end of the reporting period, the shareholders' fund of the Group increased by HK$746.3 million to approximately HK$7,103.4 million (2016: HK$6,357.1 million), representing a increment of approximately 12%. The increase was mainly due to the profit for the year amounting to approximately HK$260.2 million and the appreciation of RMB resulted in exchange gain amounting to approximately HK$443.9 million upon translating PRC subsidiaries and associates.

HUMAN RESOURCES

At the end of the reporting period, the Group employed 559 (2016: 1,453) employees in Hong Kong and in the PRC. The total number of employees decreased significantly was due to the cessation of the property management business which is a labour intensive business and hired 909 employees as at 31 December 2016. 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$159.5 million (2016: HK$115.3 million). Total staff costs increased by approximately 38%. The main reasons were due to the effect of annual salary increment and the appreciation of RMB exchange rate by approximately 3% which had led to a further increase in translating staff cost of the Company's subsidiaries in the Mainland China. Moreover, as the results recorded a turnaround from loss to profit with a very satisfactory profit in the current year, the Group granted special bonus to the senior management of those critical business units and granted a long service payment to a retired senior management amounting to HK$20.0 million in aggregate in the current year which has further increased staff costs.

FINAL DIVIDEND

As the Board intends to retain more working capital for the Group, the Board has resolved not to recommend payment of a final dividend for the year ended 31 December 2017 (2016: 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 Wednesday, 23 May 2018 to Monday, 28 May 2018, 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 Monday, 21 May 2018.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Boardroom 8, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Monday, 28 May 2018 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

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 2017, except for a deviation from code provision A.6.7.

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of the shareholders. The Company held its annual general meeting on 23 May 2017 (the "AGM") and held an extraordinary general meeting on 27 June 2017 (the "EGM"). Due to their pre-arranged business commitments, independent non-executive director Mr. Liang Qing was not able to attend the AGM and the EGM. Independent non-executive director Mr. Zhang Lu was not able to attend the EGM. Non-executive directors Mr. Hui Xiao Bing and Mr. Chen Qiming were not able to attend the AGM and the EGM. Non-executive director Mr. Wu Songyun was not able to attend the EGM.

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 2017, which will be sent out to the shareholders by the end of April 2018.

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 pursues 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 2017.

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 2017.

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.

REVIEW BY AUDITOR

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 2017 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 DIRECTOR'S INFORMATION

Mr. Hung Muk Ming was appointed as an independent non-executive director of IBO Technology Company Limited (Stock code: 2708), a company listed on the Stock Exchange of Hong Kong Limited, with effect from 6 December 2017.

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 in order to pursue more commitments on the strategic development of China Cinda Assets Management Co., Ltd ("China Cinda").

On 20 January, 2017 Mr. Gu Jianguo resigned as an executive director of the Company due to change in his employment and ceased to be employed by China Cinda.

On 20 January 2017, Mr. Wu Songyun ("Mr. Wu") was appointed as a non-executive director of the Company and chairman of the Board. Subsequently, Mr. Wu resigned as a non-executive director of the Company and chairman of the Board on 28 August 2017 due to change in his employment and ceased to be employed by China Cinda.

Mr. Ma Yilin was appointed as an executive director of the Company with effect from 20 January 2017.

Mr. Luo Zhenhong was appointed as a non-executive director of the Company and chairman of the Board with effect from 28 August 2017.

APPRECIATION

On behalf of the Board, I would like to express my appreciation and gratitude to those resigned directors for their contribution and service to the Group during their tenure 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, 23 March 2018

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. Luo Zhenhong (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.