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 2018

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 2018 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Continuing operations			
Rental income	2	**105,624**	100,439
Sales of petrochemical products	2	**20,178**	90,143
Sub-contracting income	2	**385,944**	715,158
		511,746	905,740
Cost of sales and services		**(377,403)**	(558,982)
		134,343	346,758
Dividend income from listed and unlisted securities	2	**103**	23,494
Other income, gains and losses	4	**78,761**	95,446
Change in fair value of held-for-trading investments		**—**	7,425
Change in fair value of financial assets at fair value through profit or loss		**122,429**	—
Administrative expenses		**(330,955)**	(295,430)
Other expenses	7	**(164,948)**	—
Change in fair value of investment properties		**62,477**	55,285
Gain on disposal of a subsidiary		**2,167**	—
Finance costs	5	**(113,333)**	(178,446)
Change in fair value of structured finance securities		**—**	168
Share of results of associates		**60,203**	311,112
(Loss) profit before taxation		**(148,753)**	365,812
Taxation	6	**(17,414)**	(45,259)
(Loss) profit for the year from continuing operations		**(166,167)**	320,553
Discontinued operation			
Profit for the year from discontinued operation		**—**	648
(Loss) profit for the year	7	**(166,167)**	321,201
(Loss) profit attributable to owners of the Company:			
— from continuing operations		**(49,375)**	259,834
— from discontinued operation		**—**	367
		(49,375)	260,201

	Notes	**2018**	2017
		HK$'000	*HK$'000*
(Loss) profit attributable to non-controlling interests:			
— from continuing operations		**(116,792)**	60,719
— from discontinued operation		**—**	281
		(116,792)	61,000
		(166,167)	321,201
(Loss) earnings per share (in HK cents)			
From continuing and discontinued operations			
— Basic	*8*	**(2.14)**	11.29
From continuing operations			
— Basic	*8*	**(2.14)**	11.27

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
(Loss) profit for the year	**(166,167)**	321,201
Other comprehensive (expense) income		
Items that will not be reclassified to profit or loss:		
Gain arising on revaluation of leasehold properties	**41,678**	41,097
Exchange differences arising on translation of foreign operations	**(358,724)**	469,620
Income tax related to items that will not be reclassified	**(5,879)**	(5,216)
Reclassification adjustments relating to foreign operation disposed of during the year	**—**	(1,776)
Other comprehensive (expense) income for the year (net of tax)	**(322,925)**	503,725
Total comprehensive (expense) income for the year	**(489,092)**	824,926
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(364,096)**	746,306
Non-controlling interests	**(124,996)**	78,620
	(489,092)	824,926

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Investment properties		**2,522,430**	2,583,770
Property, plant and equipment		**3,783,615**	3,918,338
Land use rights		**178,435**	191,955
Goodwill		**39,462**	39,462
Interests in associates		**1,335,113**	1,334,651
Structured finance securities		—	6,999
Available-for-sale investments		—	300,655
Financial assets at fair value through profit or loss		**228,810**	—
Loan receivables		**277,515**	223,044
		8,365,380	8,598,874
Current assets			
Inventories		**93,340**	102,425
Available-for-sale investment		—	606,242
Held-for-trading investments		—	100,526
Trade receivables	*10*	**68,058**	70,350
Deposits, prepayments and other receivables		**343,946**	311,364
Amount due from an associate		**383,684**	671,372
Loan receivables		**653,888**	—
Financial assets at fair value through profit or loss		**576,985**	—
Pledged bank deposits		**322,432**	844
Restricted bank balance		**40,056**	—
Structured bank deposits		—	1,182,473
Bank balances and cash		**497,244**	301,850
		2,979,633	3,347,446
TOTAL ASSETS		**11,345,013**	11,946,320

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
EQUITY			
Capital and reserves			
Share capital		**3,626,781**	3,626,781
Reserves		**3,121,978**	3,476,619
Equity attributable to owners of the Company		**6,748,759**	7,103,400
Non-controlling interests		**854,447**	385,093
TOTAL EQUITY		**7,603,206**	7,488,493
LIABILITIES			
Non-current liabilities			
Borrowings		**1,200,254**	989,915
Deferred tax liabilities		**253,103**	232,383
		1,453,357	1,222,298
Current liabilities			
Trade and bills payables	*11*	**11,955**	7,886
Accrued charges, rental deposits and other payables		**520,901**	948,746
Borrowings		**1,723,536**	2,241,205
Taxation payable		**32,058**	37,692
		2,288,450	3,235,529
TOTAL LIABILITIES		**3,741,807**	4,457,827
TOTAL EQUITY AND LIABILITIES		**11,345,013**	11,946,320
Net current assets		**691,183**	111,917
Total assets less current liabilities		**9,056,563**	8,710,791

NOTES:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The financial information relating to the years ended 31 December 2018 and 2017 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 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2018 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 which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures.

2. REVENUE AND SEGMENT INFORMATION

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

Continuing operations:

	2018	2017
	HK$'000	*HK$'000*
Rental income	**105,624**	100,439
Sales of petrochemical products	**20,178**	90,143
Sub-contracting income related to production of petrochemical products	**385,944**	715,158
	511,746	905,740
Dividend income from listed and unlisted securities	**103**	23,494
	511,849	929,234

	2018
	HK$'000
Timing of revenue recognition	
— A point in time	**20,178**
— Over time	**385,944**
	406,122

Revenue from leasing of investment properties will continue to be accounted for in accordance with HKAS 17.

Revenue from sales of petrochemical products is recognised when the respective petrochemical products have been delivered to the customers which is a point in time when customers have the ability to direct the use of the petrochemical products and obtain substantially all of the benefits of the petrochemical products. The normal credit term is 30 to 60 days upon delivery.

Revenue from provision of subcontracting service is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation as the customers simultaneously receive and consume the benefits provided by the Group when the Group renders the service. The normal credit term is 30 to 60 days upon service provided.

All sales of petrochemical products and provision of subcontracting service are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

The Group is currently organised into three operating divisions: (1) investments (including the results from loan receivables and financial assets at fair value through profit or loss (2017: held-for-trading investments, available-for-sale investments, structured finance securities and loan receivables)); (2) property leasing; and (3) trading of petrochemical products and provision of sub-contracting service related to production 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.

During the year ended 31 December 2017, the Group disposed of its entire interest in Straight View Investment Limited ("Straight View") and its subsidiary, which engaged in the Group's property management operation (the "Property Management Operation"). Property Management Operation was reclassified as discontinued operation as described in note 3.

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

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

Segment revenue and results:

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

Continuing operations

Year ended 31 December 2018

	Investments	**Property leasing**	**Trading of petrochemical products and provision of sub-contracting service**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**103**	**105,624**	**406,122**	**511,849**
Segment profit (loss)	**194,595**	**117,395**	**(319,200)**	**(7,210)**
Other unallocated income, gains and losses				**5,035**
Corporate expenses				**(93,448)**
Finance costs				**(113,333)**
Share of results of associates				**60,203**
Loss before taxation				**(148,753)**

Year ended 31 December 2017

	Investments *HK$'000*	Property leasing *HK$'000*	Trading of petrochemical products and provision of sub-contracting service *HK$'000*	Consolidated *HK$'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

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 an associate and loan receivables, net foreign exchange gain, net 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.

Information about major customers

During the year ended 31 December 2018, 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$385,944,000 (2017: HK$715,158,000) and HK$20,178,000 (2017: HK$80,957,000) respectively.

Geographical information

The Group's operations are located in the People's Republic of China ("PRC") and Hong Kong. The Group's revenue from external customers is based on the location of the Group's operations to derive the revenue are detailed below:

Continuing operations

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**1,423**	5,753
PRC	**510,426**	923,481
	511,849	929,234

3. DISCONTINUED OPERATION

On 28 April 2017, the Group entered into a sale and purchase agreement to dispose of a subsidiary, Straight View, and its non-wholly owned subsidiary, Beijing Yinda Property Management Limited ("Yinda"), which carried out the Group's 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 six months ended 30 June 2017 (i.e. up to the date the Group lost control over Yinda) from the Property Management Operation was set out below.

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

	From 1 January 2017 to 30 June 2017
	HK$'000
Revenue	103,245
Cost of sales	(69,538)
Other income, gains and losses	2,048
Administrative expenses	(32,275)
Profit before taxation	3,480
Taxation	(1,719)
Profit for the year	1,761
Loss on disposal of subsidiaries *(Note 12)*	(1,113)
Profit from discontinued operation	648
Profit from discontinued operation attributable to:	
— Owners of the Company	367
— Non-controlling interests	281
	648

Profit for the year from discontinued operation included the following:

	From 1 January 2017 to 30 June 2017 *HK$'000*
Auditor's remuneration	–
Depreciation for property, plant and equipment	(1,695)
Operating lease rentals in respect of land and building	(1,007)
Staff cost	(47,197)
Interest income – bank deposits	217
Interest income – others	826
Commission income	999
Loss on disposal of property, plant and equipment	(23)
Other income	29

Cash flows from discontinued operation:

Net cash outflow used in operating activities	(46,951)
Net cash outflow used in investing activities	(1,505)
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 were disclosed in note 12.

4. OTHER INCOME, GAINS AND LOSSES

Continuing operations

	2018 **HK$'000**	2017 *HK$'000*
Interest income		
— bank deposits	**2,647**	2,864
— amount due from an associate	**23,641**	65,138
— loan receivables	**28,233**	22,157
— others	**10**	836
Net foreign exchange gain	**1,036**	1,786
Net loss on disposal of property, plant and equipment	**(47)**	(3,122)
Net reversal of impairment loss on amount due from an associate and loan receivables	**18,476**	—
Government grant	**462**	3,869
Others	**4,303**	1,918
	78,761	95,446

5. FINANCE COSTS

Continuing operations

	2018	2017
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**80,115**	112,123
Interest on other loans wholly repayable within five years	**33,218**	66,323
	113,333	178,446

6. TAXATION

Continuing operations

	2018	2017
	HK$'000	*HK$'000*
Tax charge comprises:		
PRC Enterprise Income Tax — current tax	**2,573**	18,353
PRC Enterprise Income Tax — underprovision in prior years	**—**	14,151
	2,573	32,504
Deferred taxation:		
— current year	**14,841**	12,755
	17,414	45,259

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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 arising 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 Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% from 1 January 2008 onwards.

7. (LOSS) PROFIT FOR THE YEAR

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

	2018	2017
	HK$'000	*HK$'000*
Auditor's remuneration	**2,900**	2,800
Cost of inventories recognised as an expense	**19,827**	92,332
Depreciation for property, plant and equipment	**240,232**	229,973
Amortisation of land use rights	**4,243**	4,140
Staff costs including directors' and chief executive's remuneration	**173,982**	159,541
Rental income under operating leases for investment properties, less outgoings of HK$5,950,000 (2017: HK$6,793,000)	**(99,674)**	(93,646)
Reversal of impairment loss on inventories	**—**	(27,678)
Change in fair value of financial assets at FVTPL	**(122,429)**	—
Reversal of impairment loss on amount due from an associate and loan receivables	**(18,476)**	—

Other expenses

During year ended 31 December 2018, the Group's subsidiary, Taizhou United East Petrochemical Company Limited ("TZ United East") voluntarily suspended production for a repair and maintenance of its factory for few months. 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. As at 31 December 2018, the production has been resumed.

8. (LOSS) EARNINGS PER SHARE

From continuing operations

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

	2018	2017
	HK$'000	*HK$'000*
(Loss) earnings:		
(Loss) earnings for the purpose of basic (loss) earnings per share ((loss) profit for the year attributable to owners of the Company)	**(49,375)**	260,201
Less: Profit for the year from discontinued operation attributable to owners of the Company	**—**	(367)
(Loss) earnings for the purpose of basic (loss) earnings per share from continuing operations	**(49,375)**	259,834

	2018	2017
	In thousand	*In thousand*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,304,850**	2,304,850

From continuing and discontinued operations

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

	2018	2017
	HK$'000	*HK$'000*
(Loss) earnings:		
(Loss) earnings for the purpose of basic (loss) earnings per share ((loss) profit for the year attributable to owners of the Company)	**(49,375)**	260,201

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

From discontinued operation

During the year ended 31 December 2017, basic and diluted earnings per share for the discontinued operation is HK0.02 cents per share, based on the profit for the year attributable to owners of the Company from the discontinued operation of HK$367,000.

No diluted (loss) earnings per share for the year ended 31 December 2018 and 2017 were presented as the Company has no potential ordinary shares for the year ended 31 December 2018 and 2017.

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2018, nor has any dividend proposed since the end of the reporting period (2017: 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:

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**68,058**	70,350

As at 31 December 2018, included in the Group's trade receivables, HK$62,045,000 (2017: HK$62,600,000) was due from the Group's associate, i.e. Zhong Hai You Qi.

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:

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**11,955**	7,886

12. DISPOSAL OF SUBSIDIARIES

As referred to in note 3, the Group discontinued the 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)

13. CAPITAL COMMITMENTS

	2018	2017
	HK$'000	*HK$'000*
Capital commitments in respect of property, plant and equipment:		
— contracted for but not provided in the consolidated financial statements	**110,192**	69,624
Capital commitments in respect of unlisted equity securities:		
— contracted for but not provided in the consolidated financial statements	**171,233**	249,700

14. EVENTS AFTER REPORTING PERIOD

(i) On 11 March, 2019, Beijing East Gate Development Co., Ltd. ("**Beijing East Gate**"), a wholly owned subsidiary of the Company entered into a non-legally binding letter of intent (the "**Letter of Intent**") with two independent third parties, namely, Ms. Hou Yuanyi and Ms. Zeng Shukun (collectively the "**Vendors**"). Pursuant to the Letter of Intent, Beijing East Gate has indicated its interest to acquire certain equity stake in a limited partnership company which holds a portfolio of debt assets in the PRC from the Vendors. The proposed acquisition has not yet completed as at the date of this announcement.

(ii) On 12 March 2019, the Board proposes to change the English name of the Company from "Silver Grant International Industries Limited" to "Silver Grant International Holdings Group Limited" and to change the Chinese name of the Company from "銀建國際實業有限公司" to "銀建國際控股集團有限公司". The completion of this proposed change is subject to, amongst others, obtaining approval from shareholders in extraordinary general meeting. The proposed change has not yet completed at the date of this announcement.

REVIEW OF RESULTS

The results of the Group has recorded a turnaround from profit in last year to loss for the current year. The loss attributable to owners of the Company for 2018 was approximately HK$49,375,000 (2017: profit of approximately HK$260,201,000). Basic loss per share was 2.14 HK cents (2017: earnings of 11.29 HK cents).

The current year's results recorded a change from profit to loss was mainly due to the results of the subsidiary Taizhou United East Petrochemical Company Limited ("**TZ United East**") and the principal associate Zhong Hai You Qi (Tai Zhou) Petrochemical Company Limited ("**Zhong Hai You Qi**") were both affected by (i) the turbulence of international crude oil prices and (ii) TZ United East's voluntarily suspension of its production for a five months period from May to September 2018 in order to carry out the necessary major overhaul on its production facilities. As TZ United East was unable to earn subcontracting income from Zhong Hai You Qi during the period of suspended production to mitigate its operating expenditure, TZ United East therefore recorded a significant increase in operating losses of approximately HK$373,638,000. At the same time, as TZ United East was not able to provide subcontracting services to Zhong Hai You Qi during the period of suspended production, Zhong Hai You Qi has to change its production method to produce and sell petrochemical products with much lower profit margins. Moreover, international crude oil prices suddenly dropped significantly in the last two months of 2018, resulted in a significant decrease in the profit contribution from Zhong Hai You Qi of approximately HK$185,102,000 as a result of decrease in the gross margin of its products and the provision of impairment loss in respect of it inventories.

The change in fair value of financial assets at fair value through profit or loss mainly includes realized gain from disposal of financial assets, net valuation gain and interest income from structured bank deposits amounting to approximately HK$122,429,000 in aggregate which has partially compensated the adverse effect on profit brought about by reasons described in the above paragraph.

OUTLOOK

The Board anticipates that global economy will continue to face a high degree of uncertainties and challenges in 2019. Especially the negative impacts from the trade war between China and the United States and the Brexit in Europe, which cannot be easily solved in the short-term and will inevitably further affect the global macro economy and market confidence. The Board will closely monitor the development of these issues and will try its best effort to implement suitable measures as appropriate.

At the same time, the Board anticipates that China will concentrate on the extensive development of domestic economy to mitigate the risk bring by global economy. In light of the fact that the Group's business activities are principally carried on in the China market, it is expected that the Group will be benefited from the future development trend of China economy.

BUSINESS REVIEW & PROSPECTS

Property Leasing

Rental income of Beijing East Gate Development Co., Limited ("**Beijing East Gate**") for the current year amounted to approximately HK$105,624,000 (2017: HK$100,439,000). Rental income increased slightly by approximately 5% was mainly attributable to the increase in rental rates upon renewal of tenancy agreements. The occupation rate of the commercial portion and the residential portion of East Gate Plaza in the current year was approximately 95% (2017: 97%). The property leasing segment recorded an increase of approximately 20% to approximately HK$117,395,000 (2017: HK$97,888,000). Segment results recorded a higher increase was mainly due to the additional impact of fair value gain on revaluation of investment properties increased to approximately HK$62,477,000 (2017: approximately HK$55,285,000) which has further increased the segment results.

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 needs 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$198,816,000 with a profit contribution of approximately HK$59,645,000 to the Group in 2017. The results of China Jianrun returned to normal in 2018 and recorded a loss of approximately HK$20,540,000 and brought loss of approximately HK$6,162,000 to the Group.

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 non-wholly owned subsidiary of the Group. TZ United East's principal business is manufacturing and trading of fuel oil, liquid gas and propylene. 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:

	2018 ***Tons***	2017 *Tons*	Change %
Raw material processed under joint production	**582,100**	1,160,900	(50%)
Raw materials sold	**6,400**	34,900	(82%)
	HK$ million	*HK$ million*	Change %
Revenue — sub-contracting income	**385.9**	715.2	(46%)
Revenue — raw materials sold	**20.2**	90.1	(78%)
	406.1	805.3	(50%)
Net loss	**(400.7)**	(27.1)	1,379%

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.

Decrease in revenue from raw materials processed was mainly due to TZ United East's voluntarily suspension of its production for a five-months period from May to September 2018 in order to carry out the necessary major overhaul on its production facilities. As TZ United East was unable to earn subcontracting income from Zhong Hai You Qi under joint production arrangement during the period of suspended production to mitigate its operating expenditure, TZ United East therefore recorded a significant increase in losses of approximately HK$373,638,000.

Zhong Hai You Qi

Zhong Hai You Qi is 33% indirectly owned associate of the Group. Its principal business is manufacturing and trading of fuel oil, 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:

	2018	2017	Changes
	Tons	*Tons*	%
Annual production capacity	**4,500,000**	4,500,000	N/A
Crude oil processed	**4,213,600**	4,032,600	4%
	HK$ million	*HK$ million*	Changes %
Revenue	**21,912.6**	19,003.6	15%
Net profit	**201.1**	762.0	(74%)
Profit contribution before non-controlling interests	**66.4**	251.5	(74%)

Despite the fact that Zhong Hai You Qi has recorded a growth in revenue, there was a prominent decrease in net profit. The main reason was due to the five months suspended production of TZ United East. As TZ United East was not able to provide subcontracting services to Zhong Hai You Qi during the period of suspended production, Zhong Hai You Qi has changed its production method to produce and sell petrochemical products with much lower profit margins. Moreover, international crude oil prices suddenly dropped significantly in the last two months of 2018, resulted in a significant decrease in the net profit of Zhong Hai You Qi in 2018 as a result of decrease in the gross margin of its products and the provision of a before tax impairment loss amounting to approximately HK$165,485,000 in respect of it inventories.

Profit contribution from Zhong Hai You Qi for the year was approximately HK$66,365,000 (2017: HK$251,467,000).

Financial Assets

The Group strategically invested in certain PRC enterprises which are classified as financial assets at fair value through profit or loss. As at 31 December 2018, the carrying value of these financial assets with individual allocation (unless otherwise explained, changes in the carrying balance as at both year ends were due to the translation difference brought by changes in RMB exchange rates) detailed below:

	2018	2017
	HK$'m	*HK$'m*
Under non-current assets		
JC International	**124.0**	124.6
Beijing TeraSolar	**64.9**	69.7
CUP	**—**	54.0
CITIC International Trading	**18.4**	22.6
Hejing Zhongdao	**11.9**	24.2
Structured finance securities	**6.8**	7.0
Others *(Note 1)*	**2.8**	5.6
	228.8	307.7
Under current assets		
National Trust	**573.8**	606.2
Structured bank deposits *(Note 2)*	**—**	1,182.5
Listed securities *(Note 3)*	**3.2**	100.5
	577.0	1,889.2
	805.8	2,196.9

Note:

(1) Decrease in the carrying amount was due to disposal of a subsidiary, which held a club membership during the year.

(2) Decrease in the carrying amount was attributable to the transfer to cash and bank balances upon maturity of the structured bank deposits during the year.

(3) Decrease in the carrying amount was due to disposal of a majority of the listing securities held for trading purposes during the year.

JC International

The Group invested RMB100,000,000 (equivalent to approximately HK$124,600,000) for an indirect equity interest of 10% in Jiangxi Copper International Trading Co., Ltd. ("**JC International**"). JC International is a 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 RMB116,000,000 (equivalent to approximately HK$129,500,000) in cash to Beijing TeraSolar for an equity interest of 8.29%. During the year of 2015, the Group paid RMB58,000,000 (equivalent to approximately HK$64,700,000) as partial payment in accordance with the terms of the agreement, the remaining balance was 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. The Group has disposed of it entire interest in CUP during the current year at a total consideration of approximately HK$239,300,000.

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 RMB20,200,000 (equivalent to approximately HK$24,200,000) 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. Decrease in the carrying amount in the current year was mainly due to decrease in fair value of the investment.

CITIC International Trading

In the second half year of 2017, the Group invested RMB20,000,000 (equivalent to approximately HK$24,000,000) 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 in 2018. 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.

Since up to the date of this announcement, CITIC International Trading has not obtained the qualification for an exchange platform, the Group is holding negotiation to dispose of its entire investment in CITIC International Trading at appropriate terms.

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 RMB500,000,000 (equivalent to approximately HK$600,200,000) 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 RMB1,000,000 (equivalent to approximately HK$1,200,000) 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.

GROWTH STRATEGIES & PROSPECT

To expand its existing investments in 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 Group has commenced the merger and restructure of its two operating entities in Taizhou, namely TZ United East and Zhong Hai You Qi in the fourth quarter of 2018. The Board anticipated that the merger and restructure will benefit the stable supply of the critical raw material crude oil. Through synergy effect and the mixed ownership structure, the production efficiency and effectiveness of petrochemical products will be enhanced. For the time being, the merger and restructure is still in progress. The anticipated that following the completion of the merger and restructure, the production and sales of petrochemical products business will generate stable profit and cash flow contribution to the Group in the long run.

On 31 October 2018, Zhuguang Holdings Group Company Limited ("**Zhuguang Holdings**") completed the acquisition of 291,220,022 shares and 364,140,000 shares respectively from Silver Grant Group Limited ("**SG Group**") and CGNPC International Limited ("**CGNPC**") (both were substantial shareholders of the Company), made up to 655,360,022 shares (representing approximately 28.44% of the issued shares of the Company) in aggregate; and became a substantial and the single largest shareholder of the Company. Subsequently, Zhuguang Holdings increased its shareholding to approximately 29.98%. Zhuguang Holdings has appointed two directors to the Board, to participate and lead the Group's operation and management. The current management has intention to further expand the Group's business into the provision of financial services sector.

The Board proposes to change the English name of the Company from "Silver Grant International Industries Limited" to "Silver Grant International Holdings Group Limited" and to change the Chinese name of the Company from "銀建國際實業有限公司" to "銀建國際控股集團有限公司". The Board considers that the proposed change of Company name will reflect more accurately the nature of business of the Group the business focus of the Group in the future.

FINANCIAL REVIEW

Exchange Exposure

The Group's principal assets, liabilities, revenue and payments are denominated in HKD and RMB. In the opinion of the Board, RMB will remain a regulated currency in the foreseeable future. Although the market is generally anticipating a wider RMB exchange rate fluctuation limits, the Board does not anticipate any material adverse effect on the financial position of the Group except for the exchange differences arising on translating PRC subsidiaries and associates. However, the Board will closely monitor the future development of the RMB exchange rate and will take appropriate correction actions as necessary.

In addition, the Board does not anticipate that there is any material exchange exposure in respect of other currencies.

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.

Working Capital & Borrowings

At the end of the reporting period, the Group's total borrowings amounted to approximately HK$2,923,790,000 in aggregate. The composition of these borrowings is summarized below:

	HK$ million	*Percentage*
Short term borrowings	1,723.5	59%
Long term borrowings	1,200.3	41%
Total	2,923.8	100%

Interests for all borrowings were charged at fixed and floating rates ranging from 3.04% 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 restricted bank balances) was approximately HK$859,732,000 in aggregate. The Group's net borrowings was approximately HK$2,064,058,000. The Group's net current assets was approximately HK$691,183,000. In addition, the Group has unutilised banking facilities of approximately HK$317,000,000 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 43% (2017: 45%) and 1.3x (2017: 1.0x) respectively. Both ratios are maintained at good level.

Pledge of Assets

As at 31 December 2018, the Group pledged certain investment properties, leasehold land and buildings, land use rights and factory, plant and machinery with an aggregate carrying value at the end of the reporting period of approximately HK$2,360,959,000 (2017: HK$2,424,730,000), HK$343,800,000 (2017: HK$306,300,000), HK$122,532,000 (2017: HK$131,791,000) and HK$734,248,000 (2017: HK$737,486,000) respectively to secure general banking facilities granted to the Group, other loans and other payable to an independent third party.

At 31 December 2018, the pledged bank deposit of HK$322,432,000 (2017: Nil) to secure bank borrowings advanced to the Group.

As at 31 December 2017, the Group pledged approximately HK$844,000 bank deposits to secure settlements for certain of Group's purchase of raw materials.

CHANGES IN CONSOLIDATED STATEMENT OF PROFIT OR LOSS ITEMS:

Sale of petrochemical products

Amounts in both years were derived from the direct selling of raw materials by TZ United East. The raw materials were those acquired through previously contracted supply contracts.

Sub-contracting income/Cost of Sales and Services

Decrease was mainly attributable to lack of sub-contracting income during the five months' period of suspended productions of TZ United East in the current year. Accordingly, cost of sales and service also decreased proportionately.

Other Income, Gains and Losses

Decrease was mainly due to interest income from an associate decreased by approximately HK$41,497,000 which was partially compensated by the net reversal of impairment loss on amount due from an associate and loan receivables amounting to approximately HK$18,476,000 recognised in the current year.

Change in fair value of financial assets at fair value through profit or loss

Amounts in the current year mainly represented increase in fair value of financial assets amounting to approximately HK$58,940,000 in aggregate and the profit realized from disposal of financial assets and interest income from structured bank deposits amounting to approximately HK$64,325,000 in aggregate.

Administrative expenses

The increase was mainly attributable to the special bonus amounting to HK$25,000,000 in aggregate paid to three key staffs in relation to the restructuring of the Taizhou businesses in the current year and the redundancy costs amounting to approximately HK$6,300,000 in aggregate paid to four laid off staffs in the fourth quarter of the current year as a result of business realignment.

Finance costs

Decrease was mainly due to decrease in average borrowings in the current year.

Share of results of associates

Decrease was mainly due to decrease in profit contribution from the associate, Zhong Hai You Qi amounting to approximately HK$185,102,000.

Non-controlling interest

The amount in the current year mainly represented the minority interests' share of the loss of TZ United East whereas the amount in the previous year mainly represented the minority interests' share of the profit of Tai Zhou Dong Thai Petrochemical Company Limited ("**TZ Dong Thai**"). TZ Dong Thai is the immediate holding company of Zhong Hai You Qi and thus benefited directly from the significant improvement in operating results of the later in the previous year.

CHANGES IN ITEMS ON CONSOLIDATED STATEMENT OF FINANCIAL POSITION:

Structured finance securities/Available-for-sale investments/Financial assets at fair value through profit or loss/Held-for-trading investments/Structured bank deposits

As a result of change in accounting policy upon adoption of HKFRS 9, structure finance securities, available-for-sale investments, held-for-trading investment and structured bank deposits are all reclassified as financial asset at fair value through profit or loss. The carrying balances at each year end date is summarized below:

	2018	2017
	HK$'000	*HK$'000*
Non-current assets		
Structured finance securities	—	6,999
Available-for-sale investments	—	300,655
Financial assets at fair value through profit or loss	**228,810**	—
Current assets		
Available-for-sale investments	—	606,242
Held-for-trading investments	—	100,526
Financial assets at fair value through profit or loss	**576,985**	—
Structured bank deposits	—	1,182,473
	805,795	2,196,895

Decrease in the total carrying amount was mainly due to the effect of the disposal of the CUP with a book value of approximately HK$54,000,000, disposal of trading listed securities of approximately HK$96,800,000 and the reclassification of all high-yield bank deposits of approximately HK$1,182,473,000 standing at 31 December 2017 to cash and bank balances upon maturity in 2018.

Loan Receivables

	2018	2017
	HK$'000	*HK$'000*
Carrying balances under non-current liabilities	**277,515**	223,044
Carrying balances under current liabilities	**653,888**	—
Total	**931,403**	223,044

The increase was mainly attributable to the advance of new short term loan receivables to business partners and certain third parties for better returns. Several loan receivables amounting to approximately HK$490,868,000 were fully repaid in the first quarter of 2019.

Deposits, Prepayments and Other Receivables

The increase was mainly due to the payment in respect of a potential investment amounting to approximately HK$40,056,000.

Bank balances and cash

	2018	2017
	HK$'000	*HK$'000*
Pledged bank deposits	**322,432**	844
Restricted bank balance	**40,056**	—
Structured bank deposits	—	1,182,473
Bank balances and cash	**497,244**	301,850
Total	**859,732**	1,485,167

Decrease in total bank balances and cash was mainly attributable to the partial repayment of bank loans, repayment of approximately HK$391,100,000 to a company controlled by a former director for the amount received on its behalf and advancement of loan receivables.

Non-controlling interests

Increase was mainly attributable to the capital contributions from non-controlling interests of subsidiaries made during the year.

Borrowings

	2018	2017
	HK$'000	*HK$'000*
Carrying balances under non-current liabilities	**1,200,254**	989,915
Carrying balances under current liabilities	**1,723,536**	2,241,205
Total	**2,923,790**	3,231,120

A majority of the borrowings in both years were the RMB denominated working capital loan granted to the Group's subsidiaries in the PRC. Decrease in total borrowings was mainly due to repayments of bank loan made in the second half year of 2018.

Accrued Charges, Rental Deposits and Other Payables

Decrease was mainly attributable to the repayment of proceeds collected on behalf of a company controlled by a former director amounting to approximately HK$391,100,000 during the year.

CAPITAL STRUCTURE

At the end of the reporting period, the shareholders' fund of the Group decreased by HK$354,641,000 to approximately HK$6,748,759,000 (2017: HK$7,103,400,000), representing a decrement of approximately 5%. The decrease was mainly due to the depreciation of RMB resulted in exchange differences arising on translation to presentation currency amounting to approximately HK$358,724,000.

HUMAN RESOURCES

At the end of the reporting period, the Group employed 588 (2017: 559) 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$173,982,000 (2017: HK$159,541,000). Total staff costs increased by approximately 9%. The main reasons were attributable to the special bonus amounting to HK$25,000,000 in aggregate paid to three key staffs in relation to the restructuring of the Taizhou businesses in the current year and the redundancy costs amounting to approximately HK$6,300,000 in aggregate paid to four laid off staffs in the fourth quarter of the current year as a result of business realignment. Moreover, the depreciation of RMB by approximately 5% in the current year has resulted in a decrease in PRC staff costs upon translation which has partially compensated the effect of the aforesaid factors.

FINAL DIVIDEND

The Company aims to maximize interests of its shareholders and at the same time maintain a strong and healthy financial position for investment opportunities and sustainable development of the Company and the Group in the future. In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account the Group's earnings performance, financial position, investment requirements and future prospects. In additions, the Board will also take into account any restrictive covenants imposed by bank and other funding facilities grant to the Group from time to time and any other factors the Board may deem appropriate and/or relevant.

As the Group incurred net loss for the year, the Board has resolved not to recommend payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

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 Tuesday, 21 May 2019 to Friday, 24 May 2019, 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, 20 May 2019.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Boardroom 3 and 4, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 24 May 2019 at 2:30 p.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 2018, except for the deviations from code provision A.1.1 and E.1.2.

Under code provision A.1.1, the 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 three regular meetings of the Board were held across the year. The Board considers that the three meetings were sufficient to deal with matters of the Company. Apart from Board meetings, consent of directors on issues was also sought through circulating resolutions in writing.

Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Mr. Luo Zhenhong, the Chairman of the Board was out of town and is unable to attend the annual general meeting of the Company held on 28 May 2018. The Chairman will endeavor to attend all future annual general meeting of the Company unless unexpected or special circumstances preventing him from doing so.

The Board continues to monitor and review the Group's corporate governance practices to ensure compliance.

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 2018, which will be sent out to the shareholders by the end of April 2019.

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 2018.

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 2018.

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 2018 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

After the end of the reporting period, Mr. Luo Zhenhong resigned as a non-executive director, chairman of the Board, and ceased to act as member and the chairman of the nomination committee of the Company; Mr. Hui Xiao Bing and Mr. Chen Qiming resigned as a non-executive director and the vice-chairman of the Board of the Company and Mr. Liu Tianni resigned as an executive director, deputy managing director of the Company and the Company's authorized representative; all resignations are effective from 29 January 2019.

Mr. Chu Hing Tsung was appointed non-executive director, chairman of the Board, member and the chairman of the nomination committee of the Company. Mr. Huang Jiajue was appointed executive director, member of the remuneration committee of the Company and the Company's authorized representative. Mr. Luo Zhihai was appointed executive director of the Company and Mr. Chen Zhiwei was appointed non-executive directior of the Company; all appointment were effective from 29 January 2019.

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, 29 March 2019

As at the date of this announcement, the Board comprises Mr. Gao Jian Min (Managing Director), Mr. Huang Jiajue, Mr. Ma Yilin and Mr. Luo Zhihai as executive directors; Mr. Chu Hing Tsung (Chairman) and Mr. Chen Zhiwei as non-executive directors and Mr. Liang Qing, Mr. Zhang Lu and Mr. Hung Muk Ming as independent non-executive directors.