SILVER GRANT INTERNATIONAL HOLDINGS GROUP LIMITED
銀建國際控股集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 171)

PRELIMINARY ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

UNAUDITED CONSOLIDATED ANNUAL RESULTS

For the reasons explained below under "Review of Unaudited Consolidated Annual Results", the auditing process for the annual results of Silver Grant International Holdings Group Limited (the "**Company**" or "**Silver Grant**") and its subsidiaries (collectively, the "**Group**") has not been completed. In the meantime, the board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2019 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 HK$'000	(Restated) 2018 HK$'000
Continuing operations			
Rental income	2	**107,568**	105,624
Direct operating expenses		**(6,419)**	(5,950)
		101,149	99,674
Dividend income from listed and unlisted securities	2	**85**	103
Other income, gains and losses	4	**181,733**	55,048
Change in fair value of financial assets at fair value through profit or loss		**(201,650)**	121,371
Change in fair value of derivative financial instruments		**4,562**	—
(Provision)/reversal of impairment losses on financial assets		**(20,984)**	18,476
Administrative expenses		**(219,664)**	(151,896)
Change in fair value of investment properties		**18,103**	62,477
Gain on disposal of a subsidiary		**—**	2,167
Finance costs	5	**(133,746)**	(48,172)
Share of profit and losses of:			
— Associates		**(7,091)**	60,203
— A joint venture		**108,822**	—
(Loss)/profit before taxation from continuing operations	7	**(168,681)**	219,451
Taxation	6	**(10,570)**	(17,414)
(Loss)/profit for the year from continuing operations		**(179,251)**	202,037
Discontinued operation			
Profit/(loss) for the year from discontinued operation	3	**330,352**	(368,204)
Profit/(loss) for the year		**151,101**	(166,167)
Profit/(loss) attributable to owners of the Company:			
— from continuing operations		**(169,601)**	185,683
— from discontinued operation		**225,414**	(235,058)
		55,813	(49,375)

	Note	2019	(Restated) 2018
		HK$'000	HK$'000
Profit/(loss) attributable to non-controlling interests:			
— from continuing operations		**(9,650)**	16,354
— from discontinued operation		**104,938**	(133,146)
		95,288	(116,792)
		151,101	(166,167)
Earnings/(loss) per share attributable to ordinary equity holders of the Company (in HK cents)	*8*		
For profit/(loss) for the year			
— Basic		**2.42**	(2.14)
— Diluted		**2.42**	(2.14)
For (loss)/profit from continuing operations			
— Basic		**(7.36)**	8.06
— Diluted		**(7.36)**	8.06

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
Profit/(loss) for the year	**151,101**	(166,167)
Other comprehensive (expense)/income		
Items that will not be reclassified to profit or loss:		
(Loss)/gain arising on revaluation of leasehold properties	**(9,433)**	41,678
Exchange differences arising on translation of foreign operations	**(143,005)**	(358,724)
Income tax related to items that will not be reclassified	**2,742**	(5,879)
Reclassification adjustments relating to foreign operation disposed of during the year	**(1,300)**	—
Other comprehensive expense for the year (net of tax)	**(150,996)**	(322,925)
Total comprehensive income/(expense) for the year	**105**	(489,092)
Total comprehensive income/(expense) attributable to:		
Owners of the Company	**(88,129)**	(364,096)
Non-controlling interests	**88,234**	(124,996)
	105	(489,092)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Investment properties		**2,486,340**	2,522,430
Property, plant and equipment		**313,832**	3,783,615
Land use rights		—	178,435
Goodwill		—	39,462
Interests in associates		**77,050**	1,335,113
Interest in a joint venture		**3,223,521**	—
Financial assets at fair value through profit or loss		**2,780**	228,810
Loan receivables		—	277,515
		6,103,523	8,365,380
Current assets			
Inventories		—	93,340
Trade receivables	*10*	**8,735**	68,058
Deposits, prepayments and other receivables		**192,987**	343,946
Amounts due from a joint venture		**1,195,086**	—
Amounts due from an associate		**488,563**	383,684
Loan receivables		**1,358,995**	653,888
Financial assets at fair value through profit or loss		**807,507**	576,985
Pledged bank deposits		**22,321**	322,432
Restricted bank balance		—	40,056
Bank balances and cash		**190,247**	497,244
		4,264,441	2,979,633
TOTAL ASSETS		**10,367,964**	11,345,013

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
EQUITY			
Capital and reserves			
Share capital		**3,626,781**	3,626,781
Reserves		**3,033,849**	3,121,978
Equity attributable to owners of the Company		**6,660,630**	6,748,759
Non-controlling interests		**942,071**	854,447
TOTAL EQUITY		**7,602,701**	7,603,206
LIABILITIES			
Non-current liabilities			
Borrowings		**672,991**	1,200,254
Deferred tax liabilities		**251,996**	253,103
Convertible bonds		**1,170,351**	—
		2,095,338	1,453,357
Current liabilities			
Trade and bills payables	*11*	—	11,955
Accrued charges, rental deposits and other payables		**282,820**	520,901
Borrowings		**261,941**	1,723,536
Taxation payable		**123,017**	32,058
Derivative financial instruments		**2,147**	—
		669,925	2,288,450
TOTAL LIABILITIES		**2,765,263**	3,741,807
TOTAL EQUITY AND LIABILITIES		**10,367,964**	11,345,013
Net current assets		**3,594,516**	691,183
Total assets less current liabilities		**9,698,039**	9,056,563

NOTES:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited financial information relating to the year ended 31 December 2019 and the financial information relating to the year ended 31 December 2018 included in this preliminary announcement of unaudited annual results does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 December 2018, is derived from those consolidated financial statements. The Company has delivered the consolidated financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditor has reported on the consolidated financial statements for the year ended 31 December 2018. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; 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 for the year ended 31 December 2019 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial asset at fair value through profit or loss and derivative financial instruments, which have been measured at fair value, and the leasehold land and buildings under property, plant and equipment have been measured at revaluation model. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and Annual Improvements to HKFRSs 2015-2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various offices. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

The Group elected to present the right-of use assets in property, plant and equipment as appropriate.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

As a lessee – Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under HKAS 17.

The adoption of HKFRS 16 did not have any significant impact on the Group's financial statements.

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2. REVENUE AND SEGMENT INFORMATION

Revenue from property leasing and investments is analysed as follows:

Continuing operations:

	2019	(Restated) 2018
	HK$'000	*HK$'000*
Rental income	**107,568**	105,624
Dividend income from listed and unlisted securities	**85**	103
	107,653	105,727

The Group is currently organised into two operating divisions: (1) investments (including the results from loan receivables and financial assets at fair value through profit or loss); and (2) property leasing. These operating divisions form the basis of the internal reports in relation to components of the Group that are regularly reviewed by the executive Directors, being the chief operating decision maker, in order to allocate resources to segments and to assess their performance. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

No segment assets or liabilities are 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 2019

	Investments *HK$'000*	**Property leasing** *HK$'000*	**Consolidated** *HK$'000*
Revenue	**85**	**107,568**	**107,653**
Segment (loss)/profit	**(54,232)**	**62,626**	**8,394**
Other unallocated income, gains and losses			**3,470**
Corporate expenses			**(148,530)**
Finance costs			**(133,746)**
Share of profit and losses of:			
— Associates			**(7,091)**
— A joint venture			**108,822**
Loss before taxation			**(168,681)**

Year ended 31 December 2018 (Restated)

	Investments *HK$'000*	Property leasing *HK$'000*	Consolidated *HK$'000*
Revenue	103	105,624	105,727
Segment profit	193,537	117,395	310,932
Other unallocated income, gains and losses			3,173
Corporate expenses			(106,685)
Finance costs			(48,172)
Share of profit of associates			60,203
Profit before taxation			219,451

Segment profit represents the results of each segment without allocation of items which have not been actively reviewed by the chief operating decision maker, including other unallocated income, gains and losses, comprising interest income other than those from associates and a joint venture and loan receivables, net foreign exchange loss and certain miscellaneous unallocated income. The unallocated corporate expenses, finance costs, share of profit and losses of associates and a joint venture are not allocated to individual segments 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.

Geographical information

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

Continuing operations

		(Restated)
	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**620**	1,423
PRC	**107,033**	104,304
	107,653	105,727

3. DISCONTINUED OPERATION

On 28 November 2018, 泰州東聯化工有限公司 (Tai Zhou United East Petrochemical Company Limited*) ("**TZ United East**"), an indirect non-wholly owned subsidiary of the Company, 中海油氣(泰州)石化有限公司 (Zhong Hai You Qi (Tai Zhou) Petrochemical Company Limited*) ("**Zhong Hai You Qi**"), an associate of the Company, and 中海瀝青(泰州)有限責任公司(China Offshore Bitumen (Taizhou) Co., Ltd.*) ("**COBT**"), entered into a merger agreement (the "**Merger Agreement**"), pursuant to which Zhong Hai You Qi absorbed and merged with TZ United East and COBT (the "**Merger**"). Upon completion of the Merger which took place on 15 July 2019, Zhong Hai You Qi became the surviving entity (the "**Merged Enterprise**"), TZ United East and COBT were dissolved and deregistered, and the Company owned 51% of the equity interest in the Merged Enterprise through its indirect non-wholly owned subsidiary, 泰州東泰石化有限公司(Tai Zhou Dong Thai Petrochemical Company Limited*) ("**TZ Dong Thai**"). Following the completion of the Merger, the Group discontinued the operation in its trading of pertochemcial products and provision of sub-contracting service business segment.

* *English name is translated for identification purpose only*

The results of the discontinued operation in the trading of petrochemical products and provision of sub-contracting service business segment of the Group which have been included in the unaudited consolidated statement of profit or loss up to the date on which the Group lost control over TZ United East, are as follows:

	From 1 January 2019 up to the date of disposal *HK$'000*	Year ended 31 December 2018 *HK$'000*
Revenue	**288,381**	406,122
Cost of sales and services	**(207,088)**	(371,453)
Other income, gains and losses	**909**	5,237
Change in fair value of financial assets at fair value through profit or loss	**89**	1,058
Administrative and other expenses	**(71,209)**	(344,007)
Finance cost	**(40,091)**	(65,161)
Legal and professional fees incurred for the Merger	**(9,455)**	—
Loss for the period/year	**(38,464)**	(368,204)
Gain on bargain purchase from the Merger	**491,120**	—
Taxation on the gain from the Merger	**(122,304)**	—
Profit/(loss) from discontinued operation	**330,352**	(368,204)
Profit/(loss) from discontinued operation attributable to:		
— Owners of the Company	**225,414**	(235,058)
— Non-controlling interests	**104,938**	(133,146)
	330,352	(368,204)
Earnings/(loss) per share:		
Basic and diluted, from discontinued operation	**HK9.78 cents**	(HK10.20 cents)
The calculations of basic and diluted earnings/(loss) per share from the discontinued operation are based on:		
Profit/(loss) attributable to owners of the Company from the discontinued operation (in thousand)	**HK$225,414**	(HK$235,058)
Weighted average number of ordinary shares in issue during the period/year (in thousand)	**2,304,850**	2,304,850

4. OTHER INCOME, GAINS AND LOSSES

Continuing operations

	2019	(Restated) 2018
	HK$'000	*HK$'000*
Interest income		
— amount due from an associate	**22,727**	23,641
— amount due from a joint venture	**19,943**	—
— bank deposits	**2,750**	941
— loan receivables	**134,717**	28,233
— others	**—**	10
Net foreign exchange (loss)/gain	**(162)**	1,036
Net loss on disposal of property, plant and equipment	**—**	(32)
Government grant	**875**	462
Others	**883**	757
	181,733	55,048

5. FINANCE COSTS

Continuing operations

	2019	(Restated) 2018
	HK$'000	*HK$'000*
Interest on bank loans fully repayable within five years	**63,689**	46,748
Interest on other loans fully repayable within five years	**2,747**	1,424
Interest on convertible bonds fully repayable within five years	**67,310**	—
	133,746	48,172

6. TAXATION

Continuing operations

	2019	(Restated) 2018
	HK$'000	*HK$'000*
Tax charge comprises:		
— PRC Enterprise Income Tax — current tax	**7,036**	2,573
Deferred taxation:		
— current year	**3,534**	14,841
	10,570	17,414

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 Company's subsidiaries in the PRC.

The withholding tax arising from dividend income received from the Company's subsidiaries in the PRC is calculated at 5%.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and the Implementation Regulation of the EIT Law, the tax rate of the Company's subsidiaries in the PRC was 25% from 1 January 2008 onwards.

7. (LOSS)/PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS

(Loss)/profit before taxation from continuing operations has been arrived at after charging (crediting):

	2019	(Restated) 2018
	HK$'000	*HK$'000*
Auditor's remuneration	**4,500**	2,900
Change in fair value of financial assets at fair value through profit or loss	**201,650**	(121,371)
Depreciation of property, plant and equipment	**12,475**	13,438
Staff costs including directors' and chief executive's remuneration	**60,992**	80,060
Rental income under operating leases for investment properties, less outgoings of HK$6,419,000 (2018: HK$5,950,000)	**(101,149)**	(99,674)
Provision/(reversal) of impairment losses on financial assets	**20,984**	(18,476)

8. EARNINGS/(LOSS) PER SHARE

From continuing operations

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

	2019	(Restated) 2018
	HK$'000	*HK$'000*
Earnings/(loss):		
Profit/(loss) attributable to owners of the Company used in basic earnings per share calculation:		
— From continuing operations	**(169,601)**	185,683
— From discontinued operation	**225,414**	(235,058)
	55,813	(49,375)

	2019	2018
	In thousand	*In thousand*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**2,304,850**	2,304,850

No adjustment for dilution has been made to the basic loss per share presented for the year ended 31 December 2019 as the Company's convertible bonds outstanding had an anti-dilutive effect on the basic loss per share presented.

For profit/(loss) for the year

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

	2019	(Restated) 2018
	HK$'000	*HK$'000*
Earnings/(loss):		
Profit/(loss) for the year attributable to owners of the Company used in basic earnings/(loss) per share calculation	**55,813**	(49,375)

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

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2019 in respect of dilution as the Company's convertible bonds outstanding had an anti-dilutive effect on the basic earnings for share amount presented.

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2019 (2018: nil), nor has any dividend been proposed since the end of the reporting period (2018: 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:

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**8,735**	68,058

As at 31 December 2018, included in the Group's trade receivables was HK$62,045,000 due from the Group's associate, 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:

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**—**	11,955

12. COMMITMENTS

(a) The Group had the following capital commitments as at the end of the reporting period:

	2019	2018
	HK$'000	*HK$'000*
Capital commitments in respect of property, plant and equipment:		
— contracted for but not provided in the unaudited consolidated financial statements	**—**	110,192
Capital commitments in respect of unlisted equity securities:		
— contracted for but not provided in the unaudited consolidated financial statements	**167,411**	171,233
	167,411	281,425

(b) Operating lease commitments as at 31 December 2019

The Group leased its office property under an operating lease arrangement. The lease for the property was negotiated for a term of one year.

At 31 December 2019, the Group had total future minimum lease payments under a non-cancellable operating lease falling due as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**1,453**	—

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has recorded a turnaround from a loss for the year ended 31 December 2018 (the "**Year 2018**") to a profit for the year ended 31 December 2019 (the "**Year 2019**"). The profit attributable to owners of the Company for Year 2019 was approximately HK$55,813,000 (2018: loss of approximately HK$49,375,000). Basic earning per share was 2.42 HK cents for Year 2019 (2018: loss of 2.14 HK cents).

On 28 November 2018, 泰州東聯化工有限公司 (Tai Zhou United East Petrochemical Company Limited*), a 68.07% indirectly owned subsidiary of the Company ("**TZ United East**"), 中海油氣(泰州)石化有限公司 (Zhong Hai You Qi (Tai Zhou) Petrochemical Company Limited*), a 33% associate of the Company with approximately 22.46% of its equity interest being effectively held by the Company ("**Zhong Hai You Qi**"), and 中海瀝青(泰州)有限責任公司(China Offshore Bitumen (Taizhou) Co., Ltd.*) ("**COBT**"), entered into a merger agreement (the "**Merger Agreement**"), pursuant to which Zhong Hai You Qi absorbed and merged with TZ United East and COBT (the "**Merger**"). Upon completion of the Merger which took place on 15 July 2019, TZ United East and COBT were dissolved and deregistered, and Zhong Hai You Qi became the surviving entity and a joint venture ("**ZHYQ JV**") of the Company, in which the Company owned approximately 51% of its equity interest through one of its indirect non-wholly owned subsidiary, 泰州東泰石化有限公司 (Tai Zhou Dong Thai Petrochemical Company Limited*) ("**TZ Dong Thai**"), i.e. the Company effectively held approximately 34.72% of the equity interest of ZHYQ JV. Following the completion of the Merger, the Group discontinued the operation in its trading of pertochemcial products and provision of sub-contracting service business segment.

Upon completion of the Merger, ZHYQ JV has been jointly managed and operated by the Company and 中國海洋石油集團有限公司 (China National Offshore Oil Corporation*) under their respective subsidiaries, namely TZ Dong Thai and 中海石油煉化有限責任公司 (CNOOC Refinery Co., Ltd.*) ("**CRCL**"), to leverage on their respective advantages as a private-run enterprise and a state-run enterprise in terms of performance incentives, innovative management, technological research and development as well as resource supports, which would raise the operating efficiency of ZHYQ JV and further enhance its competitiveness. After the Merger, ZHYQ JV has a crude oil processing

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capacity of 6,000,000 tons per year, covering dozens of petrochemical products, a 50,000 ton oil loading and unloading terminal and a 30,000 ton petrochemical loading and unloading wharf. ZHYQ JV is engaged in the transit, delivery and receipt of raw materials and products, and is becoming one of the main production bases of comprehensive petrochemical products in the Yangtze River Delta region. As a result of the Merger which has improved the efficiency in ZHYQ JV's operations and production, ZHYQ JV has generated a net profit of approximately HK$108,822,000 for the period from the completion of the Merger up to 31 December 2019, which outperformed the contribution made by TZ United East and Zhong Hai You Qi to the Group for the entire Year 2018. Focusing on its medium-term and long-term developments, ZHYQ JV will strive to upgrade its crude oil processing capacity to 8,000,000 tons per year and develop in the direction of producing new chemical materials, with an aim to become one of the medium to large-sized high end petrochemical industry bases in China.

Investments

Compared to the segment profit of approximately HK$193,537,000 in Year 2018, the Group made a loss of approximately HK$54,232,000 in its investments business segment in Year 2019 as a result of the Group's strategic slow down and disposal of investments in the recent years. The Board currently intends to extend the Group's investment business into the financial services sector and plans to further expand the Group's financial asset investments and services business, with investments in non-performing assets becoming a focus of the Group. In July 2019, the Group completed the acquisition of 100% of the equity stake in a limited partnership company holding a non-performing loan portfolio in the PRC at the consideration of approximately RMB166.1 million from China Great Wall Asset Management Co. Ltd. The total principal of the non-performing loans in the portfolio and the interest accrued thereon amounted to approximately RMB5.5 billion as at the date of completion of the acquisition. The Group has disposed of certain of these non-performing loans in the fourth quarter of 2019. It is expected that the disposal of the remaining portion of the non-performing loan portfolio by the Group will be completed in the next year. The Group will closely monitor the non-performing asset market and proactively identify non-performing assets available in the market that meet the Group's target returns.

The Group has invested in certain PRC enterprises which are classified by the Group as financial assets at fair value through profit or loss. The Board considers that financial asset investments with a carrying amount that accounts for more than 5% of the Group's total assets as at 31 December 2019 as significant financial asset investments of the Group. As at 31 December 2019, NT Trust Scheme (as defined below) was the only financial asset investment the carrying value of which amounted to more than 5% of the Group's total assets. Further details of the NT Trust Scheme are set out below:

The Group has invested RMB505,000,000 (equivalent to approximately HK$606,202,000) in aggregate into a trust ("**NT Trust Scheme**") managed by 國民信託有限公司 (National Trust Co., Ltd.*), which holds a portfolio of limited liability partnerships investing in property development investments in Zhuozhou and Shenyang in the PRC. As at 31 December 2019, the value of the NT Trust Scheme accounted for approximately 5.2% of the total assets of the Group. The carrying

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value of the NT Trust Scheme as at 31 December 2019 was approximately HK$541,110,000 (2018: HK$573,798,000), which was measured at fair value through profit or loss. Out of the loss of approximately HK$201,650,000 recorded in the change in fair value of financial assets at fair value through profit or loss for Year 2019, a loss of approximately HK$19,832,000 was attributable to the fair value change of the NT Trust Scheme as at 31 December 2019. The Group did not receive any distribution from the NT Trust Scheme during Year 2019 (2018: Nil). Based on the current investment strategy of the Group, its interest in the NT Trust Scheme is held for trading purpose and classified as a current asset in its unaudited consolidated statement of financial position.

The objective of the Group in relation to its investments in financial assets is to capture returns from the appreciation in the values of its investments and to receive income therefrom. The Board believes that the performance of the financial asset investments of the Group is dependent on the financial and operating performance of the investee companies and market sentiment, which are affected by factors such as interest rate movements, national policies and performance of the global and national economies. Among its previously invested projects, the Group is currently seeking exit opportunities after assessing the financial and operational performance of these investments against the Group's expectation, which will allow the Group to recover its capital and invest in projects with higher returns in the next few years. The Group will continue to adopt a prudent investment approach and closely monitor the performance of the investments in its portfolio.

Property Leasing

During Year 2019, the property leasing business of the Group has maintained a steady growth which provided a source of recurring income for the Group. In Year 2019, revenue from this business segment was mainly derived from East Gate Plaza, an investment property of the Group in Beijing, which is comprised of a residential section and a commercial section, with an average occupancy rate of approximately 90% (2018: 95%). Rental income received during Year 2019 was approximately HK$107,568,000 (2018: HK$105,624,000), which represented an increase of approximately 1.84%.

PROSPECTS AND OUTLOOK

At the start of 2020, there was an outbreak of the novel coronavirus (COVID-19) epidemic in Wuhan, Hubei Province, the PRC. Followed by the increase in the mobility of population before the Lunar New Year, the epidemic quickly spread around the world and to overseas regions, hitting the society and economy in China hard with challenges. The Group has been positively responding to the prevention and control measures implemented by the Chinese government, by publishing new prevention and control guidelines for its employees, regularly checking on its employees' health and preventing cross-infection among employees from happening in the workplace. Given the Group's principal business activities are spread across China, large-scale production cessation and delayed work resumption as a result of the prevention and control measures to combat the outbreak of the COVID-19 has already made a significant adverse impact on the daily operations of the Group. As the extent of such impact is dependent on how quickly the outbreak could become under control, the magnitude of the impact is not capable of being measured at present.

Notwithstanding the trade conflict between China and the United States has currently cooled down, the outbreak of the COVID-19 had various impacts on the domestic industries in China. Industries such as wholesale and retailing, accommodation and catering, logistics and transportation, and culture tourism which have been the most affected by this epidemic, have created great pressure on non-performing loans for the Chinese banking industry. At the end of the fourth quarter in 2019, the balance representing non-performing loans carried by commercial banks in the PRC reached a record-high of approximately RMB2.41 trillion, an increase of approximately RMB46.3 billion when compared to the previous quarter; the non-performing loan ratio of commercial banks was approximately 1.86%, which was at a similar level as the previous quarter. As the balance of non-performing loans carried by commercial banks in the PRC has been increasing continuously, the Group will follow the development pattern of the macro-economy, thoroughly investigate the regulatory policies and the changes in the legislative policies, to identify the business direction that is supported by the relevant policies, and make investments in non-performing loans that will provide high returns accordingly. Meanwhile, the Group will also participate in the restructuring of low-performing enterprises that have operational value.

Following the restructuring and transformation of Zhong Hai You Qi into ZHYQ JV through the Merger which was completed in July 2019, the Group has benefited from the system reform, production optimisation and transformation upgrading of Zhong Hai You Qi after the restructuring. Due to the characteristics of paraffinic and cycloalkyl crude oil produced by ZHYQ JV and its existing oil refinery technology, and in response to the fuel oil production overcapacity in low-end petrochemical industry, the oversaturation in the aromatics market, and the overcapacity in low-end olefin market, ZHYQ JV will boost its efforts in developing high-end lubricating oil products, expanding its scale in the lubricating oil industry, and transforming into a high-end polyolefin enterprise, so as to increase its profit, which will in turn create better returns for the shareholders of the Company.

FINANCIAL REVIEW

The loss attributable to the owners of the Company of approximately HK$49,375,000 for Year 2018 turned to a profit of approximately HK$55,813,000 for Year 2019, mainly due to the combined effect of the following:

(i) the increase in other income, gains and losses to approximately HK$181,733,000 for Year 2019, as compared with those for Year 2018 of approximately HK$55,048,000 (restated), which was mainly attributable to the increase in the interest income generated through advances provided by the Group during Year 2019;

(ii) a gain on bargain purchase from the Merger in the amount of approximately HK$491,120,000 recorded for Year 2019, which was absent in Year 2018;

(iii) the improvement in the performance of the trading of petrochemical products and provision of subcontracting service business of the Group from a net loss of approximately HK$301,839,000 for Year 2018 (during which it was operated through TZ United East and Zhong Hai You Qi), to a net profit of approximately HK$72,528,000 for Year 2019 (during which it was operated through TZ United East and Zhong Hai You Qi for the period from 1 January 2019 up to the completion of the Merger, and through ZHYQ JV for the period from the completion of the Merger up to 31 December 2019), mainly attributable to the improved efficiency in the operations and production of ZHYQ JV resulted from the Merger;

(iv) the turnaround from a gain of approximately HK$121,371,000 (restated) in the change in fair value of financial assets at fair value through profit or loss (the "**Financial Assets**") for Year 2018 to a loss of approximately HK$201,650,000 for Year 2019, as a result of (a) the decline in the fair value of the Financial Assets held by the Group as at 31 December 2019, compared with their fair value as at 31 December 2018; and (b) the profit realised by the Group from the disposal of its Financial Assets during Year 2018, while no Financial Assets were disposed of by the Group in Year 2019; and

(v) the increase in the finance costs incurred for Year 2019 from approximately HK$48,172,000 (restated) incurred for Year 2018 to those in the amount of approximately HK$133,746,000, due to the issue of the 7% senior unsecured and guaranteed convertible bonds in the aggregate principal amount of HK$1,150,000,000 by the Company in July 2019.

Basic earnings per share also improved from a loss per share of 2.14 HK cents for Year 2018 to earnings per share of 2.42 HK cents for Year 2019.

a. Rental income

Rental income for Year 2019 amounted to approximately HK$107,568,000 (2018: HK$105,624,000), representing an increase of approximately 1.84%, which was mainly attributable to the increase in the rental rates charged by the Group following the renewal of certain rental agreements in Year 2019, that was offset by the decrease in the occupancy rate of the rental properties of the Group from 95% to 90% in Year 2019 and the depreciation of the average RMB rate during Year 2019.

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

The turn of the change in fair value of the Financial Assets from a gain of approximately HK$121,371,000 (restated) for Year 2018 to a loss of approximately HK$201,650,000 for the Year 2019, was mainly attributable to (i) the net decrease of approximately HK$221,176,000 in the fair value of the Financial Assets held by the Group as at 31 December 2019, as compared to the net increase of approximately HK$58,104,000 in the fair value of the Financial Assets held by the Group as at 31 December 2018; and (ii) the profit realised by the Group from the disposal of its Financial Assets in Year 2018, while there was no disposal of Financial Assets during Year 2019.

c. **Administrative expenses**

The increase in administrative expenses from approximately HK$151,896,000 (restated) for Year 2018 to approximately HK$219,664,000 for Year 2019 was mainly due to: (i) the increase in property tax and tax charged on interest income amounting to approximately HK$7,300,000 and HK$3,900,000 respectively in Year 2019; (ii) the increase in legal and professional fees incurred amounting to approximately HK$6,200,000 in relation to the Group's acquisition of non-performing assets in Year 2019; and (iii) the increase in the provision for bad and doubtful debts for certain receivables overdue for more than 90 days amounting to approximately HK$54,107,000 in Year 2019.

d. **Other income, gains and losses**

The increase in other income, gains and losses from approximately HK$55,048,000 (restated) for Year 2018 to approximately HK$181,733,000 for Year 2019, was mainly due to the increase in interest income from loan receivables during Year 2019.

e. **Share of profit or loss of an associate and a joint venture**

The Company's share of profit and losses of associates in the amount of a net profit of approximately HK$60,203,000 for Year 2018 was contributed by the Company's share of the results of its associates, comprising a loss of approximately HK$6,162,000 from Cinda Jianrun Property Company Limited ("**Cinda Jianrun**") and a profit of approximately HK$66,365,000 from Zhong Hai You Qi. Following the completion of the Merger among Zhong Hai You Qi, TZ United East and COBT on 15 July 2019, Zhong Hai You Qi was transformed from an associate of the Company into a joint venture of Company, ZHYQ JV. As a result, the Company's share of profit and losses of associates in the amount of a net loss of approximately HK$7,091,000 recorded for Year 2019 was comprised of the Company's share of the loss of Cinda Jianrun in the amount of approximately HK$9,261,000 and the Company's share of the profit of Zhong Hai You Qi of approximately HK$2,170,000 (for the period from 1 January 2019 up to the completion of the Merger), while the Company's share of profit and losses of a joint venture in the amount of a net profit of approximately HK$108,822,000 was contributed by the Company's share of the profit of ZHYQ JV (for the period following the completion of the Merger up to 31 December 2019).

f. **Loan receivables**

	2019	2018
	HK$'000	*HK$'000*
Carrying balances under non-current assets	—	277,515
Carrying balances under current assets	**1,358,995**	653,888
Total	**1,358,995**	931,403

The increase in total loan receivables as at 31 December 2019 was mainly attributable to the advance of short term loans to business partners and certain third parties for better returns during Year 2019.

g. **Deposits, prepayments and other receivables**

The balance of deposits, prepayments and other receivables as at 31 December 2018 included approximately HK$217,965,000 of value-added tax recoverable from TZ United East, while there was no such value-added tax recoverable outstanding as at 31 December 2019 due to the disposal of TZ United East by the Group upon completion of the Merger in July 2019.

h. **Bank balances and cash**

	2019	2018
	HK$'000	*HK$'000*
Pledged bank deposits	**22,321**	322,432
Restricted bank balance	—	40,056
Bank balances and cash	**190,247**	497,244
Total	**212,568**	859,732

The decrease in total bank balances and cash as at 31 December 2019 was mainly attributable to the repayment of certain bank borrowings and the increase in the advancement of loan receivables during Year 2019.

The Group conducted its business almost exclusively in RMB except that certain transactions were conducted in HK$ and US$. The conversion of RMB into HK$, US$ or other foreign currencies has been based on the rates set by the People's Bank of the China. The value of RMB against HK$, US$ and other foreign currencies may fluctuate and is affected by factors, such as changes in the PRC's political and economic conditions. The Group has not adopted any financial instruments for hedging purposes. However, the Group will constantly assess the foreign exchange risk it encounters so as to decide on the hedging policy required against the possible foreign exchange risk that may arise.

i. **Accrued charges, rental deposits and other payables**

As at 31 December 2018, the balance of accrued charges, rental deposits and other payables included approximately HK$277,322,000 of construction costs payable for TZ United East's property, plant and equipment in the PRC. There were no such construction costs payable as at 31 December 2019 due to the disposal of TZ United East by the Group upon completion of the Merger in July 2019.

WORKING CAPITAL AND BORROWINGS

As at 31 December 2019, the Group's total borrowings amounted to approximately HK$2,105,283,000 in aggregate. The composition of these borrowings is summarised below:

	2019	2018
	HK$'000	*HK$'000*
Short term borrowings	**261,941**	1,723,536
Long term borrowings	**672,991**	1,200,254
Convertible bonds	**1,170,351**	—
Total	**2,105,283**	2,923,790

Interests for all borrowings of the Group for the Year 2019 were charged at fixed and floating rates ranging from 3.0% (2018: 3.04%) per annum to 12% (2018: 7.50%) per annum.

As at 31 December 2019, the Group's cash and bank balances (including pledged bank deposits) were approximately HK$212,568,000 (2018: HK$859,732,000) in aggregate. As at 31 December 2019, the Group's net borrowings were approximately HK$1,892,715,000 (2018: HK$2,064,058,000), and the Group's net current assets were approximately HK$3,594,516,000 (2018: HK$691,183,000). In addition, the Group had unutilised banking facilities of approximately HK$80,000,000 (2018: HK$317,000,000) in aggregate during Year 2019. Based on the foregoing information, the Board is confident that the Group has adequate working capital to meet its daily operations and to finance its future expansion. Notwithstanding this, the Board will seek to dispose of the Group's short and medium term investments to replenish the Group's funds in order to further enhance the Group's working capital to a stronger level.

As at 31 December 2019, the gearing ratio (calculated as total borrowings over equity attributable to owners of the Company) and the current ratio (calculated as current assets over current liabilities) of the Group were 32% (2018: 43%) and 6.4x (2018: 1.3x) respectively. Both ratios have been maintained at good level.

PLEDGE OF ASSETS

As at 31 December 2019, the Group pledged certain investment properties, leasehold land and buildings, land use rights and property, plant and equipment with an aggregate carrying value of approximately HK$2,408,486,000 (2018: HK$2,360,959,000), HK$241,800,000 (2018: HK$343,800,000), Nil (2018: HK$122,532,000) and Nil (2018: HK$734,248,000) respectively to secure general banking facilities granted to the Group, other loans and other payable to an independent third party.

At 31 December 2019, the bank deposit of HK$22,321,000 (2018: HK$322,432,000) was pledged to secure bank borrowings advanced to the Group.

CAPITAL STRUCTURE

As at 31 December 2019, the shareholders' funds of the Group decreased by approximately HK$88,129,000 to approximately HK$6,660,630,000 (2018: HK$6,748,759,000), representing a decline of approximately 1.31%. The decrease was mainly due to the increase in foreign exchange translation loss and revaluation loss of leasehold properties, which was partially offset by the increase in the profit attributable to the owners of the Company in Year 2019.

PLACING AND ISSUE OF CONVERTIBLE BONDS

On 20 May 2019, the Company entered into a placing agreement with CMB International Capital Limited (the "**Placing Agent**"), pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, 7% senior unsecured and guaranteed convertible bonds (the "**Convertible Bonds**") of the Company due 2022 of an aggregate principal amount of up to HK$200,000,000, to placees who and whose subsidiaries or associates are independent third parties (within the meaning of the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) of the Company, at the conversion price of HK$2.33 (the "**Placing**"). On 22 May 2019, the Company entered into a subscription agreement (the "**JIC Subscription Agreement**") with JIC (Hong Kong) Holding Limited ("**JIC**") (a placee secured by the Placing Agreement, who and whose ultimate beneficial owner(s) are independent third parties (within the meaning of the Listing Rules), in relation to JIC's subscription for the Convertible Bonds with a principal amount of HK$200,000,000 (the "**JIC Subscription**").

On 20 May 2019, the Company also entered into a subscription agreement (the "**Connected Subscription Agreement**", collectively the "**Connected Subscription Agreements**") with each of Excel Bright Capital Limited, Mr. Gao Jian Min, Ms. Luk Ching Sanna, Regent Star International Limited and Wonderful Sky Financial Group Holdings Limited (collectively the "**Connected Subscribers**", and each a "**Connected Subscriber**"), who were all connected persons (within the meaning under the Listing Rules) of the Company, pursuant to which the Company conditionally agreed to issue, and each of the relevant Connected Subscribers conditionally agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of HK$950,000,000, at the conversion price of HK$2.33 (the "**Connected Subscriptions**").

Mr. Chu Hing Tsung, the chairman of the Board (the "**Chairman**"), a non-executive Director and a substantial shareholder of the Company, has provided personal guarantees in favour of the relevant subscribers pursuant to the JIC Subscription Agreement and the Connected Subscription Agreements.

The issue of the Convertible Bonds in the aggregate principal amount of HK$1,150,000,000 pursuant to the JIC Subscription Agreement and the Connected Subscription Agreements was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 27 June 2019. Completion of the JIC Subscription and the Connected Subscriptions took place on 3 July 2019.

The gross proceeds from the issue of the Convertible Bonds were in the amount of approximately HK$1,150,000,000. The net proceeds from the issue of the Convertible Bonds, after deduction of all relevant costs and expenses, amounted to approximately HK$1,147,000,000, among which (i) approximately HK$500,000,000 would be used for repaying the Company's short-term debts; (ii) approximately HK$400,000,000 would be used for expanding the Company's business to the financial investment and service industry, such as acquisition of and investment in distressed debts in the PRC; and (iii) approximately HK$247,000,000 would be used as general working capital of the Company. As at the date of this announcement, the net proceeds have been fully utilised as intended.

Details of the Placing, the JIC Subscription and the Connected Subscriptions are set out in the announcements of the Company dated 20 May 2019, 22 May 2019 and 27 June 2019, and the circular of the Company dated 10 June 2019.

HUMAN RESOURCES

Employee and remuneration policies

The Group had in aggregate 96 employees in Hong Kong and the PRC as at 31 December 2019 (31 December 2018: 53). The Group's overall staff cost was approximately HK$60,992,000 for Year 2019 (2018: HK$80,060,000). The employees of the Group are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual bonus and retirement benefits. The Directors' remuneration is determined based on their qualifications, experience, duties and responsibilities, the Company's remuneration policy and the prevailing market conditions.

The Group encourages sustainable training of its employees through coaching and further studies. In-house training was provided to eligible employees during Year 2019, including training on updates of accounting standards and market updates.

The Group has not experienced any significant problem with its employees or disruption to its operations due to labour discipline nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group has maintained a good relationship with its employees. Certain senior management and staffs have been working for the Group for many years.

FINAL DIVIDEND

The Company aims to maximise the interests of its shareholders and at the same time maintaining a strong and healthy financial position, so as to prepare the Group for investment opportunities that may arise from time to time and its sustainable development 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 addition, the Board will also take into account any restrictive covenants imposed by banks and other funding facilities granted to the Group from time to time and any other factors the Board may deem appropriate and/or relevant.

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, during Year 2019 and up to the date of this announcement, the Company has maintained sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company has complied with all mandatory provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules throughout Year 2019, except for code provision E.1.2 of the CG Code.

Code provision E.1.2 of the CG Code stipulates that the Chairman should attend the annual general meeting of the Company. Mr. Chu Hing Tsung, the Chairman did not attend the annual general meeting of the Company held on 24 May 2019 due to his prior engagement. The Chairman will endeavor to attend all future annual general meetings of the Company unless unexpected or special circumstances preventing him from doing so.

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 Year 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During Year 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF UNAUDITED CONSOLIDATED ANNUAL RESULTS

The auditing process for the Group's annual results for Year 2019 has not been completed due to travel and other restrictions (including the 14-day quarantine policy implemented by the local government of Taizhou) in force in parts of China to combat the outbreak of the COVID-19, which have prevented the staff of the Group, the Company's independent valuer and auditor from entering into the premises of the offices of the Group and the associate of the Company located in various parts of China to complete the year end financial statement close process and conduct fieldwork, respectively, until the relevant travel restrictions and quarantine policy were lifted. In particular, the Company's independent valuer and auditor have not been able to (i) enter into the premises of Zhong Hai You Qi in Taizhou to conduct the fieldwork that is required for them to complete their respective valuation (the "**ZHYQ Valuation**") and audit (the "**ZHYQ Audit**") in relation to the Company's investment in Zhong Hai You Qi, ZHYQ JV and the financial impact of the Merger on the Group; and (ii) conduct fieldwork for the investment properties and financial assets at fair value through profit or loss ("**Investments Valuation and Audit**"). As a result, the year end financial statement close process and auditing process have been delayed and the auditor of the Company was not able to complete the auditing process to allow them to agree the financial information contained in this announcement by 31 March 2020.

The unaudited consolidated annual results of the Group for Year 2019 contained herein have not been agreed with the Company's auditor. An announcement relating to the Group's annual results for Year 2019 as agreed with the Company's auditor will be made when the auditing process has been completed in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

Having considered the current progress of the audit work, it is expected that, barring unforeseen circumstances and assuming that the ZHYQ Valuation, the ZHYQ Audit and the Investments Valuation and Audit can be completed by the end of April 2020, the announcement relating to the annual results for Year 2019 of the Group as agreed with the Company's auditor and the annual report for Year 2019 of the Company will be published by the end of April 2020.

The unaudited consolidated annual results contained herein have been reviewed by the audit committee of the Company.

EVENTS AFTER THE REPORTING YEAR

Mr. Gao Jian Min has resigned as a non-executive Director with effect from 1 January 2020.

Deloitte Touche Tohmatsu ("**Deloitte**") has resigned as the auditor of the Company with effect from 6 February 2020. Ernst & Young has been appointed as the new auditor of the Company with effect from 6 February 2020 to fill the causal vacancy following the resignation of Deloitte and to hold office until the conclusion of the next annual general meeting of the Company.

UNCERTAINTIES OF THE UNAUDITED ANNUAL RESULTS

Given that the ZHYQ Valuation, the ZHYQ Audit and the Investments Valuation and Audit are not yet completed as at the date of this announcement, the following accounting items as mentioned in this announcement are uncertain and subject to (i) the ZHYQ Valuation; (ii) the ZHYQ Audit; and (iii) the Investments Valuation and Audit: the share of profit and losses of associates, the share of profit and losses of a joint venture, the profit/(loss) for the year from discontinued operation, change in fair value of investment properties and the change in fair value of financial assets at fair value through profit or loss for Year 2019, as well as the interest in associates, the interest in a joint venture, the financial assets at fair value through profit or loss and the investment properties as at 31 December 2019.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the Group's annual results for Year 2019 as agreed with the Company's auditor and the material differences (if any) as compared with the unaudited annual results contained herein; (ii) the proposed date on which the forthcoming annual general meeting of the Company is to be held; and (iii) the period during which the Company's register of members holding its ordinary shares will be closed in order to ascertain the eligibility of the Company's shareholders to attend and vote at the said annual general meeting. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

The financial information contained herein in respect of the consolidated annual results of the Group for Year 2019 has not been audited and has not been agreed with the Company's auditor. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Silver Grant International Holdings Group Limited
Huang Jiajue
Executive Director and Chief Executive Officer

Hong Kong, 30 March 2020

As at the date of this announcement, the Board comprises Mr. Huang Jiajue (Chief Executive Officer), 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.