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**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)**

**2020 INTERIM RESULTS ANNOUNCEMENT**

The board (the “Board”) of directors (the “Directors”) of Silver Grant International Holdings Group Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2020 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the six months ended 30 June 2020*

		(Unaudited) Six months ended 30 June 2020	(Unaudited) 2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>			
Rental income	5	47,803	55,604
Direct operating expense		<u>(6,129)</u>	<u>(5,317)</u>
		41,674	50,287
Dividend income from listed and unlisted securities	5	116	85
Other income, gains and losses	5	151,767	56,857
Change in fair value of financial assets at fair value through profit or loss		(73,434)	(32,073)
Change in fair value of a derivative financial instrument		639	—
Impairment loss on financial assets, net		(11,254)	(10,474)
Administrative expenses		(75,879)	(60,800)
Change in fair value of investment properties		(16,641)	17,794
Finance costs	6	(100,886)	(33,713)
Share of (loss)/profit of:			
— associates		(16,674)	6,010
— a joint venture		<u>(77,381)</u>	<u>—</u>
Loss before taxation from continuing operations	8	(177,953)	(6,027)
Taxation	7	<u>4,169</u>	<u>(9,892)</u>
Loss for the period from continuing operations		(173,784)	(15,919)
<b>Discontinued operation</b>			
Profit for the period from discontinued operation	4	<u>—</u>	<u>78,280</u>
(Loss)/profit for the period		<u><u>(173,784)</u></u>	<u><u>62,361</u></u>

	<b>(Unaudited)</b>	(Unaudited)
	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit attributable to owners of the Company:		
— from continuing operations	<b>(151,150)</b>	(6,966)
— from discontinued operation	—	53,285
	<u><b>(151,150)</b></u>	<u>46,319</u>
(Loss)/profit attributable to non-controlling interests:		
— from continuing operations	<b>(22,634)</b>	(8,953)
— from discontinued operation	—	24,995
	<u><b>(22,634)</b></u>	<u>16,042</u>
	<u><b>(173,784)</b></u>	<u>62,361</u>
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (in HK cents)</b>		
		9
For (loss)/profit for the period		
— Basic	<b>(6.56)</b>	2.01
— Diluted	<b>(6.56)</b>	2.01
	<u><b>(6.56)</b></u>	<u>2.01</u>
For loss from continuing operations		
— Basic	<b>(6.56)</b>	(0.30)
— Diluted	<b>(6.56)</b>	(0.30)
	<u><b>(6.56)</b></u>	<u>(0.30)</u>

## CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	(Unaudited) Six months ended 30 June 2020 HK\$'000	(Unaudited) 2019 HK\$'000
(LOSS)/PROFIT FOR THE PERIOD	(173,784)	62,361
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	<u>(96,265)</u>	<u>(35,894)</u>
Total other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(96,265)</u>	<u>(35,894)</u>
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
(Loss)/gain on property revaluation	(21,108)	2,535
Income tax effect	<u>6,344</u>	<u>53</u>
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent period	<u>(14,764)</u>	<u>2,588</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(111,029)</u>	<u>(33,306)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u>(284,813)</u>	<u>29,055</u>
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(245,549)	19,449
Non-controlling interests	<u>(39,264)</u>	<u>9,606</u>
	<u>(284,813)</u>	<u>29,055</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2020	2019
Note	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>		
Investment properties	2,425,561	2,486,340
Property, plant and equipment	269,796	313,832
Right-of-use assets	53,780	—
Interests in associates	59,113	77,050
Interests in a joint venture	3,451,892	3,223,521
Amount due from a joint venture	862,579	1,164,952
Financial assets at fair value through profit or loss	2,780	2,780
Loan and interest receivables	179,648	160,896
	<u>7,305,149</u>	<u>7,429,371</u>
Total non-current assets		
<b>CURRENT ASSETS</b>		
Trade receivables	11 10,466	8,735
Deposits, prepayments and other receivables	265,698	192,987
Amount due from a joint venture	55,153	30,134
Amount due from an associate	529,518	488,563
Loan receivables	1,136,184	1,198,099
Financial assets at fair value through profit or loss	689,293	807,507
Pledged bank deposits	21,906	22,321
Bank balances and cash	201,683	190,247
	<u>2,909,901</u>	<u>2,938,593</u>
Total current assets		
<b>CURRENT LIABILITIES</b>		
Accrued charges, rental deposits and other payables	258,788	282,820
Borrowings	164,256	261,941
Taxation payable	123,003	123,017
Derivative financial instrument	1,508	2,147
	<u>547,555</u>	<u>669,925</u>
Total current liabilities		
<b>NET CURRENT ASSETS</b>	<u>2,362,346</u>	<u>2,268,668</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>9,667,495</u>	<u>9,698,039</u>

	<b>(Unaudited)</b>	(Audited)
	As at	As at
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	862,875	672,991
Convertible bonds	1,200,837	1,170,351
Lease liabilities	44,488	—
Deferred tax liabilities	241,407	251,996
	<u>2,349,607</u>	<u>2,095,338</u>
Total non-current liabilities		
	<u>2,349,607</u>	<u>2,095,338</u>
Net assets	<u>7,317,888</u>	<u>7,602,701</u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	3,626,781	3,626,781
Reserves	2,803,211	3,048,760
	<u>6,429,992</u>	<u>6,675,541</u>
Non-controlling interests	887,896	927,160
	<u>887,896</u>	<u>927,160</u>
Total equity	<u>7,317,888</u>	<u>7,602,701</u>

NOTES:

**1. BASIS OF PREPARATION**

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The financial information relating to the year ended 31 December 2019 that is included in this unaudited condensed consolidated statement of financial position as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company’s auditors have reported on the financial statements for the year ended 31 December 2019. The auditor’s report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Companies Ordinance.

**2. PRINCIPAL ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these interim unaudited condensed consolidated financial statements for the six months ended 30 June 2020 are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”) for the first time for the current period’s financial statements.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The nature and impact of the new and revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together

significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group did not have any interest rate hedge relationships.
- (c) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on these unaudited condensed consolidated financial statements.

### **3. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their products and has the following reporting segments:

- (a) the investments segment representing the investments in financial assets at fair value through profit or loss and loan receivables; and
- (b) the property leasing segment representing the holding of properties for rental income potential and/or for capital appreciation.

Management of the Group monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that finance costs, share of results of associates and a joint venture and corporate expenses are excluded from such measurement.

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



**Six months ended 30 June 2020 (Unaudited)**

	Investments <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Continuing operations</b>			
Revenue	<u>116</u>	<u>47,803</u>	<u>47,919</u>
Segment profit	<u>59,298</u>	<u>11,033</u>	<u>70,331</u>
Other unallocated income, gains and losses			(192)
Corporate expenses			(54,114)
Finance costs (other than interest on lease liabilities)			(99,923)
Shares of loss of:			
— an associate			(16,674)
— a joint venture			(77,381)
Loss before taxation			(177,953)
Taxation			4,169
Loss for the period			<u>(173,784)</u>

**Six months ended 30 June 2019 (Unaudited)**

	Investments <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Continuing operations</b>			
Revenue	<u>85</u>	<u>55,604</u>	<u>55,689</u>
Segment (loss)/profit	<u>(8,441)</u>	<u>43,483</u>	<u>35,042</u>
Other unallocated income, gains and losses			22,836
Corporate expenses			(36,202)
Finance costs			(33,713)
Share of profit of associates			6,010
Loss before taxation			(6,027)
Taxation			(9,892)
Loss for the period			<u>(15,919)</u>

## Geographical information

### Continuing operations

#### Revenue from external customers

	Revenue	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	116	620
People's Republic of China (the "PRC" or China)	47,803	55,069
	<u>47,919</u>	<u>55,689</u>

The revenue information above is based on the locations of the customers.

#### 4. DISCONTINUED OPERATION

In July 2019, the Group discontinued the operation in its trading of petrochemical products and provision of sub-contracting service business segment following completion of the Merger (as defined in the section headed "Financial Review" below), the results of which as included in the profit for the six months ended 30 June 2019 are set out below.

	Six months ended 30 June 2020 HK\$'000 (Unaudited)
Revenue	288,381
Cost of sales and services	(207,088)
Other income, gains and losses	909
Change in fair value of financial assets at fair value through profit or loss	89
Administrative and other expenses	(71,209)
Finance costs	(40,091)
Change in fair value of financial assets at fair value through profit or loss arising from the Merger	155,658
Legal and professional fees incurred for the Merger	(9,455)
Profit before taxation from discontinued operation	117,194
Taxation from discontinued operation	(38,914)
Profit for the period from discontinued operation	<u>78,280</u>
Profit attributable to:	
— Owners of the Company	53,285
— Non-controlling interests	24,995
	<u>78,280</u>

The net cash flows incurred by the trading of petrochemical products and provision of sub-contracting service business segment are as follows:

	Six months ended 30 June 2019 <i>HK\$'000</i> (Unaudited)
Operating activities	121,633
Investing activities	(104,721)
Financing activities	<u>(66,389)</u>
Net cash outflow	<u><u>(49,477)</u></u>
Earnings per share from discontinued operation:	
Basic and diluted	<u><u>HK2.31 cents</u></u>

The calculations of the basic and diluted earnings per share from discontinued operation are based on:

	<b>Six months ended 30 June 2019 <i>HK\$'000</i></b>
Profit attributable to owners of the Company from discontinued operation, used in the basic and diluted earnings per share calculations	<u><u>53,285</u></u>
	<b>Six months ended 30 June 2019 <i>in thousand</i></b>
<b>Number of shares:</b>	
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	<u><u>2,304,850</u></u>

Basic earnings per share from discontinued operation was not applicable to the six months ended 30 June 2020 given that the Group did not have any discontinued operation during that period.

No diluted earnings per share from discontinued operation for the six months ended 30 June 2019 were presented as the Company had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2019.

Profit for the six months ended 30 June 2019 from discontinued operation was arrived at after charging:

	Six months ended 30 June 2019 <i>HK\$'000</i> (Unaudited)
Depreciation of property, plant and equipment	109,785
Depreciation of right-of-use assets	2,077
Cost of inventories recognised as an expense	5,656
Employee benefit expense including directors' and chief executives' remuneration	<u>39,591</u>

## 5. REVENUE, OTHER INCOME, GAINS AND LOSSES

An analysis of the revenue from continuing operations is as follows:

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<i>Revenue from other sources</i>		
Gross rental income	47,803	55,604
Dividend income from listed and unlisted securities	<u>116</u>	<u>85</u>
	<u>47,919</u>	<u>55,689</u>

An analysis of other income, gains and losses from continuing operations is as follows:

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest income		
— bank deposits	324	2,018
— amounts due from an associate	10,995	11,479
— amounts due from a joint venture	49,918	—
— loan receivables	90,194	42,542
Net foreign exchange loss	(702)	(14)
Net loss on disposal of property, plant and equipment	(23)	—
Government grants	852	16
Others	<u>209</u>	<u>816</u>
	<u>151,767</u>	<u>56,857</u>

## 6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank loans	18,998	32,772
Interest on other loans	10,853	941
Interest on convertible bonds	70,072	—
Interest on lease liability	963	—
	<u>100,886</u>	<u>33,713</u>

## 7. TAXATION

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries in Hong Kong incurred tax losses for both reporting periods.

The taxation charge of the PRC Corporate Income Tax (“CIT”) for the reporting periods 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. Under the Law of the PRC on Corporate Income Tax (the “CIT Law”) and the Implementation Regulation of the CIT Law, the tax rate of the Company’s subsidiaries in the PRC was 25% for both reporting periods.

The withholding tax arising from the dividend income received from the Company’s subsidiaries in the PRC was calculated at 5% for both reporting periods.

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Continuing operations</b>		
Current:		
PRC CIT — current for the period	76	7,166
Deferred	<u>(4,245)</u>	<u>2,726</u>
Total tax (credited)/charged for the period	<u>(4,169)</u>	<u>9,892</u>

## 8. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

The Group's loss before taxation from continuing operations was arrived at after charging/(crediting):

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Auditor's remuneration	2,250	1,400
Depreciation of property, plant and equipment	5,821	6,383
Depreciation of right-of-use assets	944	—
Change in fair value of financial assets at fair value through profit or loss	73,434	32,073
Employee benefit expense including directors' and chief executives' remuneration		
Wages and salaries	29,813	23,585
Pension scheme contribution (defined contribution scheme)	245	712
	<u>30,058</u>	<u>24,297</u>
Rental income under operating leases for investment properties, less outgoings of HK\$6,129,000 (six months ended 30 June 2019: HK\$5,317,000)	(41,674)	(50,287)
Impairment loss on financial assets, net	11,254	10,474
Change in fair value of investment properties	16,641	(17,794)
Change in fair value of a derivative financial instrument	(639)	—
	<u><u>(11,418)</u></u>	<u><u>(47,607)</u></u>

## 9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

### For (loss)/profit for the period

The calculations of the basic and diluted (loss)/earnings per share attributable to the ordinary equity holders of the Company are based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
(Loss)/profit attributable to ordinary equity holders of the Company used in the basic and diluted (loss)/earnings per share calculation:		
From continuing operations	(151,150)	(6,966)
From discontinued operation	—	53,285
	<u>(151,150)</u>	<u>46,319</u>
Total	<u><u>(151,150)</u></u>	<u><u>46,319</u></u>

<b>Six months ended 30 June</b>	
<b>2020</b>	2019
<i>in thousand</i>	<i>in thousand</i>

**Number of shares:**

Weighted average number of ordinary shares in issue during the period used in the basic and diluted (loss)/earnings per share calculation

<b>2,304,850</b>	<b>2,304,850</b>
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No adjustment for dilution has been made to the basic loss per share presented for the six months ended 30 June 2020 as the Company's convertible bonds outstanding had an anti-dilutive effect on the basic loss per share presented.

No adjustment for dilution has been made to the basic earnings per share presented for the six months ended 30 June 2019 as the Company had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2019.

**From continuing operations**

The calculations of the basic and diluted loss from continuing operations per share attributable to ordinary equity holders of the Company are based on the following data:

<b>Six months ended 30 June</b>	
<b>2020</b>	2019
<i>HK\$'000</i>	<i>HK\$'000</i>
<b>(Unaudited)</b>	(Unaudited)

Loss for the period attributable to ordinary equity holders of the Company used in the basic and diluted loss per share calculations

<b>(151,150)</b>	<b>(6,966)</b>
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The denominators used in the calculations of the basic and diluted loss per share from continuing operations are the same as those detailed above for the calculations of the basic and diluted (loss)/profit per share attributable to the ordinary equity holders of the Company.

No adjustment for dilution has been made to the basic loss per share from continuing operations presented for the six months ended 30 June 2020 as the Company's convertible bonds outstanding had an anti-dilutive effect on the basic loss per share presented.

No adjustment for dilution has been made to the basic loss per share from continuing operations presented for the six months ended 30 June 2019 as the Company had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2019.

**10. DIVIDEND**

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

## 11. TRADE RECEIVABLES

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

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

	<b>As at 30 June 2020 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2019 HK\$'000 (Audited)</b>
0 to 30 days	<b><u>10,466</u></b>	<b><u>8,735</u></b>

## 12. COMMITMENTS

The Group had the following capital commitments at the end of the reporting periods:

	<b>As at 30 June 2020 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2019 HK\$'000 (Audited)</b>
Contracted, but not provided for:		
Unlisted equity securities	<b>164,294</b>	167,411
Non-performing assets	<b>153,830</b>	—
Asset management company	<b><u>3,600</u></b>	<u>—</u>
	<b><u>321,724</u></b>	<b><u>167,411</u></b>



## BUSINESS REVIEW

During the six months ended 30 June 2020 (the “Period 2020”), the outbreak of the Coronavirus Disease 2019 (the “COVID-19”) which caused a global pandemic and the economic shutdown resulting from the preventive measures taken against the COVID-19 pandemic, have dealt a severe blow to the global economy and stirred up a series of negative impacts. During this period, international crude oil prices dropped significantly due to the oil price war between Saudi Arabia and Russia and the low stock level of crude oil, etc. However, the prices of crude oil gradually recovered due to a number of favorable factors, such as the historic OPEC+ deal to cut oil production, the passive reduction of U.S. shale oil and the resumption of heavy-duty operation of the petroleum refineries in Asia. The government of the PRC has been actively fighting against the COVID-19 pandemic by adopting effective measures to control the outbreak in a prompt manner while rolling out various practical financial and monetary policies so as to maintain livelihoods and support the stable development of the economy.

During the first half of 2020, as the COVID-19 pandemic has negatively affected the economic conditions at home and abroad, the business segments of the Group experienced various degrees of decline. In particular, 中海油氣(泰州)石化有限公司 (Zhong Hai You Qi (Tai Zhou) Petrochemical Company Limited\*) (“ZHYQ JV”), a joint venture of the Group resulted from the Merger the Group completed in July 2019, recorded a relatively substantial loss in the first quarter of 2020 due to the reduction of production load and the shutdown of its factories in March for overhaul and upgrade. However, it started to make profits and gradually minimised such loss in the second quarter of 2020 after the resumption of its high-load production. During Period 2020, ZHYQ JV was able to further reduce its production costs with the combined use of the international crude oil futures it purchased on the market at relatively low prices and the crude oil supplied by CNOOC Limited, the joint venture partner of the Company which indirectly owned 47.07% of the equity interest of ZHYQ JV. With the business transformation and the related benefits brought about by the Merger, the subsidiary of ZHYQ JV engaged in the production of lubricating oil made great efforts in expanding the sales channels for its lubricating oil products in the first half of 2020 and achieved sales volume for the same period which amounted to 200% of that for the entire year of 2019.

During Period 2020, the Group continued to promote its investment business of non-performing assets and conducted marketing activities on certain debt assets. However, due to the COVID-19 pandemic, there was insufficient capital in the market as investors were taking a wait-and-see approach. The Group has been proactively expanding its investment reserve projects on non-performing assets in The Guangdong-Hong Kong-Macao Greater Bay Area and the Beijing-Tianjin-Hebei Region. In addition to non-performing debt assets of commercial banks, certain individual debt restructuring projects were also short-listed for further exploration by the Group. During Period 2020, as part of its exercise to rationalise its equity investment projects, the Group signed an equity transfer agreement for a project and formulated preliminary proposals on divestment for two projects to realise the recovery of part of its capital.

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The revenue of the Group's property leasing business was mainly derived from the rental of East Gate Plaza, an investment property of the Group in Beijing, China. Due to the preventive measures against the COVID-19 adopted in Beijing by the Chinese government, there was a decline in the occupancy rate of East Gate Plaza, resulting in a decrease in the rental income from the commercial section of this property during Period 2020. The Group has adjusted its operating strategy for its property leasing business on a timely basis by positioning East Gate Plaza as a "Community Commercial Centre", inspecting and studying new business modes and trendy brands, and commencing business negotiation with target brands in order to increase the occupancy rate of this property.

## **Investments**

Compared to the segment loss of approximately HK\$8,441,000 for the six months ended 30 June 2019 (the "Period 2019"), the Group made a profit of approximately HK\$59,298,000 in its investments business segment for Period 2020, mainly due to (a) the increase in interest income received from advances provided by the Group; and (b) the increase in the fair value loss on the Group's investments in financial assets as a result of the economic downturn and the COVID-19 pandemic in the first half of 2020. The Board will further enhance the Group's investments business with a focus on (i) investments in non-performing assets; (ii) asset management; (iii) financial services; and (iv) other financial asset investments. During Period 2020, the Group disposed of certain of its non-performing loans acquired in 2019 and it is expected that the Group's disposal of the remaining portion of its non-performing loan portfolio will be completed in 2021. Due to the COVID-19 pandemic, the Group was unable to complete the acquisitions of several non-performing assets as scheduled because of the limitation on travelling within PRC, which delayed the due diligence and negotiation processes of the acquisitions. As a result, no acquisition of non-performing loan portfolio was completed during Period 2020. Bearing in mind the current economic situation and the impacts of the COVID-19 pandemic on the economy, the Group will closely monitor the non-performing asset market and cautiously identify any non-performing assets available in the market that meet the Group's target returns.

The Group also proactively developed its asset management and financial services business during Period 2020. The Group targets to launch a financial services and asset management fund in the fourth quarter of 2020 or early 2021, depending on the economic environment and the development of the COVID-19 pandemic.

The Group has invested in certain PRC enterprises which are classified as financial assets at fair value through profit or loss. As at 30 June 2020, NT Trust Scheme (as defined below) was the largest financial assets investment of the Group, further details of which are set out below:

The Group invested RMB505,000,000 (equivalent to approximately HK\$606,202,000) in aggregate into a trust (the "NT Trust Scheme") holding a portfolio of limited liability partnerships investing in property development investments in Zhuozhou and Shenyang in the PRC, which is managed by 國民信托有限公司 (National Trust Co., Ltd.\*). As at 30 June 2020, the value of the NT Trust Scheme accounted for approximately 4.7% of the total assets of the Group. The carrying value of the

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NT Trust Scheme as at 30 June 2020 was approximately HK\$484,486,000, which was determined by reference to the net asset value of the NT Trust Scheme as set out in the unaudited financial statements as at 30 June 2020 of the NT Trust Scheme, as compared to the carrying value of the NT Trust Scheme as at 31 December 2019 of approximately HK\$541,110,000. Out of the loss of approximately HK\$73,434,000 recorded in the change in fair value of financial assets at fair value through profit or loss by the Group for Period 2020, a loss of approximately HK\$47,254,000 was attributable to the fair value loss of the NT Trust Scheme as at 30 June 2020. The Group did not receive any distribution from the NT Trust Scheme or record any realised gain or loss in relation to this investment during Period 2020. Based on its current investment strategy, the Group will consider to dispose of its interest in the NT Trust Scheme in the coming year provided that an opportunity allowing the Group to realise a reasonable return arises.

The objective of the Group in relation to its investments in financial assets is to capture returns from the appreciation of the value 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. The Group will continue to adopt a prudent investment approach and closely monitor the performance of the investments in its portfolio.

### **Property Leasing**

While rental income from the Group's leasing properties decreased from approximately HK\$55,604,000 for Period 2019 to approximately HK\$47,803,000 for Period 2020, the property leasing business of the Group still served to provide a source of recurring income for the Group. During Period 2020, 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 87% during Period 2020 (Period 2019: 95%).

### **PROSPECTS AND OUTLOOK**

As the global pandemic of COVID-19 has not yet been fundamentally controlled as at the date hereof, the global economic outlook still remains extremely uncertain. Notwithstanding that the pandemic may generally be under control in the PRC, the continuing exercise of prevention and control measures to combat COVID-19 and the risk of a second outbreak will have negative impacts on the domestic consumer and employment markets. The domestic economy in China is expected to continue its recovery in the second half of the year but the rate of recovery is likely to be slow. On the other hand, it is expected that domestic fiscal policy will be reinforced and monetary policy will gradually return to normal. In terms of the international energy market, the demand for crude oil has basically recovered along with the accelerated pace of the resumption of production in various countries around the world but uncertainty still remains. It is expected that international crude oil prices will continue to fluctuate in the second half of the year.

At it enjoys the benefits derived from the business transformation and upgrade brought about by the Merger, ZHYQ JV has been actively making plans for further development and the relevant feasibility study report has been prepared as at the date hereof. ZHYQ JV will make the requisite filing with the government and seek its shareholders' approval to facilitate the implementation of these development plans as soon as possible, which will include the construction of production equipment for high-end lubricating oil products, with an aim to expand and improve a series of lubricant products and high-performance production equipment for the polyolefin products of ZHYQ JV. The Group will also use polyolefins as raw materials to extend its industrial chain to downstream end products.

In the second half of 2020, the Group will speed up its progress on the disposal of its investments in non-performing debt assets, while seizing the opportunities in relation to investments in individual restructuring projects available in the current market environment to increase the sources of its income. The Group will adopt an asset-light strategy and carry out exploration and innovation in relation to investments in large-scale business, while keeping the risks in check. It also intends to develop its financial services business, such as credit enhancement business and supply chain finance, for individuals and small, medium and micro enterprises.

## **FINANCIAL REVIEW**

The profit attributable to the owners of the Company of approximately HK\$46,319,000 for Period 2019 turned to a loss of approximately HK\$151,150,000 for Period 2020, mainly due to the combined effect of the following:

- (i) the decrease in the rental income earned by the Group to approximately HK\$47,803,000 during Period 2020 from that of approximately HK\$55,604,000 earned Period 2019, due to the decline in the occupancy rate of the rental properties of the Group as a result of the outbreak of the COVID-19 pandemic at the beginning of 2020;
- (ii) the increase in other income, gains and losses to approximately HK\$151,767,000 for Period 2020, as compared with that of approximately HK\$56,857,000 for Period 2019, which was mainly due to the increase in the interest income generated through advances provided by the Group during Period 2020;
- (iii) the turn from a fair value gain on investment properties of approximately HK\$17,794,000 recorded by the Group for Period 2019 to a fair value loss on investment properties of approximately HK\$16,641,000 for Period 2020;
- (iv) the increase in the loss in the fair value of the financial assets at fair value through profit or loss from approximately HK\$32,073,000 for Period 2019 to approximately HK\$73,434,000 for Period 2020, mainly attributable to the decrease in the fair value of such financial assets held by the Group as at 30 June 2020, which was partially offset by the gain on the disposal of one of these financial assets during Period 2020;

- (v) the increase in the finance costs incurred by the Group from approximately HK\$33,713,000 for Period 2019 to approximately HK\$100,886,000 for Period 2020, as a result of the issuance of the Convertible Bonds (as defined in the section headed “Issue of Convertible Bonds — Placing of Convertible Bonds to Independent Placee(s)” below) in the aggregate principal amount of HK\$1,150,000,000 by the Company in July 2019;
- (vi) the profit from discontinued operation of approximately HK\$78,280,000 recorded by the Group in Period 2019 (which was absent in Period 2020), in relation to the disposal of the Group’s trading of petrochemical products and provision of subcontracting service business segment following the completion (the “Completion”) of the merger (the “Merger”) on 15 July 2019, pursuant to which 泰州東聯化工有限公司 (Tai Zhou United East Petrochemical Company Limited\*), a former 68.07% indirectly owned subsidiary of the Company (“TZ United East”) and 中海油氣(泰州)石化有限公司 (Zhong Hai You Qi (Tai Zhou) Petrochemical Company Limited\*), a former 33% associate of the Company with approximately 22.46% of its equity interest being effectively held by the Company (“Zhong Hai You Qi”), were absorbed and merged with 中海瀝青(泰州)有限責任公司 (China Offshore Bitumen (Taizhou) Co., Ltd.\*) (“COBT”). Upon Completion, TZ United East and COBT were dissolved and deregistered, and Zhong Hai You Qi became the surviving entity and a joint venture of the Company (i.e. ZHYQ JV), in which the Company owned approximately 51% of its equity interest through one of its indirect non-wholly owned subsidiaries (i.e. the Company effectively held approximately 34.72% of the equity interest of ZHYQ JV);
- (vii) the decline in the performance of Zhong Hai You Qi from a profit of approximately HK\$2,170,000 in Period 2019 (during which it was accounted for by the Group as an associate of the Company), to a loss of approximately HK\$77,381,000 in Period 2020 (during which ZHYQ JV, the surviving entity resulted from the Merger, was accounted for by the Group as a joint venture of the Company), which was mainly attributable to (a) the overhaul and the upgrade carried out at the factories of ZHYQ JV in March 2020, which resulted in the suspension of the operation of ZHYQ JV for the entire month of March in 2020; and (b) the outbreak of the COVID-19 pandemic which led to a slowdown in the economy and thus, a reduction in the demand for ZHYQ JV’s petrochemical products; and
- (viii) the decline in the performance of 信達建潤地產有限公司 (Cinda Jianrun Property Company Limited\*) (“Cinda Jianrun”), an associate of the Company, from a profit of approximately HK\$3,840,000 in Period 2019 to a loss of approximately HK\$16,674,000 in Period 2020, mainly due to the decrease in the fair value of the financial assets held by Cinda Jianrun as at 30 June 2020.

The basic loss per share attributable to ordinary equity holders of the Company was 6.56 HK cents for Period 2020 (Period 2019: basic earnings per share of 2.01 HK cents).

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#### **A. Rental income**

Rental income for Period 2020 and Period 2019, which was derived from the Group's investment properties located in Beijing, amounted to approximately HK\$47,803,000 and HK\$55,604,000 respectively. The decrease in rental income during Period 2020 was mainly attributable to (i) the provision by the Group of rent-free periods of three to six months to certain tenants whose business operations were affected by the COVID-19 pandemic; and (ii) the drop in the occupancy rate of the Group's rental property from approximately 95% during Period 2019 to approximately 87% during Period 2020.

#### **B. Other income, gains and losses**

The increase in other income, gains and losses from approximately HK\$56,857,000 for Period 2019 to approximately HK\$151,767,000 for Period 2020 was mainly due to the increase in interest income generated from loan receivables from approximately HK\$42,542,000 for Period 2019 to approximately HK\$90,194,000 for Period 2020.

#### **C. Change in fair value of financial assets at fair value through profit of loss**

The increase in the loss in the fair value of the financial assets at fair value through profit or loss from approximately HK\$32,073,000 for Period 2019 to approximately HK\$73,434,000 for Period 2020, was mainly attributable to the decrease in the fair value of such financial assets held by the Group as at 30 June 2020, which was partially offset by the gain on the disposal of one of these financial assets during Period 2020.

#### **D. Administrative expenses**

The increase in administrative expenses from approximately HK\$60,800,000 for Period 2019 to approximately HK\$75,879,000 for Period 2020 was mainly due to: (i) the increase in employee benefit expense of approximately HK\$5,761,000, mainly attributable to the increase in the number of staff recruited in the Guangzhou office of the Group in Period 2020 as a result of business expansion; and (ii) the increase in other tax of approximately HK\$4,300,000 because of the increase in loan interest income earned by the Group during Period 2020.

## **E. Share of profit or loss of associates and a joint venture**

While the Company's share of loss of associates for Period 2020 in the amount of approximately HK\$16,674,000 represented the Company's share in the loss of Cinda Jianrun for Period 2020, the Company's share of profit of associates for Period 2019 of approximately HK\$6,010,000 was comprised of the Company's share in the profit of approximately HK\$3,840,000 of Cinda Jianrun for Period 2019 and the Company's share in the profit of approximately HK\$2,170,000 of Zhong Hai You Qi for Period 2019, during which Zhong Hai You Qi was accounted for by the Group as an associate of the Company. After completion of the Merger in July 2019, Zhong Hai You Qi was transformed into a joint venture of the Company (i.e. ZHYQ JV). The Company's share of the loss of ZHYQ JV for Period 2020 was approximately HK\$77,381,000, which was reflected in the Company's share of loss of a joint venture (Period 2019: nil).

While the decline in the performance of Cinda Jianrun was mainly due to the decrease in the fair value of the financial assets it held as at 30 June 2020, that of Zhong Hai You Qi/ZHYQ JV was mainly attributable to (i) the overhaul and the upgrade carried out at the factories of ZHYQ JV in March 2020, which resulted in the suspension of the operation of ZHYQ JV for the entire month of March in 2020; and (ii) the outbreak of the COVID-19 pandemic which led to a slowdown in the economy and thus, a reduction in the demand for ZHYQ JV's petrochemical products.

## **F. Deposits, prepayments and other receivables**

The increase in deposits, prepayments and other receivables from approximately HK\$192,987,000 as at 30 June 2019 to approximately HK\$265,698,000 as at 30 June 2020 was mainly attributable to (i) a deposit of approximately HK\$74,200,000 paid by the Group in Period 2020 to acquire non-performing assets; and (ii) a deposit of approximately HK\$2,400,000 paid by the Group in Period 2020 to acquire an asset management company in Hong Kong.

## **EXCHANGE EXPOSURE**

In Period 2020, the Group's principal assets, liabilities, revenue and payments were denominated in HK\$, RMB and USD. In the opinion of the Board, RMB will remain as a regulated currency in the foreseeable future. Although the market is generally anticipating an increased volatility in the RMB exchange rate, the Board does not anticipate that it will have any material adverse effect on the financial position of the Group. However, the Board will closely monitor the future development of the RMB exchange rate and will take appropriate actions as necessary.

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

At the end of Period 2020, the Group had no material liability denominated in any foreign currencies other than RMB and USD. There was also no hedging transaction contracted for by the Group during Period 2020.

## **TREASURY POLICY**

The Group adopts a conservative treasury policy under which the Group keeps its investment costs under control and manages the returns of its investments efficiently. The Group has guidelines in place to monitor and control its investment risk exposure and to manage its capital. The Group also strives to reduce its exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. The Board closely reviews the Group's liquidity position to ensure the Group has adequate liquidity to meet its funding requirements at all times.



## WORKING CAPITAL AND BORROWINGS

As at 30 June 2020, the Group's total borrowings and the Convertible Bonds amounted to approximately HK\$2,227,968,000 in aggregate, the composition of which is summarised below:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Short-term borrowings	<b>164,256</b>	261,941
Long-term borrowings	<b>862,875</b>	672,991
Convertible Bonds	<b>1,200,837</b>	1,170,351
	<u><b>2,227,968</b></u>	<u>2,105,283</u>
Cash and bank balances (including pledged bank deposits)	<b>(223,589)</b>	(212,568)
	<u><b>2,004,379</b></u>	<u>1,892,715</u>

Interests for all borrowings of the Group for Period 2020 were charged at fixed and floating rates ranging from 3.05% per annum (Period 2019: 3.0% per annum) to 12% per annum (Period 2019: 5.6% per annum).

Out of the borrowings of the Group which remained outstanding as at 30 June 2020, approximately HK\$50,000,000 (31 December 2019: HK\$130,000,000), approximately HK\$879,535,000 (31 December 2019: HK\$804,932,000) and approximately HK\$97,596,000 (31 December 2019: nil) were denominated in HK\$, RMB and USD respectively, and approximately HK\$608,598,000 (31 December 2019: HK\$715,938,000) carried floating interest rates and approximately HK\$418,533,000 (31 December 2019: HK\$218,994,000) carried fixed interest rates. As at 30 June 2020 and 31 December 2019, the Company also had outstanding Convertible Bonds due in July 2022, which were of the aggregate principal amount of HK\$1,150,000,000 with interest payable at 7% per annum.

As at 30 June 2020, the Group's cash and bank balances (including pledged bank deposits) were approximately HK\$223,589,000 (31 December 2019: HK\$212,568,000) in aggregate, out of which approximately 46.6%, approximately 53.3% and approximately 0.1% were denominated in HK\$, RMB and USD respectively. As at 30 June 2020, the Group's net borrowings (borrowings and the Convertible Bonds net of pledged bank deposits and bank balances and cash) were approximately HK\$2,004,379,000 (31 December 2019: HK\$1,892,715,000), which comprised (1) a bank borrowing in the principal amount of approximately RMB510,000,000 (31 December 2019: RMB525,000,000) repayable by instalments with the last instalment due in 2026; (2) a revolving bank borrowing in the principal amount of approximately HK\$50,000,000 (31 December 2019: HK\$130,000,000) due in March 2021; (3) a loan in the principal amount of approximately RMB120,000,000 (31 December 2019: RMB120,000,000) due in December 2021; (4) a loan in the principal amount of approximately

RMB123,000,000 (31 December 2019: nil) due in May 2022; (5) loans in the aggregate principal amount of approximately RMB50,015,000 (31 December 2019: RMB76,219,000) repayable on demand; (6) loans in the aggregate principal amount of approximately USD12,512,000 (31 December 2019: nil) due in June 2022; and (7) Convertible Bonds in the aggregate principal amount of HK\$1,150,000,000 (31 December 2019: HK\$1,150,000,000) due in July 2022, and the Group's net current assets were approximately HK\$2,362,346,000 (31 December 2019: HK\$2,268,668,000). In addition, the Group had unutilised banking facilities of approximately HK\$60,000,000 in aggregate as at 30 June 2020 (31 December 2019: HK\$80,000,000). There is generally no material seasonality of the borrowing requirements of the Group. 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 30 June 2020, the gearing ratio (calculated as borrowings and the Convertible Bonds over equity attributable to owners of the Company) and the current ratio (calculated as current assets over current liabilities) of the Group were 34.6% (31 December 2019: 31.5%) and 5.3x (31 December 2019: 4.4x) respectively. These ratios are key performance indicators used by the management of the Group to measure the Group's level of leverage to ensure the Group has the liquidity to meet its financial obligations at all times. Both ratios have been maintained at good levels during the period under review.

## **PLEDGE OF ASSETS**

As at 30 June 2020, the Group pledged certain investment properties and leasehold land and buildings with an aggregate carrying value of approximately HK\$2,349,822,000 (31 December 2019: HK\$2,408,486,000) and approximately HK\$218,800,000 (31 December 2019: HK\$241,800,000) respectively to secure general banking facilities granted to the Group, other loans and other payables to an independent third party. As at 30 June 2020, the Group pledged bank deposits of approximately HK\$21,906,000 (31 December 2019: HK\$22,321,000) to secure bank facilities granted to a joint venture of the Group.

## **COMMITMENTS**

As at 30 June 2020, the Group had capital expenditures contracted for but not provided for in its unaudited condensed consolidated financial statements in respect of the acquisition of unlisted equity securities, non-performing assets and an asset management company of approximately HK\$321,724,000 (31 December 2019: HK\$167,411,000) in aggregate, the details of which are set out in Note 12. It is expected that these capital expenditures will be settled by cash through internal resources of the Group. Other than the capital commitments as disclosed, the management of the Group does not expect there to be any plans for material investments or capital assets in the coming six months.

## **CONTINGENT LIABILITIES**

As at 30 June 2020 and 31 December 2019, the Group did not have any material contingent liabilities.

## **CAPITAL STRUCTURE**

As at 30 June 2020, the shareholders' fund of the Company was approximately HK\$6,429,992,000 (31 December 2019: HK\$6,675,541,000), representing a decrease of approximately HK\$245,549,000 or 3.7% as compared to that as at 31 December 2019. The decrease was mainly contributed by (i) the depreciation of RMB against HK\$ of approximately 1.9% during Period 2020 and therefore an exchange loss charged to the exchange translation reserve resulting from the translation of the books of the subsidiaries of the Company in the PRC; (ii) the loss for Period 2020; and (iii) the decrease in the fair value of leasehold properties as at 30 June 2020 charged to assets revaluation reserve.

## **ISSUE OF CONVERTIBLE BONDS**

### **Placing of Convertible Bonds to Independent Placee(s)**

On 20 May 2019, the Company entered into a placing agreement (the "Placing Agreement") with CMB International Capital Limited (the "Placing Agent"), pursuant to which the Company 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 Listing Rules) of the Company, at the conversion price (the "Conversion Price") of HK\$2.33 per ordinary share with no par value (the "Conversion Share") of the Company (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 procured by the Placing Agent, 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 up to HK\$200,000,000 (the "JIC Subscription").

Save for (a) the date of the agreement; (b) the identity of the subscriber; (c) the principal amount of the Convertible Bonds to be subscribed; and (d) the inclusion of two additional conditions precedent to the completion of the JIC Subscription Agreement (namely, (i) Mr. Chu Hing Tsung ("Mr. Chu"), the chairman of the Company (the "Chairman"), a non-executive Director and a substantial shareholder (within the meaning of the Listing Rules) of the Company, having executed and delivered to JIC the Guarantees (as defined below); and (ii) the Company shall have completed

all of the obligations under the JIC Subscription Agreement required on or before the completion date), the principal terms of the JIC Subscription Agreement are substantially the same as to those of the Connected Subscription Agreements (as defined below). Principal terms of the Connected Subscription Agreements are set out in the sub-section headed “Subscription of Convertible Bonds by Connected Subscribers” below.

### **Subscription of Convertible Bonds by Connected Subscribers**

On 20 May 2019, the Company also entered into a subscription agreement (the “Connected Subscription Agreement”, collectively the “Connected Subscription Agreements”) with each of Regent Star International Limited (“Regent Star”), Mr. Gao Jian Min (“Mr. Gao”), Wonderful Sky Financial Group Holdings Limited (“Wonderfulsky”), Ms. Luk Ching Sanna (“Ms. Luk”) and Excel Bright Capital Limited (“Excel Bright”) (collectively the “Connected Subscribers”, and each a “Connected Subscriber”), who were all connected persons (within the meaning of the Listing Rules) of the Company as at the date of the Connected Subscription Agreements, 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 (the “Connected Subscriptions”). Mr. Chu has provided personal guarantees (the “Guarantees”) in favour of the relevant subscriber pursuant to the JIC Subscription Agreement and the Connected Subscription Agreements.

As at the date of the Connected Subscription Agreements, Excel Bright was wholly-owned by Ms. Hui Xiaohui, the elder sister of Mr. Hui Xiao Bing, a former non-executive Director and the vice-chairman of the Board who has resigned in January 2019. Accordingly, Excel Bright was an associate (within the meaning of the Listing Rules) of Mr. Hui Xiao Bing and therefore a connected person (within the meaning of the Listing Rules) of the Company as at the date of the Connected Subscription Agreements.

As at the date of the Connected Subscription Agreements, Mr. Gao was an executive Director and the managing director of the Company and hence a connected person (within the meaning of the Listing Rules) of the Company. With effect from 2 September 2019, Mr. Gao was redesignated from an executive Director to a non-executive Director and he resigned as the managing director of the Company. He resigned as a non-executive Director with effect from 1 January 2020.

As at the date of the Connected Subscription Agreements, (i) Ms. Luk was the spouse of Mr. Liu Tianni (“Mr. Liu”), a former executive Director and the deputy managing director of the Company who resigned from the aforesaid positions in January 2019; and (ii) Mr. Liu indirectly owned approximately 67.56% of the issued share capital of Wonderfulsky. Accordingly, each of Ms. Luk and Wonderfulsky was an associate (within the meaning of the Listing Rules) of Mr. Liu and therefore a connected person (within the meaning of the Listing Rules) of the Company as at the date of the Connected Subscription Agreements.

As at the date of the Connected Subscription Agreements, Regent Star directly owned 438,056,000 Shares, representing approximately 19.01% of the issued share capital of the Company and hence a connected person (within the meaning of the Listing Rules) of the Company.

Completion of the Connected Subscription Agreements is conditional upon fulfilment or wavier (if applicable) of the following conditions:

- (a) the relevant subscriber having conducted due diligence exercise (technical, financial and legal) on the Group and satisfied with the results thereof;
- (b) the relevant subscriber having obtained all necessary approvals for completion of its subscription of the Convertible Bonds (in accordance with its internal decision-making procedures if such subscriber is a corporate person);
- (c) the relevant subscriber having completed all relevant third-party entities' (including but not limited to any government or regulatory department) required approval(s) and/or filing procedures for completion of its subscription of the Convertible Bonds in accordance with applicable laws;
- (d) the representations and warranties under the transaction documents being true, correct and complete when made and remaining true, correct and complete and not misleading as at the completion date;
- (e) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject to conditions to which neither the Company nor the relevant subscriber objects) the approval for the listing of, and permission to deal in, the Conversion Shares to be issued and allotted upon the exercise of the conversion rights attached to the Convertible Bonds which remains in full force and effect;
- (f) the passing by the shareholders of the Company (the "Shareholders") or the independent Shareholders (as the case maybe) at the general meeting to be convened by the Company of the necessary resolution(s) to approve the allotment and issuance of the Convertible Bonds and Conversion Shares under the subscription specific mandate, the relevant Connected Subscription Agreement and the transactions contemplated thereunder, and such approval not having been revoked, amended and having remained fully effective;
- (g) the compliance by the Company with any other requirements under the Listing Rules and the Code on Takeovers and Mergers (the "Takeovers Code") issued by the Securities and Futures Commission (the "SFC") or otherwise of the Stock Exchange and the SFC which requires compliance in relation to the relevant Connected Subscription Agreement and transactions contemplated thereunder; and

- (h) having obtained all necessary approvals and consents from any government or regulatory authority or any person and the completion of all necessary registration and filings with any government or regulatory authority required for the entering into of the relevant Subscription Agreement and/or the performance of the obligations thereunder by the Company.

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 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 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 interim results announcement, the net proceeds have been fully utilised as intended.

### **Principal terms of the Convertible Bonds**

The issue price of the Convertible Bonds is 100% of the principal amount of the Convertible Bonds, which is HK\$1,150,000,000 in aggregate (among which a principal amount of HK\$200,000,000 was placed to JIC through the Placing; and the principal amount of HK\$450,000,000, HK\$200,000,000, HK\$100,000,000, HK\$100,000,000 and HK\$100,000,000 were subscribed for by Regent Star, Mr. Gao, Wonderfolsky, Ms. Luk and Excel Bright, respectively). The maturity date of the Convertible Bonds (the "Maturity Date") was the date falling on the 36th month from the issue date of the Convertible Bonds. The Convertible Bonds bear interest at the rate of 7% per annum payable semi-annually from the issue date of the Convertible Bonds. Assuming there is no early redemption of the Convertible Bonds and all of the Convertible Bonds are redeemed only on the Maturity Date, the effective interest rate of the Convertible Bonds is approximately 12.0% per annum. The conversion period of the Convertible Bonds is from the issue date of the Convertible Bonds up to the close of business on a date which is five (5) trading days prior to the Maturity Date.

The Conversion Price of HK\$2.33 per Conversion Share represents (i) a premium of approximately 39% to the closing price of HK\$1.68 per Share as quoted on the Stock Exchange on 20 May 2019, being the date of the Placing Agreement and the Connected Subscription Agreements; and (ii) a premium of approximately 40% to the average closing price of HK\$1.66 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Placing Agreement and the Connected Subscription Agreements.

A bondholder of the Convertible bonds can only exercise his/her/its conversion rights on the conditions that (i) no obligation will arise on the bondholder to make a general offer to the Shareholders for all securities of the Company under Rule 26 of the Takeovers Code upon exercising of the conversion rights; and (ii) no Listing Rules, including the minimum public float requirements of the Company under the Listing Rules, will be breached as a result of an exercise of the conversion rights.

Unless previously redeemed, converted, purchased or cancelled, the Company will redeem all of the Convertible Bonds on the Maturity Date at such amount equivalent to 116.5% of the principal amount of the outstanding Convertible Bonds (inclusive of interests received up to the Maturity Date).

The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves and *pari passu* with all other present and future direct, unsubordinated, unconditional and unsecured obligations of the Company.

### **Reasons for and benefits of the Placing and the Connected Subscriptions**

The Directors considered that the issue of the Convertible Bonds would provide the Company with (i) immediate funding to repay its short-term debt and optimise its capital structure without immediate dilution of the shareholding of the existing Shareholders; (ii) funding for its expansion to the financial investment and service businesses to further diversify its exposure to specific markets and operations; and (iii) an opportunity to enlarge and strengthen its capital base and also broaden its shareholder base by the introduction of new investors, if the conversion rights attached to the Convertible Bonds are exercised.

Notwithstanding that the effective interest rate of the Convertible Bonds of approximately 12.00% per annum (assuming all Convertible Bonds will only be redeemed on the Maturity Date) appeared to be higher than the interest rates of the Group's bank loans for the year ended 31 December 2018 which ranged from approximately 3.38% to 3.50% per annum, the Company believed the Placing and the Connected Subscriptions were preferable sources of financing since (1) having compared to the Convertible Bonds with a term of three years, a majority of the Hong Kong dollar denominated bank loans of the Group were short-term loans which were subject to review and renewal by the banks on an annual basis, which might lead to uncertainty on the stability to the funding of the Group; (2) the bank loans of the Group were mainly for working capital purpose and mainly consisted of one to three month revolving loans which were again subject to bank's approval upon each roll over. Moreover, the banks also restricted the use of the loans (i.e. they, for the time being, were not allowed to be used in making investments in properties related business, and investments in natural resources); and (3) the bank loans of the Group were required to be secured by the investment

properties and the leasehold properties of the Group whilst the Convertible Bonds required no security from the Group but the guarantees provided by Mr. Chu. As such, notwithstanding that the Convertible Bonds had a higher interest rate as compared to the bank loans, the Convertible Bonds enabled the Board to formulate the medium term business strategies of the Group, especially in relation to making future investments, and allowed the Board to achieve its investment goals with a longer term funding.

### Dilutive impact of the conversion of the Convertible Bonds

As at the date of this interim results announcement, none of the Convertible Bonds has been converted.

Assuming there is full conversion of the Convertible Bonds at the Conversion Price of HK\$2.33 per Share, the net subscription price for each Conversion Share is approximately HK\$2.32 per Share and an aggregate of 493,562,227 Shares shall be allotted and issued (among which 85,836,909 Shares will be issued under the Placing and 407,725,318 Shares will be issued under the Connected Subscriptions), representing approximately 21.4% of the total number of Shares in issue as at the date of this interim results announcement and approximately 17.6% of the total number of Shares in issue as enlarged by the allotment and issue of the Conversion Shares (assuming no other change in the issued share capital of the Company). Such allotment and issue of the Conversion Shares will result in the respective shareholdings of the Shareholders being diluted by approximately 17.6%.

Set out below is the dilution effect on the equity interest of the substantial Shareholders (within the meaning of the Listing Rules) if there had been full conversion of the outstanding Convertible Bonds as at 30 June 2020:

Name of Shareholders	As at 30 June 2020		Upon full conversion of the Convertible Bonds under the Placing		Upon full conversion of the Convertible Bonds under the Connected Subscriptions		Upon full conversion of the Convertible Bonds under the Placing and the Connected Subscriptions	
	Approximate		Approximate		Approximate		Approximate	
	Number of Shares held	percentage of shareholding	Number of Shares held	percentage of shareholding	Number of Shares held	percentage of shareholding	Number of Shares held	percentage of shareholding
Zhuguang Holdings (Note)	681,240,022	29.56%	681,240,022	28.5%	681,240,022	25.1%	681,240,022	24.3%
Regent Star	438,056,000	19.01%	438,056,000	18.3%	631,189,047	23.3%	631,189,047	22.6%

*Note:* Zhuguang Holdings Group Company Limited (“Zhuguang Holdings”) owns 681,240,022 Shares through its wholly-owned subsidiary, Splendid Reach Limited. Zhuguang Holdings is owned as to 67.08% by Rong De Investments Limited, and Mr. Chu, the Chairman and a non-executive Director, holds 34.06% of the equity interest in Rong De Investments Limited.



As at 30 June 2020, the Group had total net assets of approximately HK\$7,317,888,000 and total net current assets of approximately HK\$2,362,346,000. Based on the financial and liquidity positions of the Group and to the best knowledge and belief of the Company, the Company expects that it will be able to meet its redemption obligations under the Convertible Bonds.

An analysis of the Company's share price at which it would be equally financially advantageous for the holders of the Convertible Bonds to convert or redeem the Convertible Bonds based on their implied internal rate of return at a range of dates in the future is set out below:

	<b>Share price</b> (HK\$)
31 December 2020	2.88 per Share
30 June 2021	2.80 per Share
31 December 2021	2.80 per Share
4 July 2022 (i.e. the Maturity Date, on which the Company will redeem all of the Convertible Bonds at such amount equivalent to 116.5% of the principal amount of the outstanding Convertible Bonds, inclusive of interests received up to the Maturity Date, unless any of such Convertible Bonds have already been previously redeemed, converted, purchased or cancelled)	2.71 per Share

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**

As at 30 June 2020, the Group employed 99 employees (31 December 2019: 96 employees) in Hong Kong and in the PRC. Total employee benefit expenses from continuing operations for Period 2020 were approximately HK\$30,058,000, as compared to those of approximately HK\$24,297,000 for Period 2019.

During Period 2020, the Group offered its employees competitive remuneration packages, which were consistent with the prevailing market practices in the relevant jurisdictions. The remuneration package for each employee of the Group contains a combination or modification of some or all of the following four main components: (i) basic salary; (ii) incentive bonus; (iii) share options (no share option scheme of the Company in force as at the date of this interim results announcement); and (iv) other benefits, such as statutory retirement scheme and medical insurance. Incentive bonus and share options for each employee are determined with reference to the employee's position, performance

and ability to contribute to the overall success of the Group. The Group's remuneration policies remained unchanged during Period 2020. The employees of the Group are remunerated according to their respective job nature, market conditions, individual performance and qualifications. As the Group sees career development as an important aspect of its employees, ongoing training has been provided to the employees according to the needs of the Group during Period 2020.

## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (Period 2019: nil).

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining high standards of corporate governance in the interests of its shareholders.

The Board acknowledges its responsibilities for preparing the condensed consolidated financial statements of the Group, which give a true and fair view of the state of affairs of the Company and of the Group on a going concern basis. In preparing the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2020, the Board has selected suitable accounting policies and applied them consistently and made judgments and estimates that are prudent and reasonable.

Except for the deviation specified below, the Company has complied with all mandatory provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 14 to the Listing Rules throughout Period 2020.

Provision E.1.2 of the Code stipulates that the chairman of the board should attend the annual general meeting of the company. Mr. Chu Hing Tsung, the Chairman, was out of town and was therefore unable to attend the annual general meeting of the Company held on 12 June 2020. The Chairman will endeavour to attend all future annual general meetings of the Company unless unexpected or special circumstances prevent him from doing so.

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (as defined in the Code) on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules.

On specific enquiries made, all Directors confirmed that they have complied with the required standards set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during Period 2020.

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

During Period 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

## **INTERIM FINANCIAL REPORT**

The interim report of the Company for the Period will be dispatched to the Shareholders and published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.silvergrant.com.hk](http://www.silvergrant.com.hk)) in due course.

## **AUDIT COMMITTEE**

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and risk management and internal control systems of the Group. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Hung Muk Ming, Mr. Liang Qing and Mr. Zhang Lu. Mr. Hung Muk Ming is the chairman of the Audit Committee.

The unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2020 have been reviewed by the Audit Committee.

## **APPRECIATION**

The Board would like to express its appreciation and gratitude to the 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 goals.

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

Hong Kong, 28 August 2020

*As at the date of this announcement, the Board comprises Mr. Huang Jiajue (Chief Executive Officer), Mr. Luo Zhihai and Mr. Ma Yilin 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.*