

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to the accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 CONSOLIDATED
ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 (“**Company**” or “**Silver Grant**”) and its subsidiaries (collectively, the “**Group**”) has not been completed. In the meantime, the board (“**Board**”) of directors (“**Directors**”) of the Company is pleased to announce the unaudited consolidated annual results of the Group for the year ended 31 December 2021 (“**Year 2021**”) as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the year ended 31 December 2021*

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Rental income	2	87,376	89,128
Direct operating expenses		(5,910)	(9,016)
		81,466	80,112
Dividend income from listed and unlisted securities	2	102	116
Other income, gains and losses	3	357,261	285,084
Change in fair value of financial assets at fair value through profit or loss		(163,894)	(667)
Change in fair value of derivative financial instruments		(15,203)	39,630
Reversal of impairment of financial assets, net		6,245	6,352
Administrative expenses		(258,354)	(224,170)
Change in fair value of investment properties		31,814	(13,555)
Finance costs	4	(410,008)	(216,675)
Share of (losses)/profits of:			
— associates		(47,233)	3,325
— joint ventures		(1,523,767)	(404,061)
Loss before taxation	6	(1,941,571)	(444,509)
Taxation	5	(10,130)	3,401
Loss for the year		(1,951,701)	(441,108)
Loss attributable to:			
— Owners of the Company		(1,571,416)	(317,641)
— Non-controlling interests		(380,285)	(123,467)
		(1,951,701)	(441,108)
LOSS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
(in HK cents)	7		
— Basic		(68.18)	(13.78)
— Diluted		(68.18)	(13.78)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LOSS FOR THE YEAR	(1,951,701)	(441,108)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>129,271</u>	<u>326,891</u>
Total other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>129,271</u>	<u>326,891</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Gain/(loss) arising on property revaluation	12,632	(35,779)
Income tax effect	<u>(261)</u>	<u>9,644</u>
Net other comprehensive gain/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>12,371</u>	<u>(26,135)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>141,642</u>	<u>300,756</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u><u>(1,810,059)</u></u>	<u><u>(140,352)</u></u>
Total comprehensive loss attributable to:		
— Owners of the Company	(1,451,757)	(62,450)
— Non-controlling interests	<u>(358,302)</u>	<u>(77,902)</u>
	<u><u>(1,810,059)</u></u>	<u><u>(140,352)</u></u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Note</i>	2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Investment properties		2,730,045	2,624,229
Property, plant and equipment		271,659	250,921
Right-of-use assets		51,773	54,216
Other intangible assets		2,814	—
Interests in associates		333,629	85,569
Interests in joint ventures		1,459,870	3,033,385
Amount due from joint ventures		1,750,564	969,951
Amount due from an associate		561,980	—
Financial assets at fair value through profit or loss		167,689	2,780
Loan receivables		—	231,932
		<hr/>	<hr/>
Total non-current assets		7,330,023	7,252,983
CURRENT ASSETS			
Trade receivables	9	4,377	7,317
Deposits, prepayments and other receivables		714,076	420,467
Amount due from a joint venture		61,117	59,528
Amount due from an associate		—	584,989
Loan receivables		2,242,992	1,207,369
Financial assets at fair value through profit or loss		888,473	875,206
Derivative financial instruments		22,279	37,483
Pledged bank deposits		24,450	23,753
Cash and bank balances		116,755	769,767
		<hr/>	<hr/>
Total current assets		4,074,519	3,985,879
CURRENT LIABILITIES			
Accrued charges, rental deposits and other payables		387,124	287,160
Interest-bearing bank and other borrowings		541,037	369,309
Taxation payable		109,457	108,272
Lease liabilities		2,048	—
Convertible bonds		1,301,494	—
		<hr/>	<hr/>
Total current liabilities		2,341,160	764,741

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)**At 31 December 2021*

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CURRENT ASSETS	<u>1,733,359</u>	<u>3,221,138</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>9,063,382</u>	<u>10,474,121</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	3,193,628	1,571,112
Convertible bonds	—	1,232,463
Lease liabilities	52,404	48,532
Deferred tax liabilities	243,416	238,021
Total non-current liabilities	<u>3,489,448</u>	<u>3,090,128</u>
Net assets	<u><u>5,573,934</u></u>	<u><u>7,383,993</u></u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	3,626,781	3,626,781
Reserves	1,481,216	2,932,973
	5,107,997	6,559,754
Non-controlling interests	<u>465,937</u>	<u>824,239</u>
Total equity	<u><u>5,573,934</u></u>	<u><u>7,383,993</u></u>

NOTES:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited financial information relating to the year ended 31 December 2021 and the financial information relating to the year ended 31 December 2020 herein does not constitute the Company's statutory annual consolidated financial statements for those years but in respect of the year ended 31 December 2020, is derived from those consolidated financial statements. The Company has delivered the consolidated financial statements for the year ended 31 December 2020 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 2020. 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 2021 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, leasehold land and buildings under property, plant and equipment, financial assets at fair value through profit or loss and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7 HKFRS 4, and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided that the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2. REVENUE

An analysis of revenue is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Revenue from other sources</i>		
Gross rental income	87,376	89,128
Dividend income from listed and unlisted securities	102	116
	<u>87,478</u>	<u>89,244</u>

Operating segment information

Year ended 31 December 2021

	Investments <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
— Rental income	—	87,376	87,376
— Dividend income from listed and unlisted securities	102	—	102
	<u>102</u>	<u>87,376</u>	<u>87,478</u>
Segment profit	<u>110,933</u>	<u>76,517</u>	187,450
Other unallocated income, gains and losses			18,790
Corporate expenses			(171,239)
Finance costs (other than interest on lease liabilities)			(405,572)
Share of losses of:			
— associates			(47,233)
— joint ventures			(1,523,767)
Loss before taxation			(1,941,571)
Taxation			(10,130)
Loss for the year			<u>(1,951,701)</u>

Year ended 31 December 2020

	Investments <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
— Rental income	—	89,128	89,128
— Dividend income from listed and unlisted securities	116	—	116
	<u>116</u>	<u>—</u>	<u>116</u>
	<u>116</u>	<u>89,128</u>	<u>89,244</u>
Segment profit	<u>211,513</u>	<u>32,603</u>	244,116
Other unallocated income, gains and losses			45,357
Corporate expenses			(119,470)
Finance costs (other than interest on lease liabilities)			(213,776)
Share of profit or (loss) of:			
— an associate			3,325
— a joint venture			(404,061)
Loss before taxation			(444,509)
Taxation			<u>3,401</u>
Loss for the year			<u>(441,108)</u>

Geographical information

Revenue from external customers

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	102	116
People's Republic of China ("PRC")	<u>87,376</u>	<u>89,128</u>
	<u><u>87,478</u></u>	<u><u>89,244</u></u>

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

Non-current assets

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	287,176	290,687
PRC	<u>4,562,614</u>	<u>5,757,633</u>
	<u><u>4,849,790</u></u>	<u><u>6,048,320</u></u>

The non-current asset information above is based on the locations of the assets and excludes financial assets at fair value through profit or loss, loan receivables, amount due from an associate and amounts due from joint ventures.

3. OTHER INCOME, GAINS AND LOSSES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income		
— amount due from an associate	—	22,497
— amount due from a joint venture	55,560	76,371
— bank deposits	3,744	545
— loan receivables	230,296	181,053
Net foreign exchange loss	(1,420)	(810)
Net loss on disposal of property, plant and equipment	(408)	(24)
Impairment loss on other intangible assets	(2,807)	—
Government grants*	188	631
Gain on disposal of financial assets of fair value through profit or loss	27,009	—
Others	45,099	4,821
	<u>357,261</u>	<u>285,084</u>

* The amount represented grants received from relevant government authorities in Mainland China for the Group's operation of property leasing business. There are no unfulfilled conditions or contingencies relating to these grants.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank loans	12,546	35,216
Interest on other loans	229,050	36,077
Interest on convertible bonds	149,532	141,955
Interest on senior note	14,444	528
Interest on lease liabilities	4,436	2,899
	<u>410,008</u>	<u>216,675</u>

5. TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current:		
PRC CIT — charge for the year	3,809	930
Deferred	<u>6,321</u>	<u>(4,331)</u>
Total tax charge/(credit) for the year	<u><u>10,130</u></u>	<u><u>(3,401)</u></u>

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries in Hong Kong incurred tax losses during the year ended 31 December 2021 (2020: Nil).

The taxation charge of the PRC Corporate Income Tax (“CIT”) 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. Under the Law of the PRC on Corporate Income Tax (“CIT Law”) and the Implementation Regulation of the CIT Law, the tax rate of the Company’s subsidiaries in the PRC was 25% for the year ended 31 December 2021 (2020: 25%).

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

6. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging/(crediting):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration	7,400	5,350
Change in fair value of financial assets at fair value through profit or loss	163,894	667
Depreciation of property, plant and equipment	12,244	11,376
Depreciation of right-of-use assets	3,980	2,784
Employee benefit expense including directors' and chief executive officer's remuneration:		
Wages and salaries*	74,979	64,206
Pension scheme contributions (defined contribution scheme)**	1,662	2,582
	<u>76,641</u>	<u>66,788</u>
Rental income under operating leases for investment properties, less outgoing of HK\$5,910,000 (2020: HK\$9,016,000)	(81,466)	(80,112)
Write-off of loan and other receivables	37,394	62,510
Reversal of impairment of financial assets, net	(6,245)	(6,352)
Change in fair value of investment properties	(31,814)	13,555
Change in fair value of derivative financial instruments	15,203	(39,630)
	<u><u>76,641</u></u>	<u><u>66,788</u></u>

* During the year ended 31 December 2020, wage subsidy of HK\$580,000 was granted from the Employment Support Scheme under Anti-Epidemic Fund in Hong Kong. The amount was recognised in the administrative expenses and had been set-off against the amount of wages and salaries. There are no unfulfilled conditions or contingencies relating to this grant.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss attributable to ordinary equity holders of Company used in the basic loss per share calculation	<u>1,571,416</u>	<u>317,641</u>
	Number of shares	
	2021 in thousand	2020 in thousand
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u>2,304,850</u>	<u>2,304,850</u>

No adjustment for dilution has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 as the Company's convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

8. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2021 (2020: Nil).

9. TRADE RECEIVABLES

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	<u>4,377</u>	<u>7,317</u>

BUSINESS REVIEW

The Group has recorded a loss attributable to owners of the Company of approximately HK\$1,571,416,000 for Year 2021, as compared with that of approximately HK\$317,641,000 for the year ended 31 December 2020 (“**Year 2020**”). Basic loss per share was 68.18 HK cents for Year 2021 (Year 2020: 13.78 HK cents).

In 2021, with the adoption of proactive fiscal and monetary policies by countries around the world and the continuous increase in the global COVID-19 vaccination rate, the world’s major economies had started their road to economic recovery. In particular, China’s GDP for 2021 which had increased by 8.1% year-on-year and exceeded RMB110 trillion, achieved a ranking of second in the world. The performance of industrial production and exports in China was particularly outstanding during the year under review. However, under the continuing impact of a series of real estate market regulation policies issued by the Chinese central government, a number of large and medium-sized real estate developers in China experienced credit crises in the second half of 2021, which had an adverse impact on the capital markets of mainland China and Hong Kong.

During the year under review, as the international supply and consumption of crude oil recovered in tandem with the economic recovery, the price of Brent crude oil remained in a reasonable range of US\$60 to US\$80 per barrel. The recovery of oil prices had driven up the value of the inventory of oil refinery and petrochemical companies and thus their performance. Nevertheless, as a result of a tax self-review conducted as required by the relevant Chinese tax authority in relation to the basis of calculation of sales tax, 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**”), a joint venture of the Company principally engaged in the business of production and trading of petroleum and petrochemical products, incurred additional sales tax and related tax surcharge and late fees for prior years, leading to a significant increase in the loss incurred by Zhong Hai You Qi for Year 2021 from that for Year 2020, which had a material adverse impact on the Group’s financial performance for Year 2021.

Investments

While 2021 marked the beginning of the 14th Five-Year Plan of the PRC, the prevention and resolution of material risks, in particular systemic financial risks, would likely to remain a formidable challenge. During the year under review, the financial regulatory authority of the PRC gave repeated warnings about the rebound risk of non-performing assets and urged for the speeding up of the disposal of non-performing assets by the market players and the resolution of the risks faced by the small-to-medium sized financial institutions. On the other hand, the Chinese government has fostered the development of new businesses such as non-performing personal loans, non-performing trusts and bankruptcy reorganisation, contributing to the continuous orderly expansion of the non-performing asset market.

** English name is translated for identification purpose only*

During the year under review, the Group acquired non-performing asset portfolios consisting of mainly non-performing loans from certain commercial banks and an asset management company. As at 31 December 2021, the total principal and accrued interest of the investments held in these non-performing asset portfolios amounted to approximately RMB1,220 million in aggregate. During the year under review, the Group's investment team made vigorous moves to expedite the judicial disposal procedures and asset marketing for realising partial disposal gains from the non-performing assets held by the Group.

Notwithstanding that the real estate industry in China is facing a new round of reshuffle, a number of high-quality property projects are yet to be discovered by investors. In light of the "Greater Bay Area" initiative of the PRC government which is to spur deeper regional economic and financial integration in Hong Kong, Macau and the Pearl River Delta Region, the Group has become confident in the property market in the Guangdong-Hong Kong-Macau Greater Bay Area ("**Greater Bay Area**"). The Group considers the prospects of the urban redevelopment projects in the Greater Bay Area to be particularly promising, taking into consideration the prime locations of the underlying urban land of these projects in the region. As at the date of this announcement, the Group is in the course of setting up an investment fund which will invest in urban redevelopment projects in the Greater Bay Area. Upon completion of the establishment of this fund, the Group will prepare for the launch of other fund products, aiming at gaining a foothold in the urban redevelopment project investments in the Greater Bay Area and creating investment returns for its shareholders. In addition, the Group has completed the acquisition of the entire equity interest of a corporation licensed to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) during the year under review. This licensed corporation will engage in the fund management business of the Group in Hong Kong and manage funds established by the Group investing in pre-IPO investments, equity securities and urban redevelopment projects.

The Group has made investments in certain enterprises in the PRC which are classified by the Group as financial assets at fair value through profit or loss. As at 31 December 2021, NT Trust Scheme (as defined below) was the most significant financial asset investment of the Group, the carrying value of which represented approximately 4.0% of the total assets of the Group. Further details of the NT Trust Scheme are set out below:

The Group has invested RMB505,000,000 (equivalent to approximately HK\$617,359,000) 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 2021, the carrying value of the NT Trust Scheme as measured at fair value through profit or loss, amounted to approximately HK\$460,235,000 (2020: HK\$556,027,000) and accounted for approximately 4.0% (31 December 2020: 4.9%) of the total assets of the Group. Out of the loss of approximately HK\$163,894,000 (2020: HK\$667,000) recorded by the Group in the change in fair value of financial assets at fair value through profit or loss for Year 2021, loss of approximately HK\$110,618,000 (2020: HK\$19,146,000) was attributable to the fair value change of the NT Trust Scheme as at 31 December 2021. The Group did not receive any distribution from the NT Trust Scheme during Year 2021 (2020: 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 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 performances of other economies globally. 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

The rental income from the Group’s property leasing business decreased from approximately HK\$89,128,000 in Year 2020 to approximately HK\$87,376,000 in Year 2021. Revenue from the Group’s property leasing business segment was mainly derived from East Gate Plaza, an investment property of the Group in Beijing, China, which is comprised of a residential section and a commercial section. Due to the ongoing Coronavirus Disease-2019 (“**COVID-19**”) pandemic, the average rental rate per square metre of East Gate Plaza declined in Year 2021 notwithstanding that its occupancy rate had maintained at approximately 80% from Year 2020 to Year 2021, resulting in a slight decrease in the revenue generated from this segment for Year 2021. The Group has kept on making timely adjustment to its property leasing business strategy by actively recruiting new tenants for vacant areas and retaining its existing tenants, in order to boost the occupancy rate of the property.

* *English name is translated for identification purpose only*

PROSPECTS AND OUTLOOK

As 2021 drew to close, the spread of the highly contagious Omicron variant of COVID-19 has brought new uncertainties to the global economic recovery. The rising inflation and expectation of tighter U.S. monetary policy further cast a cloud over the recovery outlook. In China, under the continuous impact of the pandemic, the pace of recovery varied across different domestic sectors, and the consumption of the residents has not returned to its pre-pandemic level. On the other hand, the pandemic has accelerated the digital transformation of China's economy, with rapid increase in the growth rate of mobile applications and investments in related fields. The proposed "carbon neutrality" and "emission peak" strategic goals of the Chinese government have also greatly advanced the domestic green transformation, providing a good momentum to the development of the green industry in the country.

At this epic time of crises and opportunities, the Group will fully mobilise its own resources to explore investment opportunities in high-growth areas such as technological innovation, green development and urban redevelopment, and at the same time improve the operating strategy of its property leasing business in order to increase the occupancy rate of its properties.

The Company's joint venture, Zhong Hai You Qi, will carry out certain technological modification projects in its existing factories in a stable manner, optimise its product structure and improve its product quality for the purposes of further cost reduction and efficiency enhancement. It will also seek support from its shareholders to develop its high-end lubricating oil products and chemical products.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisition or disposal during Year 2021.

FINANCIAL REVIEW

The loss attributable to the owners of the Company increased by approximately 394.7% from approximately HK\$317,641,000 for Year 2020 to approximately HK\$1,571,416,000 for Year 2021 and the basic loss per share attributable to ordinary equity holders of the Company increased from 13.78 HK cents for Year 2020 to 68.18 HK cents for Year 2021, mainly due to the following:

- (i) the increase in the loss from the fair value of the financial assets at fair value through profit or loss of the Group from approximately HK\$667,000 for Year 2020 to approximately HK\$163,894,000 for Year 2021, mainly attributable to the decrease in the fair value of the financial assets at fair value through profit or loss held by the Group as at 31 December 2021, as a result of the gloomy economic outlook at the end of Year 2021 in light of the global outbreak of the Omicron variant of COVID-19 and the ongoing economic conflict between the United States and the PRC;
- (ii) the increase in the finance costs incurred by the Group from approximately HK\$216,675,000 for Year 2020 to approximately HK\$410,008,000 for Year 2021, mainly as a result of the issuance by the Company of the 7.5% senior secured guaranteed note in the aggregate principal amount of US\$19,800,000 ("**Senior Note**") in December 2020 and the increase in the Group's other borrowings during Year 2021 as compared with those during Year 2020;

- (iii) the decline in the financial 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 share of profit in Year 2020 of approximately HK\$3,325,000 to a share of loss of approximately HK\$43,669,000 in Year 2021, mainly due to the decrease in the fair value of the financial assets at fair value through profit or loss held by Cinda Jianrun as at 31 December 2021; and
- (iv) the substantial increase in the loss shared by the Company from its joint venture, Zhong Hai You Qi, during Year 2021 from approximately HK\$404,061,000 for Year 2020 to approximately HK\$1,523,767,000 for Year 2021, mainly attributable to the additional sales tax and related tax surcharge and late fees for prior years incurred by Zhong Hai You Qi during Year 2021 following a tax self-review conducted as required by the relevant tax authority in the PRC.

Revenue

Rental income of the Group for Year 2021 amounted to approximately HK\$87,376,000 (Year 2020: HK\$89,128,000), representing a slight decrease of approximately 1.97%, which was mainly attributable to the decrease in the average rental rate per square metre of the rental properties of the Group during Year 2021.

Other income, gains and losses

The increase in other income, gains and losses from approximately HK\$285,084,000 for Year 2020 to approximately HK\$357,261,000 for Year 2021 was mainly due to (i) the increase in the interest income generated through advances by the Group during Year 2021; and (ii) the increase in the gains on disposal of financial assets and investments by the Group during Year 2021.

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

The increase in the loss in the fair value of the financial assets at fair value through profit or loss held by the Group from approximately HK\$667,000 for Year 2020 to approximately HK\$163,894,000 Year 2021 was mainly attributable to the increase in the amount of fair value loss for the financial assets and non-performing assets held by the Group as at 31 December 2021 due to the dim economic outlook at the end of Year 2021.

Finance costs

The increase in finance costs of the Group from approximately HK\$216,675,000 for Year 2020 to approximately HK\$410,008,000 for Year 2021 was mainly resulted from the issuance by the Company of the Senior Note in the aggregate principal amount of US\$19,800,000 in December 2020 and the increase in the Group’s other borrowings during Year 2021 as compared with those during Year 2020.

** English name is translated for identification purpose only*

Share of profits or losses of associates

The share of profits or losses of associates mainly represented the Company's share of the loss for Year 2021 from its associate, Cinda Jianrun, of approximately HK\$43,669,000, which had turned from its share of the profit of Cinda Jianrun for Year 2020 of approximately HK\$3,325,000, mainly due to the decrease in the fair value of the financial assets at fair value through profit or loss held by Cinda Jianrun as at 31 December 2021.

Share of profits or losses of joint ventures

The share of profits or losses of joint ventures represented the Company's share of the loss from its joint venture, Zhong Hai You Qi, for Year 2021 of approximately HK\$1,523,767,000, which had substantially increased from that of approximately HK\$404,061,000 for Year 2020, mainly attributable to the additional sales tax and related tax surcharge and late fees for prior years incurred by Zhong Hai You Qi during Year 2021 following a tax self-review conducted as required by the relevant tax authority in the PRC.

Loan receivables

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Carrying amounts under non-current assets	—	231,932
Carrying amounts under current assets	<u>2,242,992</u>	<u>1,207,369</u>
Total	<u><u>2,242,992</u></u>	<u><u>1,439,301</u></u>

The increase in the Group's total loan receivables from approximately HK\$1,439,301,000 as at 31 December 2020 to approximately HK\$2,242,992,000 as at 31 December 2021 was mainly attributable to the advance of short term loans to business partners and certain third parties for better returns during Year 2021.

Deposits, prepayments and other receivables

The increase in the Group's deposits, prepayments and other receivables from approximately HK\$420,467,000 as at 31 December 2020 to approximately HK\$714,076,000 as at 31 December 2021 was mainly attributable to (i) the increase in the deposits paid by the Group during Year 2021 to acquire non-performing assets; and (ii) the increase in the accrual of interest receivables due to more advances having been made by the Group during Year 2021.

Accrued charges, rental deposits and other payables

The increase in the Group's accrued charges, rental deposits and other payables from approximately HK\$287,160,000 as at 31 December 2020 to approximately HK\$387,124,000 as at 31 December 2021 was mainly attributable to (i) the increase in the accrual of interest payables due to the increase in the Group's borrowings during Year 2021; and (ii) the increase in receipts in advance due to the disposal of non-performing assets by the Group during Year 2021.

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.

Cash Position

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Pledged bank deposits	24,450	23,753
Cash and bank balances	116,755	769,767
Total	141,205	793,520

The decrease in the cash and bank balances of the Group (excluding pledged bank deposits) to approximately HK\$116,755,000 as at 31 December 2021 from that of approximately HK\$769,767,000 as at 31 December 2020 was mainly due to (i) the capital injection and the advances made by the Group to a newly formed joint venture of the Company in Year 2021; and (ii) the increase in the deposits paid by the Group for the acquisition of non-performing assets during Year 2021. The cash and bank balances (including pledged bank deposits) of the Group as at 31 December 2021 were mainly denominated in HK\$, RMB and United States dollars ("US\$").

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 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.

Working Capital and Borrowings

As at 31 December 2021, the Group's total borrowings amounted to approximately HK\$5,036,159,000 in aggregate. The composition of these borrowings is summarised below:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Short term borrowings	541,037	217,848
Long term borrowings	3,193,628	1,571,112
Senior note	—	151,461
Convertible bonds	1,301,494	1,232,463
Total borrowings	5,036,159	3,172,884
Cash and bank balances (including pledged bank deposits)	141,205	793,520
Net borrowings	<u>4,894,954</u>	<u>2,379,364</u>

Interests for all borrowings of the Group for Year 2021 were charged at fixed and floating rates ranging from 5.35% per annum to 12% per annum (Year 2020: 5.35% per annum to 12% per annum).

Out of the long term and short term borrowings of the Group which remained outstanding as at 31 December 2021, approximately HK\$176,700,000 (31 December 2020: Nil), approximately HK\$3,552,320,000 (31 December 2020: HK\$1,691,363,000) and approximately HK\$5,645,000 (31 December 2020: HK\$97,597,000) were denominated in HK\$, RMB and US\$ respectively, while approximately HK\$1,912,311,000 (31 December 2020: HK\$587,886,000) carried floating interest rates and approximately HK\$1,822,354,000 (31 December 2020: HK\$1,201,074,000) carried fixed interest rates. As at 31 December 2021, the Group 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 31 December 2021, the Group's cash and bank balances (including pledged bank deposits) were approximately HK\$141,205,000 (31 December 2020: HK\$793,520,000) in aggregate, out of which approximately 35.8% (31 December 2020: 5.6%), approximately 57.2% (31 December 2020: 92.5%) and approximately 7.0% (31 December 2020: 1.9%) were denominated in HK\$, RMB and US\$ respectively. As at 31 December 2021, the Group's total borrowings were approximately HK\$5,036,159,000 (31 December 2020: HK\$3,172,884,000), which comprised (1) a loan in the principal amount of approximately RMB1,600,000,000 (31 December 2020: Nil) repayable by instalments with the last instalment due in 2026; (2) a loan in the principal amount of approximately RMB670,000,000 (31 December 2020: RMB670,000,000) due in December 2023; (3) a loan in the principal amount of approximately RMB97,200,000 (31 December 2020: RMB120,000,000) due in December 2022; (4) a loan in the principal amount of approximately RMB110,700,000 (31 December 2020: RMB123,000,000) due in December 2022; (5) loans in the aggregate principal amount of approximately RMB28,128,000 (31 December 2020: RMB28,128,000) repayable on demand; (6) a loan in the principal amount of approximately RMB145,500,000 (31 December 2020: Nil) due in February 2024; (7) a loan in the principal amount of approximately RMB290,000,000 (31 December 2020: Nil) due in April 2024; (8)

convertible bonds in the aggregate principal amount of HK\$1,150,000,000 (31 December 2020: HK\$1,150,000,000) due in July 2022; and (9) a loan in the principal amount of HK\$180,000,000 (31 December 2020: Nil) due in December 2022, and the Group's net current assets were approximately HK\$1,733,359,000 (31 December 2020: HK\$3,221,138,000). In addition, the Group had unutilised loan facilities of approximately RMB380,000,000 in aggregate as at 31 December 2021 (31 December 2020: Nil). 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 31 December 2021, the gearing ratio (calculated as interest-bearing bank and other borrowings, senior note and convertible bonds issued by the Company over equity attributable to owners of the Company) and the current ratio (calculated as current assets over current liabilities) of the Group were 99% (31 December 2020: 48%) and 1.7x (31 December 2020: 5.2x) 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. The Group will strive to improve its liquidity by expediting its collection of outstanding loan receivables and disposal of financial asset investments (including equity investments and non-performing loans) which will bring a reasonable return to the Group.

PLEDGE OF ASSETS

As at 31 December 2021, the Group pledged certain investment properties and leasehold land and buildings with aggregate carrying values of approximately HK\$ 2,650,502,000 (31 December 2020: HK\$2,542,850,000) and HK\$198,500,000 (31 December 2020: HK\$198,800,000) respectively to secure general banking facilities granted to the Group and other payable due to an independent third party. At 31 December 2021, bank deposits of approximately HK\$24,450,000 (31 December 2020: HK\$23,753,000) were pledged to banks to secure banking facilities granted to a joint venture of the Company.

CAPITAL COMMITMENTS

The Group's capital expenditures in 2022 are expected to be settled by cash through internal resources of the Group. While the Group's total capital commitments of approximately HK\$183,374,000 as at 31 December 2021 were made entirely for the purchase of unlisted equity securities, its total capital commitments of approximately HK\$327,791,000 as at 31 December 2020 were made for the purchase of unlisted equity securities of approximately HK\$178,147,000 and non-performing assets of approximately HK\$149,644,000. Other than as disclosed, the management of the Group does not expect there to be any plans for material investments or capital assets in 2022 with reference to the current situation as at the date of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group provided corporate guarantees of approximately HK\$3,841,990,000 (2020: HK\$3,630,618,000) in respect of loans granted to a joint venture.

CAPITAL STRUCTURE

As at 31 December 2021, the shareholders' funds of the Group decreased by approximately HK\$1,451,757,000 to approximately HK\$5,107,997,000 (31 December 2020: HK\$6,559,754,000), representing a decline of approximately 22%. The decrease was mainly due to the loss attributable to the owners of the Company in Year 2021, which was partially offset by the increase in the exchange gains on foreign exchange translation and the revaluation gain of leasehold properties in Year 2021.

HUMAN RESOURCES

The Group had in aggregate 84 employees in Hong Kong and the PRC as at 31 December 2021 (31 December 2020: 104). The Group's overall staff costs amounted to approximately HK\$76,641,000 for Year 2021 (Year 2020: HK\$66,788,000). 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 2021, 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 staff 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 Year 2021 (Year 2020: 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 2021 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 Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

CORPORATE GOVERNANCE PRACTICES

The Company is committed to establishing and maintaining a standard of corporate governance that is consistent with market practices. The Company complied with all mandatory provisions set out in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Listing Rules then in force throughout Year 2021, except for code provisions A.2.1 and E.1.2 of the CG Code.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be the same individual. As a result of the appointment of Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) (“**Mr. Chu**”) as the chief executive officer of the Company on 1 August 2021 following the resignation of Mr. Huang Jiajue, Mr. Chu has assumed the roles of both the chairman of the Board (“**Chairman**”) and the chief executive officer of the Company. The Board believes that vesting both the roles of chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions efficiently.

Code provision E.1.2 of the CG Code stipulates that the Chairman should attend the annual general meeting of the Company. Mr. Chu, the Chairman, did not attend the annual general meeting of the Company held on 10 June 2021 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 (“**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 complied with the required standards set out in the Model Code throughout Year 2021.

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

During Year 2021, 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

Due to the restrictions on travel, logistics and others in Mainland China and Hong Kong as a result of the COVID-19 pandemic and the number of confirmed cases of COVID-19 among the staff of the Company's independent valuer and auditor, the auditing processes of the Group's annual results for the Year 2021 have been adversely affected. In particular, the Company's independent valuer and auditor have not been able to complete their respective valuation and audit work in relation to (i) the financial assets at fair value through profit or loss held by the Group as at 31 December 2021; (ii) the Company's investments in its joint venture (i.e. Zhong Hai You Qi) and associate (i.e. Cinda Jianrun) as at 31 December 2021; and (iii) the expected credit loss assessment of loan and other receivables as at 31 December 2021 (collectively, the "**Valuation and Audit Work**"). 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 30 March 2022.

The unaudited consolidated annual results of the Group for Year 2021 contained herein have not been agreed with the Company's auditor. An announcement relating to the Group's annual results for Year 2021 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 Valuation and Audit Work can be completed by 29 April 2022, the announcement relating to the annual results for Year 2021 of the Group as agreed with the Company's auditor and the annual report for Year 2021 of the Company will be published by 29 April 2022.

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

UNCERTAINTIES OF THE UNAUDITED ANNUAL RESULTS

Given that the Valuation and Audit Work is not yet completed as at the date of this announcement, the following accounting items for Year 2021, or as at 31 December 2021 as mentioned in this announcement are uncertain and subject to the Valuation and Audit Work; (i) share of profits/(losses) of associates; (ii) share of profits/(losses) of joint ventures; (iii) loss for the year; (iv) allowance of expected credit loss of loan and other receivables; (v) change in fair value of financial assets at fair value through profit or loss; (vi) interests in associates; (vii) interests in joint ventures; (viii) loan receivables; (ix) deposits, prepayments and other receivables; and (x) financial assets at fair value through profit or loss.

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 2021 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 report of the consolidated annual results of the Group for Year 2021 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.

On behalf of the Board
Silver Grant International Holdings Group Limited
Chu Hing Tsung
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 30 March 2022

Mr. Chu Hing Tsung (Chairman and Chief Executive Officer), Mr. Luo Zhihai, Mr. Tang Lunfei and Mr. Wang Ping as executive Directors; Mr. Chen Zhiwei as a non-executive Director; and Mr. Liang Qing, Mr. Zhang Lu and Mr. Hung Muk Ming as independent non-executive Directors.