



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

(Stock Code: 171)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

The board (“**Board**”) of directors (“**Directors**”) of Silver Grant International Holdings Group
resentation as to the accura2ard

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | 2022 | 2021 |
|--|-------------------------|---------------------------|
| | HK\$'000 | |
| Rental income | 96,884 | 87,376 |
| Direct operating expenses | (3,542) | (5,910) |
| | 93,342 | 81,466 |
| Dividend income from listed securities | 136 | 102 |
| Other income, gains and losses | 467,687 | 348,441 |
| Change in fair value of financial assets at fair value through profit or loss | (166,108) | (102,689) |
| Change in fair value of derivative financial instruments | (22,280) | (15,203) |
| Impairment of financial assets, net | (251,580) | (950) |
| Administrative expenses | (181,456) | (267,285) |
| Change in fair value of investment properties | (208,156) | 31,814 |
| Finance costs | (530,034) | (410,008) |
| Share of profits/(losses) of: | | |
| — associates | 2,050 | (45,380) |
| — joint ventures | 1,130 | (1,417,546) |
| Loss before taxation | (795,269) | (1,797,238) |
| Taxation | 52,611 | (15,256) |
| Loss for the year | <u>(742,658)</u> | <u>(1,812,494)</u> |
| Loss attributable to: | | |
| — Owners of the Company | (734,563) | (1,452,609) |
| — Non-controlling interests | (8,095) | (359,885) |
| | <u>(742,658)</u> | <u>(1,812,494)</u> |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (in HK cents) | | |
| — Basic | (31.87) | (63.02) |
| — Diluted | (31.87) | (63.02) |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | 2022 <i>HK\$'000</i> | 2021 |
|--|--------------------------------|----------------|
| LOSS FOR THE YEAR | (742,658) | (1,812,494) |
| OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR | | |
| Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | <u>(466,819)</u> | <u>134,363</u> |
| Total other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods | <u>(466,819)</u> | <u>134,363</u> |
| Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods: | | |
| (Loss)/gain arising on property revaluation | (17,596) | 12,632 |
| Income tax effect | <u>3,353</u> | <u>(261)</u> |
| Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods | <u>(14,243)</u> | <u>12,371</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | 2022 | 2021 |
|---|------------------|------------------|
| | <i>HK\$'000</i> | |
| NON-CURRENT ASSETS | | |
| Investment properties | 2,309,146 | 2,730,045 |
| Property, plant and equipment | 238,199 | 271,659 |
| Right-of-use assets | 43,729 | 51,773 |
| Other intangible assets | — | 2,814 |
| Interests in associates | 309,475 | 335,507 |
| Interests in joint ventures | 1,506,247 | 1,568,397 |
| Amount due from an associate | 439,486 | 560,690 |
| Amounts due from joint ventures | — | 1,747,964 |
| Financial assets at fair value through profit or loss | 1,640 | 167,689 |
| | 4,847,922 | 7,436,538 |
| CURRENT ASSETS | | |
| Trade receivables | 3,934 | 4,377 |
| Deposits, prepayments and other receivables | 908,352 | 714,075 |
| Amounts due from joint ventures | 430,437 | 61,078 |
| Loan receivables | 2,246,377 | 2,239,727 |
| Financial assets at fair value through profit or loss | 809,429 | 952,679 |
| Derivative financial instruments | — | 22,280 |
| Pledged bank deposits | — | 24,450 |
| Restricted bank balance | 674,814 | — |
| Cash and bank balances | 97,517 | 116,755 |
| | 5,170,860 | 4,135,421 |
| CURRENT LIABILITIES | | |
| Accrued charges, rental deposits and other payables | 1,204,446 | 405,116 |
| Interest-bearing bank and other borrowings | 1,388,974 | 541,037 |
| Taxation payable | 107,335 | 109,457 |
| Lease liabilities | 2,045 | 2,048 |
| Convertible bonds | 41,712 | 1,301,494 |
| | 2,744,512 | 2,359,152 |
| NET CURRENT ASSETS | 2,426,348 | 1,776,269 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 7,274,270 | 9,212,807 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | 2022 <i>HK\$'000</i> | 2021 |
|---|--------------------------------|-------------|
| NON-CURRENT LIABILITIES | | |
| Interest-bearing bank and other borrowings | 2,541,766 | 3,193,628 |
| Lease liabilities | 45,958 | 52,404 |
| Deferred tax liabilities | 192,033 | 248,542 |
| | <hr/> | <hr/> |
| Total non-current liabilities | 2,779,757 | 3,494,574 |
| | <hr/> | <hr/> |
| Net assets | 4,494,513 | 5,718,233 |
| | <hr/> <hr/> | <hr/> <hr/> |
| EQUITY | | |
| Equity attributable to owners of the Company | | |
| Share capital | 3,626,781 | 3,626,781 |
| Reserves | 395,616 | 1,604,563 |
| | <hr/> | <hr/> |
| | 4,022,397 | 5,231,344 |
| Non-controlling interests | 472,116 | 486,889 |
| | <hr/> | <hr/> |
| Total equity | 4,494,513 | 5,718,233 |
| | <hr/> <hr/> | <hr/> <hr/> |

NOTES:

1.1 BASIS OF PRESENTATION

As at 31 December 2022, notwithstanding that the Group had net current assets of approximately HK\$2,426 million, the Group's interest-bearing bank and other borrowings and convertible bonds with an aggregate carrying amount of approximately HK\$1,431 million are due to be repayable within the next 12 months while its cash and bank balances amounted to approximately HK\$98 million. In addition, during the year ended 31 December 2022, the Group's borrowing with a carrying amount of approximately HK\$198 million has not been repaid according to the scheduled repayment date and remained outstanding as at 31 December 2022. As at the date of approval of these consolidated financial statements, the Group has been actively negotiating with the lender for an extension of the repayment date of the aforesaid borrowing. Up to the date of approval of these consolidated financial statements, the Group has settled interest relating to the outstanding borrowing and has not received any demand on immediate repayment of the borrowing.

In view of the above circumstances, the directors of the Company have given careful consideration to the Group's future liquidity requirements, operating performance and available sources of financing in assessing the Group's ability to continue operating as a going concern. The following plans and measures are formulated to manage the working capital and improve the financial position of the Group:

- (i) The Group will continue to implement measures to speed up the timing of collection of outstanding loan receivables and interest receivables;
- (ii) The Group will continue to take measures to expedite the disposal of financial asset investments, including equity investments and non-performing assets portfolio; and
- (iii) The Group will continue its negotiations with the lenders of certain bank and other borrowings or other financial institutions on the refinancing of the borrowings.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2022. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements of the Group on a going concern basis.

Notwithstanding the above, there are inherent uncertainties as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to generate adequate cash flows to continue as a going concern would depend on (i) the successful and timely implementation of the plans and measures to speed up the timing of collection of outstanding loan receivables and interest receivables; (ii) the successful and timely implementation of the plans for the disposal of financial asset investments; and (iii) the successful obtaining of new sources of financing as and when needed.

Should the Group be unable to achieve the above-mentioned plans and measures, the Group may be unable to continue to operate as a going concern, in which case adjustments would have to be made to adjust the values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

1.2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The financial information relating to the years ended 31 December 2022 and 2021 included in this announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. The Company has delivered the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2022 to the Registrar of Companies in due course. The Company's auditor has reported on the consolidated financial statements for the years ended 31 December 2022 and 2021. The auditor's reports on the consolidated financial statements for the years ended 31 December 2022 and 2021 were unqualified; included a reference to material uncertainty related to going concern to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

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 3

Amendments to HKAS 16

Amendments to HKAS 37

Annual Improvements to
HKFRSs 2018-2020

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

- (a) Amendments to HKFRS 3 replace a reference to the previous
with a reference to
(“**Conceptual Framework**”) issued in June 2018
without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of

(d) Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

2. REVENUE

An analysis of revenue is as follows:

| | 2022 <i>HK\$'000</i> | 2021 |
|--|-------------------------|---------------|
| Gross rental income | 96,884 | 87,376 |
| Dividend income from listed securities | 136 | 102 |
| | <u>97,020</u> | <u>87,478</u> |

Operating segment information

Year ended 31 December 2022

| | Investments <i>HK\$'000</i> | Property leasing <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---------------------------------------|--|---------------------------------|
| Revenue | | | |
| — Rental income | — | 96,884 | 96,884 |
| — Dividend income from listed securities | 136 | — | 136 |
| | <u>136</u> | <u>96,884</u> | <u>97,020</u> |
| Segment loss | <u>(13,073)</u> | <u>(153,952)</u> | (167,025) |
| Other unallocated income, gains and losses | | | 18,383 |
| Corporate expenses | | | (123,874) |
| Finance costs (other than interest on lease liabilities) | | | (525,933) |
| Share of profits of: | | | |
| — associates | | | 2,050 |
| — joint ventures | | | 1,130 |
| Loss before taxation | | | (795,269) |
| Taxation | | | 52,611 |
| Loss for the year | | | <u>(742,658)</u> |

Year ended 31 December 2021

| | Investments | Property leasing | Total |
|--|----------------|---------------------|---------------------------|
| Revenue | | | |
| — Rental income | — | 87,376 | 87,376 |
| — Dividend income from listed securities | 102 | — | 102 |
| | <u>102</u> | <u>87,376</u> | <u>87,478</u> |
| Segment profit | <u>164,943</u> | <u>76,517</u> | 241,460 |
| Other unallocated income, gains and losses | | | 9,970 |
| Corporate expenses | | | (180,170) |
| Finance costs (other than interest on lease liabilities) | | | (405,572) |
| Share of losses of: | | | |
| — associates | | | (45,380) |
| — joint ventures | | | <u>(1,417,546)</u> |
| Loss before taxation | | | (1,797,238) |
| Taxation | | | <u>(15,256)</u> |
| Loss for the year | | | <u><u>(1,812,494)</u></u> |

Geographical information

Revenue from external customers

| | 2022 | 2021 |
|------------------------------------|------------------------|----------------------|
| | <i>HK\$'000</i> | |
| Hong Kong | 136 | 102 |
| People's Republic of China ("PRC") | 96,884 | 87,376 |
| | <u>97,020</u> | <u>87,478</u> |

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

Non-current assets

| | 2022 | 2021 |
|-----------|-------------------------|-------------------------|
| | <i>HK\$'000</i> | |
| Hong Kong | 256,508 | 287,176 |
| PRC | 4,150,288 | 4,673,019 |
| | <u>4,406,796</u> | <u>4,960,195</u> |

The non-current assets information above is based on the locations of the assets and excludes financial assets at fair value through profit or loss, 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:

| | 2022 | 2021 |
|---|-----------------|----------------|
| | <i>HK\$'000</i> | |
| Interest income on: | | |
| — amount due from a joint venture | 44,666 | 55,560 |
| — bank deposits | 250 | 3,744 |
| — loan receivables | 410,508 | 230,296 |
| Net foreign exchange loss | (1,551) | (1,420) |
| Net loss on disposal of property, plant and equipment | (59) | (408) |
| Impairment loss on other intangible assets | (2,814) | (2,807) |
| Government grants* | 7 | 188 |
| Gain on disposal of financial assets at fair value through profit or loss | 1,860 | 27,009 |
| Others | 14,820 | 36,279 |
| | <u>467,687</u> | <u>348,441</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:

| | 2022 | 2021 |
|-------------------------------|-----------------|----------------|
| | <i>HK\$'000</i> | |
| Interest on bank loans | 14,808 | 12,546 |
| Interest on other loans | 370,725 | 229,050 |
| Interest on convertible bonds | 140,400 | 149,532 |
| Interest on senior note | — | 14,444 |
| Interest on lease liabilities | 4,101 | 4,436 |
| | <u>530,034</u> | <u>410,008</u> |

5. TAXATION

| | 2022 <i>HK\$'000</i> | 2021 |
|--|-------------------------|----------------------|
| Current: | | |
| PRC Corporate Income Tax (“CIT”) — charge for the year | 344 | 3,809 |
| Deferred | <u>(52,955)</u> | <u>11,447</u> |
| Total tax (credit)/charge for the year | <u><u>(52,611)</u></u> | <u><u>15,256</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 2022 (2021: Nil).

The taxation charge of the PRC 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 2022 (2021: 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):

| | 2022 <i>HK\$'000</i> | 2021 |
|--|-------------------------|---------------|
| Auditor's remuneration | 7,200 | 7,400 |
| Change in fair value of financial assets at fair value through profit or loss | 166,108 | 102,689 |
| Depreciation of property, plant and equipment | 13,527 | 12,244 |
| Depreciation of right-of-use assets | 3,824 | 3,980 |
| Employee benefit expense including directors' and co-chief executive officers' remuneration: | | |
| Wages and salaries* | 64,354 | 74,979 |
| Pension scheme contributions (defined contribution scheme)** | 2,579 | 1,662 |
| | <u>66,933</u> | <u>76,641</u> |
| Rental income under operating leases for investment properties, less outgoing of HK\$3,452,000 (2021: HK\$5,910,000) | (93,342) | (81,466) |
| Impairment on interests in joint ventures*** | — | 304,634 |
| Impairment loss on other intangible assets**** | 2,814 | 2,807 |
| Write-off of loan and other receivables and an amount due from an associate | 7,835 | 37,394 |
| Impairment of financial assets, net | 251,580 | 950 |
| Change in fair value of investment properties | 208,156 | (31,814) |
| Change in fair value of derivative financial instruments | <u>22,280</u> | <u>15,203</u> |

* During the year ended 31 December 2022, wage subsidy of HK\$240,000 was granted to the Group from the Employment Support Scheme under the Anti-Epidemic Fund in Hong Kong (2021: Nil). The amount was recognised in administrative expenses and set-off against the amount of wages and salaries. There are no unfulfilled conditions or contingencies relating to this grant.

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

*** The impairment on interests in joint ventures was included in "Share of losses of joint ventures" in the consolidated statement of profit or loss.

**** The impairment loss on other intangible assets is included in "Other income, gains and losses" in the consolidated statement of profit or loss.

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:

| | 2022 <i>HK\$'000</i> | 2021 |
|--|-------------------------|------------------|
| Loss attributable to ordinary equity holders of the Company used in the basic loss per share calculation | <u>734,563</u> | <u>1,452,609</u> |
| | Number of shares | |
| | 2022 | 2021 |
| | <i>in thousand</i> | |
| 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 2022 and 2021 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 2022 (2021: 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:

| | 2022 <i>HK\$'000</i> | 2021 |
|----------------|-------------------------|--------------|
| Within 1 month | <u>3,934</u> | <u>4,377</u> |

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is the extract of the Independent Auditor’s Report from the auditor of the Company, Ernst & Young:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to Note 2.1 to the consolidated financial statements which indicates notwithstanding that the Group had net current assets of approximately HK\$2,426 million as at 31 December 2022, there are identified events or conditions that indicate the existence of a material uncertainty related to going concern, when considering that the Group’s current portion of interest-bearing bank and other borrowings and convertible bonds amounted to approximately HK\$1,431 million in aggregate while its cash and bank balances amounted to approximately HK\$98 million. This, along with other matters as set forth in Note 2.1 to the consolidated financial statements, may cast significant doubt about the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

BUSINESS REVIEW

The Group has recorded a loss attributable to owners of the Company of approximately HK\$734,563,000 for Year 2022, as compared with that of approximately HK\$1,452,609,000 for the year ended 31 December 2021 (“**Year 2021**”). Basic loss per share of the Company was 31.87 HK cents for Year 2022 (Year 2021: 63.02 HK cents).

Year 2022 was an exceptional year. The outbreak of the Russia-Ukraine conflict at the beginning of the year did not only change the geopolitical situation for the whole world, but also significantly impacted the global energy supply and demand patterns. As Omicron (a COVID-19 variant with a lower fatality rate but faster contagious speed) spread into China, major Chinese cities experienced outbreaks and lockdowns, causing the domestic economy to suffer a major setback and the country failing to reach the 5.5% GDP growth target set at the beginning of the year. To curb inflation, the Federal Reserve Board of the United States (“**Fed**”) had raised interest rates seven times in 2022, with such increases accumulating to 425 basis points in aggregate and the Federal funds target interest rate eventually reaching a range of 4.25% to 4.50%. Such cycle of interest rate hikes initiated by the Fed had exacerbated the turmoil in the global financial market.

中海油氣(泰州)石化有限公司 (Zhong Hai You Qi (Taizhou) Petrochemical Company Limited*) (“**Zhong Hai You Qi**”) is a joint venture of the Company, which is principally engaged in the crude oil processing business as well as the production and sale of petrochemical products. In addition to the technological modification exercises which have been carried out to upgrade its factories since 2019, Zhong Hai You Qi has also undertaken product development projects to improve its capabilities for the production of high-end petrochemical products. With the close co-operation and support from its operation and management taLan4.2243 Tm[co-om0yemployees (a

The Group has invested RMB505,000,000 (equivalent to approximately HK\$565,510,000) 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 2022, the carrying value of the NT Trust Scheme as measured at fair value through profit or loss, amounted to approximately HK\$387,458,000 (31 December 2021: HK\$460,235,000) and accounted for approximately 3.9% (31 December 2021: 4.0%) of the total assets of the Group. Out of the loss of approximately HK\$166,108,000 (Year 2021: HK\$102,689,000) recorded by the Group in the change in fair value of financial assets at fair value through profit or loss for Year 2022, a loss of approximately HK\$35,309,000 (Year 2021: HK\$110,618,000) was attributable to the fair value change of the NT Trust Scheme as at 31 December 2022. The Group did not receive any distribution from the NT Trust Scheme during Year 2022 (Year 2021: 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 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 the performance of the major economies. The Group will continue to adopt prudent investment principles, closely monitor the performance of its investment portfolio, and readjust its investment strategies as and when appropriate. In response to the potential market volatility and economic downturns, the Group has accelerated the realisation of its mature investments while reducing the proportion of its medium and long-term investments to improve its liquidity position.

Property Leasing

The rental income from the Group’s property leasing business amounted to approximately HK\$96,884,000 for Year 2022, representing an increase of approximately 10.9% from that of approximately HK\$87,376,000 for Year 2021. Such revenue was mainly derived from the leasing of East Gate Plaza, an investment property of the Group located in Beijing, China, which is comprised of a residential section and a commercial section. The increase in the Group’s rental income for Year 2022 was mainly caused by the increase in the average occupancy rate of East Gate Plaza from approximately 80% for Year 2021 to approximately 82% for Year 2022, as a result of the following factors: (1) the property operation team of the Group had actively recruited new tenants for the vacant areas in East Gate Plaza and retained its existing tenants while making adjustments to its marketing strategies and adopting a number of flexible leasing policies during the year under review; and (2) the Group had made continuous improvements to the quality of its rental service and the standard of its property management during the year under review so as to stabilise its rental rates.

FINANCIAL REVIEW

The loss attributable to the owners of the Company decreased by approximately 49.4% from approximately HK\$1,452,609,000 for Year 2021 to approximately HK\$734,563,000 for Year 2022 and the basic loss per share attributable to ordinary equity holders of the Company decreased from 63.02 HK cents for Year 2021 to 31.87 HK cents for Year 2022, mainly due to the following:

- (i) the substantial improvement in the Group's share of the result of the Company's joint venture, Zhong Hai You Qi, from its share of a loss of approximately HK\$1,417,546,000 for Year 2021 to its share of a profit of approximately HK\$6,600,000 for Year 2022, mainly attributable to (a) the additional sales tax and related tax surcharge and late fee for prior years incurred by Zhong Hai You Qi during Year 2021, which were absent during Year 2022; and (b) the improvement in the operating result of Zhong Hai You Qi from Year 2021 to Year 2022;
- (ii) (a) the increase in the loss from the fair value of the financial assets at fair value through profit or loss of the Group for Year 2022 from approximately HK\$102,689,000 for Year 2021 to approximately HK\$166,108,000 for Year 2022, mainly due 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 2022; (b) the increase in the impairment of financial assets, net, from approximately HK\$950,000 recorded by the Group for Year 2021 to approximately HK\$251,580,000 for Year 2022, mainly attributable to the increase in the expected credit loss of loan receivables recorded by the Group as at 31 December 2022; and (c) the turn from the fair value gain on investment properties of approximately HK\$31,814,000 for Year 2021 to a fair value loss on investment properties of approximately HK\$208,156,000 for Year 2022, mainly caused by the decrease in the fair value of the investment properties held by the Group as at 31 December 2022, all as a result of the hiking interest rates during Year 2022 and the market expectations of a global economic slowdown in 2023;
- (iii) the decrease in the administrative expenses incurred by the Group from approximately HK\$267,285,000 for Year 2021 to approximately HK\$181,456,000 for Year 2022, mainly due to (a) the reduction in the staff costs incurred by the Group in Year 2022, as a result of the reorganisation undertaken by the Group's office in the PRC during Year 2022; and (b) the decrease in the provision of financial guarantee and bad debts recorded by the Group in Year 2022; and
- (iv) the increase in the finance costs incurred by the Group from approximately HK\$410,008,000 for Year 2021 to approximately HK\$530,034,000 for Year 2022, mainly attributable to the combined effect of: (a) certain other borrowings which remained outstanding as at 31 December 2022 were drawn down by the Group in the second half of Year 2021; and (b) the maturity of the Company's senior note in the aggregate principal amount of US\$19,800,000 in December 2021.

Revenue

Rental income of the Group for Year 2022 amounted to approximately HK\$96,884,000 (Year 2021: HK\$87,376,000), representing an increase of approximately 10.9%, mainly due to the increase in the average occupancy rate of the rental property of the Group during Year 2022, as compared with that during Year 2021.

Other income, gains and losses

The increase in other income, gains and losses from approximately HK\$348,441,000 for Year 2021 to approximately HK\$467,687,000 for Year 2022 was mainly due to the combined effect of: (i) the increase in interest income generated through advances by the Group from approximately HK\$230,296,000 for Year 2021 to approximately HK\$410,508,000 for Year 2022; and (ii) the gain on disposal of financial assets at fair value through profit or loss and equity investments amounting to approximately HK\$52,806,000 in Year 2021, which was absent in Year 2022.

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

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\$102,689,000 for Year 2021 to approximately HK\$166,108,000 for Year 2022, which was 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 2022, and in particular that of the NT Trust Scheme which had declined by approximately 15.8% during Year 2022.

Finance costs

The increase in the finance costs incurred by the Group from approximately HK\$410,008,000 for Year 2021 to approximately HK\$530,034,000 for Year 2022, was mainly due to the combined

Accrued charges, rental deposits and other payables

The increase in the Group's accrued charges, rental deposits and other payables from approximately HK\$405,116,000 as at 31 December 2021 to approximately HK\$1,204,446,000 as at 31 December 2022 was mainly attributable to (i) the increase in the receipts in advance due to the disposal of non-performing assets by the Group during Year 2022; (ii) the increase in the amounts due to other creditors; and (iii) the increase in various payables including interest payables, VAT and other taxes and legal and professional fees payable.

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

| | 2022 <i>HK\$'000</i> | 2021 |
|-------------------------|--------------------------------|-----------------------|
| Pledged bank deposits | — | 24,450 |
| Restricted bank balance | 674,814 | — |
| Cash and bank balances | 97,517 | 116,755 |
| Total | <u>772,331</u> | <u>141,205</u> |

The decrease in the cash and bank balances of the Group (excluding pledged bank deposits and restricted bank balance) to approximately HK\$97,517,000 as at 31 December 2022 from that of approximately HK\$116,755,000 as at 31 December 2021 was mainly due to the capital injection and the advances made by the Group to a newly formed joint venture of the Company, Beijing Lingjun, in Year 2022. The cash and bank balances (including pledged bank deposits and restricted bank balance) of the Group as at 31 December 2022 were mainly denominated in RMB.

As at 31 December 2022, the Group's cash and bank balances (including pledged bank deposits and restricted bank balance) were denominated in the following currencies:

| | 2022 | 2021 |
|------|----------------------|----------------------|
| HK\$ | 0.5% | 35.8% |
| RMB | 99.5% | 57.2% |
| US\$ | 0.0% | 7.0% |
| | <u>100.0%</u> | <u>100.0%</u> |

The Group conducted its business almost exclusively in RMB except that certain transactions were conducted in HK\$ and United States dollars ("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 2022, the Group's total borrowings amounted to approximately HK\$3,972,452,000 in aggregate. The composition of these borrowings is summarised below:

| | 2022 | 2021 |
|--|-------------------------|-------------------------|
| | <i>HK\$'000</i> | |
| Short term borrowings | 1,388,974 | 541,037 |
| Long term borrowings | 2,541,766 | 3,193,628 |
| Convertible bonds | 41,712 | 1,301,494 |
| | <hr/> | <hr/> |
| Total borrowings | 3,972,452 | 5,036,159 |
| Cash and bank balances (including pledged bank deposits) | 97,517 | 141,205 |
| | <hr/> | <hr/> |
| Net borrowings | <u>3,874,935</u> | <u>4,894,954</u> |

Interests for all borrowings of the Group for Year 2022 were charged at fixed and floating rates ranging from 3.7% per annum to 12% per annum (Year 2021: 5.35% per annum to 12% per annum).

As at 31 December 2022, the long and short term borrowings of the Group which remained outstanding were denominated as follows:

| | 2022 | 2021 |
|------|-------------------------|-------------------------|
| | <i>HK\$'000</i> | |
| HK\$ | 180,000 | 176,700 |
| RMB | 3,750,740 | 3,552,320 |
| US\$ | — | 5,645 |
| | <hr/> | <hr/> |
| | <u>3,930,740</u> | <u>3,734,665</u> |

As at 31 December 2022, the long and short term borrowings of the Group which remained outstanding carried at fixed and floating interest rates as follows:

| | 2022 | 2021 |
|-------------------------|-------------------------|-------------------------|
| | <i>HK\$'000</i> | |
| Fixed interest rates | 1,689,583 | 1,822,354 |
| Floating interest rates | 2,241,157 | 1,912,311 |
| | <hr/> | <hr/> |
| | <u>3,930,740</u> | <u>3,734,665</u> |

As at 31 December 2022, the maturity profile of the long and short term borrowings of the Group was as follows:

| | 2022 HK\$'000 | 2021 |
|--|--------------------------------|------------------|
| Bank loans repayable: | | |
| Within one year or on demand | 50,392 | 14,670 |
| In the second year | 152,856 | 18,337 |
| In the third to fifth years, inclusive | 35,386 | 144,866 |
| | <u>238,634</u> | <u>177,873</u> |
| Other loans repayable: | | |
| Within one year | 1,338,582 | 526,367 |
| In the second year | 333,147 | 66,770 |
| In the third to fifth years, inclusive | 2,020,377 | 2,963,655 |
| | <u>3,692,106</u> | <u>3,556,792</u> |
| | <u>3,930,740</u> | <u>3,734,665</u> |

As at 31 December 2022, the Company had settled part of the convertible bonds in the aggregate principal amount of approximately HK\$1,108,288,000, out of the convertible bonds due in December 2022, which were of the aggregate principal amount of HK\$1,150,000,000 with interest payable at 12% per annum (31 December 2021: 7% per annum) and the remaining principal amount of the convertible bonds has been fully settled by the Company as at the date of this announcement.

As at 31 December 2022, the gearing ratio (calculated as interest-bearing bank and other borrowings, 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 2021: 96%) and 1.9x (31 December 2021: 1.8x) 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 assets portfolio) which will bring a reasonable return to the Group.

PLEDGE OF ASSETS

As at 31 December 2022, the Group pledged certain investment properties and leasehold land and buildings with aggregate carrying values of approximately HK\$2,251,652,000 (31 December 2021: HK\$2,650,502,000) and HK\$176,300,000 (31 December 2021: HK\$198,500,000) respectively to secure general banking facilities granted to the Group and other payable due to an independent third party. At 31 December 2022, no bank deposits (31 December 2021: HK\$24,450,000) were pledged by the Group to banks to secure banking facilities granted to a joint venture of the Company. As at 31 December 2022, the Group pledged certain receivables (mainly the loans granted by the Group to its joint venture and independent third parties) of approximately HK\$3,285,685,000 (31 December 2021: Nil) and the equity interests in the subsidiaries and associates of the Company holding receivables of the Group (31 December 2021: Nil) to secure the convertible bonds issued by the Company.

CAPITAL COMMITMENTS

The Group's capital expenditures in 2023 are expected to be settled by cash through internal resources of the Group. As at 31 December 2022, the Group had capital expenditures contracted for but not provided for in respect of the purchase of unlisted equity securities of approximately HK\$167,973,000 (31 December 2021: HK\$183,374,000). Other than as disclosed, the management of the Group does not expect there to be any plans for material investments or capital assets in 2023 with reference to the current situation as at the date of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group provided corporate guarantees of approximately HK\$3,576,622,000 (31 December 2021: HK\$3,841,990,000) in respect of loans granted to a joint venture of the Company.

CAPITAL STRUCTURE

As at 31 December 2022, the shareholders' funds of the Group decreased by approximately HK\$1,208,947,000 to approximately HK\$4,022,397,000 (31 December 2021: HK\$5,231,344,000), representing a decline of approximately 23.1%. The decrease was mainly due to (i) the loss attributable to the owners of the Company in Year 2022; and (ii) the increase in the exchange loss

HUMAN RESOURCES

The Group had in aggregate 66 employees in Hong Kong and the PRC as at 31 December 2022 (31 December 2021: 84). The Group's overall staff costs amounted to approximately HK\$66,933,000 for Year 2022 (Year 2021: HK\$76,641,000). 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 2022, 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 2022 (Year 2021: 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 2022 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.

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 the applicable code provisions set out in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Listing Rules then in force throughout Year 2022, except for the deviations specified below:

A16.45(5)

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be the same individual. During the year under review, the Company did not have a separate chairman and chief executive officer. Mr. Chu Hing Tsung (“**Mr. Chu**”) assumed the roles of the chairman of the Board (“**Chairman**”) and the chief executive officer of the Company (“**Chief Executive Officer**”) during the period from 1 January 2022 to 12 May 2022 and those of the Chairman and a co-chief executive officer of the Company (“**Co-Chief Executive Officer**”) during the period from 13 May 2022 up to the date of this announcement. The Board believes that vesting both the roles of the Chairman and the Chief Executive Officer/Co-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 F.2.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting of the company. Mr. Chu, the Chairman, was out of town and was therefore unable to attend the annual general meeting of the Company held on 22 June 2022. The Chairman will endeavour to attend all future annual general meetings of the Company unless unexpected or special circumstances prevent him from doing so.

COMPLIANCE WITH THE MODEL CODE

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Listing Rules then in force as its own code of conduct regarding Directors’ securities transactions in Year 2022. 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 2022.

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

A16.45(2)

During Year 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (“**Audit Committee**”) has reviewed and accepted the Group’s annual results for the year ended 31 December 2022.

A16.45(6)

The Audit Committee together with the Board have reviewed the risk management and the internal control system of the Group and were satisfied that it is adequate and effective and is appropriate for the Group for the time being.

CHANGES IN BOARD MEMBERS

Mr. Chen Yongcun, a Co-Chief Executive Officer, has been appointed as an executive Director with effect from 16 September 2022.

SCOPE OF WORK OF THE INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2022. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently, no opinion or assurance conclusion has been expressed by Ernst & Young on this announcement.

APPRECIATION

On behalf of the Board, I would like to express my appreciation and gratitude to those resigned directors for their contribution and service to the Group during their tenure and give my warmest welcome to those newly appointed directors for joining our Group. Moreover, I would like to express my appreciation and gratitude to our shareholders for their support and all the Group's employees for their hard work and dedication in carrying out their duties and in achieving the Group's business goal.

On behalf of the Board
Silver Grant International Holdings Group Limited
Chu Hing Tsung

Hong Kong, 30 March 2023