



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 Limited (“**Company**” or “**Silver Grant**”, together with its subsidiaries, the “**Group**”) is pleased to announce the consolidated results of the Group for the year ended 31 December 2022 (“**Year 2022**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2022	2021
Rental income	96,884	87,376
Direct operating expenses	(3,542)	(5,910)
	<u>93,342</u>	<u>81,466</u>
Dividend income from listed securities	136	102
Other income, gains and losses	467,687	348,441
	<u>(166,108)</u>	<u>(102,689)</u>
Change in fair value of derivative	(22,280)	(15,203)
	<u>(251,580)</u>	<u>(950)</u>
Administrative expenses	(181,456)	(267,285)
Change in fair value of investment properties	(208,156)	31,814
Finance costs	(530,034)	(410,008)
— associates	2,050	(45,380)
— joint ventures	1,130	(1,417,546)
	<u>(795,269)</u>	<u>(1,797,238)</u>
Loss before taxation	(795,269)	(1,797,238)
Taxation	52,611	(15,256)
	<u>(742,658)</u>	<u>(1,812,494)</u>
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)
	<u>(31.87)</u>	<u>(63.02)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2022	2021
LOSS FOR THE YEAR	(742,658)	(1,812,494)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		
	<u>(466,819)</u>	<u>134,363</u>
	<u>(466,819)</u>	<u>134,363</u>
	(17,596)	12,632
	<u>3,353</u>	<u>(261)</u>
	<u>(14,243)</u>	<u>12,371</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2022	2021
NON-CURRENT ASSETS		
Investment properties	2,309,146	2,730,045
	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
	1,640	167,689
Total non-current assets	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
	809,429	952,679
	—	22,280
Pledged bank deposits	—	24,450
Restricted bank balance	674,814	—
Cash and bank balances	97,517	116,755
Total current assets	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
Total current liabilities	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	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
	<u>2,779,757</u>	<u>3,494,574</u>
Total non-current liabilities		
	<u>2,779,757</u>	<u>3,494,574</u>
Net assets	4,494,513	5,718,233
	<u>4,494,513</u>	<u>5,718,233</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	3,626,781	3,626,781
Reserves	395,616	1,604,563
	<u>4,022,397</u>	<u>5,231,344</u>
Non-controlling interests	472,116	486,889
	<u>4,494,513</u>	<u>5,718,233</u>

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

an extension of the repayment date of the aforesaid borrowing. Up to the date of approval of these 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 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
- (iii) The Group will continue its negotiations with the lenders of certain bank and other 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

Notwithstanding the above, there are inherent uncertainties as to whether the Group is able to achieve

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

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

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

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 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,

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

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

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

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

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:

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

Group.

2. REVENUE

An analysis of revenue is as follows:

	2022	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	Property leasing	Total
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)
— associates			2,050
— joint ventures			1,130
Loss before taxation			(795,269)
Taxation			<u>52,611</u>
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>
	<u><u>102</u></u>	<u><u>87,376</u></u>	<u><u>87,478</u></u>
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

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

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

	2022	2021
Hong Kong	256,508	287,176
PRC	<u>4,150,288</u>	<u>4,673,019</u>
	<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
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)
	(59)	(408)
Impairment loss on other intangible assets	(2,814)	(2,807)
Government grants*	7	188
	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

	2022	2021
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	2021
Current:		
PRC Corporate Income Tax (“CIT”) — charge for the year	344	3,809
Deferred	<u>(52,955)</u>	<u>11,447</u>
	<u>(52,611)</u>	<u>15,256</u>

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

	2022	2021
Auditor's remuneration	7,200	7,400
	166,108	102,689
	13,527	12,244
Depreciation of right-of-use assets	3,824	3,980
Wages and salaries*	64,354	74,979
	2,579	1,662
	66,933	76,641
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
and an amount due from an associate	7,835	37,394
	251,580	950
Change in fair value of investment properties	208,156	(31,814)
	22,280	15,203

* 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 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

**** The impairment loss on other intangible assets is included in “Other income, gains and losses”

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

is based on the following data:

	2022	2021
Company used in the basic loss per share calculation	<u>734,563</u>	<u>1,452,609</u>
	Number of shares	
	2022	2021
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-

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	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

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**”) 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 is 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.

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).

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

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

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 teams and employees, Zhong Hai You Qi has accomplished further cost reduction, efficiency enhancement and performance improvement as reflected in various production and operation indicators during Year 2022. Despite the unfavourable business conditions prevailing during the period under review, such as the impacts of COVID-19 and the significant fluctuations in international prices of crude oil, a major raw material used in its manufacturing process, Zhong Hai You Qi has achieved the best performance since the commencement of its technological transformation exercises in 2019. The steady increase in the sales of its high-end lubricating oil products will enable Zhong Hai You Qi to establish a foothold in the upscale petrochemical product market and improve its overall

Driven by the strategic goals to achieve “emission peak and carbon neutrality”, China has embarked on a long journey of restructuring its new energy industry, which has also brought unprecedented development opportunities along with investments in technology and capital injection to the green industry in the country. During Year 2022, the Group and an independent third party formed a joint venture company, 北京靈駿新能源科技有限責任公司 (Beijing Lingjun New Energy Technology Company Limited*) (“**Beijing Lingjun**”), engaged in the research and development (“**R&D**”), transfer and promotion of photovoltaic battery technology in

the expansion of its R&D and manufacturing capabilities and capacity.

Investments

The Group has been well-established in the investment industry for decades and has developed its own investment system. During the year under review, the Group had readjusted its business strategies and made the decision to scale down part of the business operations under its investment business segment (including the non-performing asset investments and asset management

energy industry and its sub-sectors. Given the prevailing government policies and the development trends in relation to the green industry, the Board believes that making investments in the relevant sub-sectors of the new energy industry would be an essential move for the Group to achieve its strategic transformation.

The Group has made investments in certain enterprises in the PRC which are classified by the

Scheme (as defined below) was the most significant financial asset investment of the Group, the carrying value of which represented approximately 3.9% of the total assets of the Group. Further details of the NT Trust Scheme are set out below:

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

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

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

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

financial and operating performance of the investee companies and market sentiment, which are

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

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

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

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

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

2022; and

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

(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

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

and in particular that of the NT Trust Scheme which had declined by approximately 15.8% during Year 2022.

Finance costs

Year 2021 to approximately HK\$530,034,000 for Year 2022, was mainly due to the combined effect of (i) cee u5 (of)0.5 () 0 n0.5 (of).5 (t)0.6 (e)h.5 (e)0.6 (c)r0.5 (ofb).5 (t)rr.5 (of).5 (t)wie u5 ng.5 (t)

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 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

Cash Position

	2022	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

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
Short term borrowings	1,388,974	541,037
Long term borrowings	2,541,766	3,193,628
Convertible bonds	41,712	1,301,494
Total borrowings	3,972,452	5,036,159
Cash and bank balances (including pledged bank deposits)	97,517	141,205
Net borrowings	3,874,935	4,894,954

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
HK\$	180,000	176,700
RMB	3,750,740	3,552,320
US\$	—	5,645
	3,930,740	3,734,665

As at 31 December 2022, the long and short term borrowings of the Group which remained

	2022	2021
Fixed interest rates	1,689,583	1,822,354
Floating interest rates	2,241,157	1,912,311
	3,930,740	3,734,665

was as follows:

	2022	2021
Bank loans repayable:		
Within one year or on demand	50,392	14,670
In the second year	152,856	18,337
	<u>35,386</u>	<u>144,866</u>
	<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
	<u>2,020,377</u>	<u>2,963,655</u>
	<u>3,692,106</u>	<u>3,556,792</u>
	<u><u>3,930,740</u></u>	<u><u>3,734,665</u></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 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

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

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

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 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 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

FINAL DIVIDEND

The Company aims to maximise the interests of its shareholders and at the same time maintaining 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

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

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

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

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

Mr.

Chu) assumed the roles of the chairman of the Board (“**Chairman**”) and the chief executive (**Chief Executive Officer**) during the period from 1 January 2022 to 12

Co-Chief

Executive Officer) during the period from 13 May 2022 up to the date of this announcement. The

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

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

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 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

SCOPE OF WORK OF THE INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated 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 & 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