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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 171)

PROFIT WARNING

This announcement is made by Silver Grant International Holdings Group Limited (“**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

The board (“**Board**”) of directors (“**Directors**”) of the Company wishes to inform the shareholders of the Company and potential investors that, based on information currently available, the Group expects that its results for the year ended 31 December 2020 (“**Year 2020**”) would turn from a profit attributable to the owners of the Company of approximately HK\$55,813,000 as recorded for the year ended 31 December 2019 (“**Year 2019**”) to a loss attributable to the owners of the Company of no less than HK\$300,000,000.

The expected decline in the results of the Group mentioned above was mainly attributable to the combined effect of the following:

- (i) the decrease in the rental income earned by the Group during Year 2020 from that of approximately HK\$107,568,000 recorded for Year 2019, due to the decline in the occupancy rate of the rental properties of the Group as a result of the outbreak of the Coronavirus Disease 2019 (“**COVID-19**”) pandemic at the beginning of 2020;
- (ii) the increase in the direct operating expenses incurred by the Group for Year 2020 from approximately HK\$6,419,000 for Year 2019, mainly attributable to the increase in the promotion expenses incurred by the Group to retain its tenants during Year 2020;

- (iii) the increase in other income, gains and losses for Year 2020, as compared with that of approximately HK\$181,733,000 for Year 2019, mainly due to the increase in the interest income generated through advances provided by the Group during Year 2020;
- (iv) the turn from a fair value gain on investment properties of approximately HK\$18,103,000 recorded by the Group for Year 2019 to a fair value loss on investment properties for Year 2020, as a result of the decline in the fair value of the investment properties held by the Group as at 31 December 2020;
- (v) the decrease in the loss in the fair value of the financial assets at fair value through profit or loss for Year 2020 from approximately HK\$201,650,000 for Year 2019, mainly attributable to (1) the amount of provision for impairment loss made by the Group on its financial assets as at 31 December 2020 being substantially less than that made on its financial assets as at 31 December 2019; and (2) the increase in the fair value of certain non-performing assets held by the Group as at 31 December 2020, as compared with their fair value as at 31 December 2019;
- (vi) the increase in the finance costs incurred by the Group for Year 2020 from those of approximately HK\$133,746,000 for Year 2019, as a result of (1) the issuance by the Company of (a) the 7% senior unsecured and guaranteed convertible bonds in the aggregate principal amount of HK\$1,150,000,000 in July 2019; and (b) the 7.5% senior secured guaranteed note in the aggregate principal amount of US\$19,800,000 in December 2020; and (2) additional other loans raised by the Group in the second half of 2020 at rates ranging from 9% per annum to 12% per annum;
- (vii) the profit from discontinued operation of approximately HK\$330,352,000 recorded by the Group in Year 2019 (which was absent in Year 2020), in relation to the disposal of the Group's trading of petrochemical products and provision of subcontracting service business segment following the completion ("**Completion**") of the merger ("**Merger**") on 15 July 2019, pursuant to which 泰州東聯化工有限公司 (Tai Zhou United East Petrochemical Company Limited*), a former 68.07% indirectly owned subsidiary of the Company ("**TZ United East**") and 中海油氣(泰州)石化有限公司 (Zhong Hai You Qi (Tai Zhou) Petrochemical Company Limited*), a former 33% associate of the Company with approximately 22.46% of its equity interest being effectively held by the Company ("**Zhong Hai You Qi**"), were absorbed and merged with 中海瀝青(泰州)有限責任公司 (China Offshore Bitumen (Taizhou) Co., Ltd.*) ("**COBT**"). Upon Completion, TZ United East and COBT were dissolved and deregistered, and Zhong Hai You Qi became the surviving entity and a joint venture ("**ZHYQ JV**") of the Company, in which the Company owned approximately 51% of its equity interest through one of its indirect non-wholly owned subsidiaries (i.e. the Company effectively held approximately 34.72% of the equity interest of ZHYQ JV upon Completion); and

* For identification purpose only

(viii) the decline in the performance of Zhong Hai You Qi from a profit in Year 2019 (during which it was accounted for by the Group as an associate of the Company), to a loss in Year 2020 (during which ZHYQ JV, the surviving entity resulted from the Merger, was accounted for by the Group as a joint venture of the Company), mainly attributable to (1) the overhaul and upgrade carried out at the factory of ZHYQ JV in March 2020, which resulted in the suspension of the operation of ZHYQ JV for the entire month of March in 2020; (2) the outbreak of the COVID-19 pandemic which led to a slowdown in the economy and thus, a reduction in the demand for ZHYQ JV's petrochemical products; and (3) the provision for impairment loss on inventory made by ZHYQ JV due to the decline in the prices of crude oil in Year 2020.

The Company is still in the process of preparing its unaudited consolidated results for Year 2020. The information contained in this announcement is only based on the Board's preliminary assessment of the unaudited consolidated management accounts of the Group for Year 2020 and information currently available to the Company, which have not been audited by the auditors of the Company and may therefore be subject to change. The Group's preliminary results for Year 2020 are expected to be announced before the end of March 2021.

Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

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

Hong Kong, 18 March 2021

As at the date of this announcement, the Board comprises Mr. Huang Jiajue (Chief Executive Officer), Mr. Luo Zhihai and Mr. Tang Lunfei as executive Directors; Mr. Chu Hing Tsung (Chairman) and Mr. Chen Zhiwei as non-executive Directors; and Mr. Liang Qing, Mr. Zhang Lu and Mr. Hung Muk Ming as independent non-executive Directors.