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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 (“**Year 2020**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

		2020	(Restated) 2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations			
Rental income	2	89,128	107,568
Direct operating expenses		(9,016)	(6,419)
		80,112	101,149
Dividend income from listed and unlisted securities	2	116	85
Other income, gains and losses	4	285,084	181,733
Change in fair value of financial assets at fair value through profit or loss		(667)	(201,650)
Change in fair value of derivative financial instruments		39,630	4,562
Reversal of impairment/(impairment) of financial assets, net		6,352	(20,984)
Administrative expenses		(224,170)	(219,664)
Change in fair value of investment properties		(13,555)	18,103
Finance costs	5	(216,675)	(133,746)
Share of profit/(loss) of:			
— an associate		3,325	(7,091)
— a joint venture		(404,061)	108,822
Loss before taxation from continuing operations	7	(444,509)	(168,681)
Taxation	6	3,401	(10,570)
Loss for the year from continuing operations		(441,108)	(179,251)
Discontinued operation			
Profit for the year from a discontinued operation	2	—	251,996
(Loss)/profit for the year		(441,108)	72,745
(Loss)/profit attributable to owners of the Company:			
— from continuing operations		(317,641)	(169,601)
— from a discontinued operation		—	172,077
		(317,641)	2,476

		(Restated)
	2020	2019
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit attributable to non-controlling interests:		
— from continuing operations	(123,467)	(9,650)
— from discontinued operation	—	79,919
	<u>(123,467)</u>	<u>70,269</u>
	<u><u>(441,108)</u></u>	<u><u>72,745</u></u>
(LOSS)/EARNINGS PER SHARE		
ATTRIBUTABLE TO ORDINARY EQUITY		
HOLDERS OF THE COMPANY		
(in HK cents)	8	
For (loss)/profit for the year		
— Basic	(13.78)	0.11
— Diluted	<u>(13.78)</u>	<u>0.11</u>
For loss from continuing operations		
— Basic	(13.78)	(7.36)
— Diluted	<u>(13.78)</u>	<u>(7.36)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 HK\$'000	(Restated) 2019 HK\$'000
(Loss)/profit for the year	(441,108)	72,745
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	326,891	(143,005)
Reclassification adjustments for a foreign operation disposed of during the year	—	(1,910)
Total other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>326,891</u>	<u>(144,915)</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Loss arising on property revaluation	(35,779)	(9,433)
Income tax effect	<u>9,644</u>	<u>2,742</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(26,135)</u>	<u>(6,691)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>300,756</u>	<u>(151,606)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(140,352)</u>	<u>(78,861)</u>
Total comprehensive (loss)/income attributable to:		
— Owners of the Company	(62,451)	(126,555)
— Non-controlling interests	<u>(77,901)</u>	<u>47,694</u>
	<u>(140,352)</u>	<u>(78,861)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

		2020	(Restated) 2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Investment properties		2,624,229	2,486,340
Property, plant and equipment		250,921	313,832
Right-of-use assets		54,216	—
Interests in an associate		85,569	77,050
Interests in a joint venture		3,033,385	3,128,851
Amount due from a joint venture		969,951	1,164,952
Financial assets at fair value through profit or loss		2,780	2,780
Loan receivables		231,932	160,896
		<u>7,252,983</u>	<u>7,334,701</u>
Total non-current assets			
CURRENT ASSETS			
Trade receivables	10	7,317	8,735
Deposits, prepayments and other receivables		420,467	192,987
Amount due from a joint venture		59,528	30,134
Amount due from an associate		584,989	488,563
Loan receivables		1,207,369	1,198,099
Financial assets at fair value through profit or loss		875,206	807,507
Derivative financial instruments		37,483	—
Pledged bank deposits		23,753	22,321
Cash and bank balances		769,767	190,247
		<u>3,985,879</u>	<u>2,938,593</u>
Total current assets			
CURRENT LIABILITIES			
Accrued charges, rental deposits and other payables		287,160	282,820
Interest-bearing bank and other borrowings		369,309	261,941
Taxation payable		108,272	106,703
Derivative financial instruments		—	2,147
		<u>764,741</u>	<u>653,611</u>
Total current liabilities			

	2020	(Restated) 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CURRENT ASSETS	3,221,138	2,284,982
TOTAL ASSETS LESS CURRENT LIABILITIES	10,474,121	9,619,683
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	1,571,112	672,991
Lease liabilities	48,532	—
Deferred tax liabilities	238,021	251,996
Convertible bonds	1,232,463	1,170,351
Total non-current liabilities	3,090,128	2,095,338
Net assets	7,383,993	7,524,345
EQUITY		
Equity attributable to owners of the Company		
Share capital	3,626,781	3,626,781
Reserves	2,932,973	2,995,423
	6,559,754	6,622,204
Non-controlling interests	824,239	902,141
Total equity	7,383,993	7,524,345

NOTES:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The financial information relating to the years ended 31 December 2020 and 2019 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 2019 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 2020 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 2020 and 2019. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 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 asset 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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39, and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (“**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein overrides the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“**RFR**”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any significant impact on the financial position and performance of the Group.
- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2. REVENUE

An analysis of revenue from continuing operations is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<i>Revenue from other sources</i>		
Gross rental income	89,128	107,568
Dividend income from listed and unlisted securities	116	85
	<u>89,244</u>	<u>107,653</u>

Operating Segment Information

Year ended 31 December 2020

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

Year ended 31 December 2019 (Restated)

	Continuing operations			Discontinued operation	Total HK\$'000
	Investments HK\$'000	Property leasing HK\$'000	Total continuing operations HK\$'000	Petrochemical HK\$'000	
Revenue from continuing operations					
— Rental income	—	107,568	107,568	—	107,568
— Dividend income from listed and unlisted securities	85	—	85	—	85
	<u>85</u>	<u>107,568</u>	<u>107,653</u>	<u>—</u>	<u>107,653</u>
Revenue from a discontinued operation	—	—	—	288,381	288,381
	<u>85</u>	<u>107,568</u>	<u>107,653</u>	<u>288,381</u>	<u>396,034</u>
Segment (loss)/profit	<u>(54,232)</u>	<u>62,626</u>	8,394	(28,699)	(20,305)
Other unallocated income, gains and losses			3,470	909	4,379
Gain on disposal of a subsidiary from the Merger			—	248,431	248,431
Gain on bargain purchase from the Merger			—	177,436	177,436
Corporate expenses			(148,530)	—	(148,530)
Finance costs			(133,746)	(40,091)	(173,837)
Share of profit or loss of:					
— an associate			(7,091)	—	(7,091)
— a joint venture			108,822	—	108,822
(Loss)/profit before taxation			(168,681)	357,986	189,305
Taxation			(10,570)	(105,990)	(116,560)
(Loss)/profit for the year			<u>(179,251)</u>	<u>251,996</u>	<u>72,745</u>

Geographical information

Revenue from external customers

	2020		2019	
	Continuing operations <i>HK\$'000</i>	Discontinued operation <i>HK\$'000</i>	Continuing operations <i>HK\$'000</i>	Discontinued operation <i>HK\$'000</i>
Hong Kong	116	—	620	—
People's Republic of China ("PRC")	89,128	—	107,033	288,381
	<u>89,244</u>	<u>—</u>	<u>107,653</u>	<u>288,381</u>

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

Non-current assets

	2020	(Restated) 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	290,687	351,721
PRC	5,757,633	5,654,352
	<u>6,048,320</u>	<u>6,006,073</u>

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

3. ADJUSTMENTS ARISING FROM PRIOR YEAR PROVISIONAL ACCOUNTING

During the year ended 31 December 2020, the Group has finalised the fair value assessment of the net identifiable assets and liabilities of ZHYQ JV (defined in business review section). On completion of the fair value assessments, retrospective adjustments were made to the provisional calculation of the net identifiable assets and liabilities of ZHYQ JV as of 15 July 2019, being the completion date of the Merger (defined in business review section). Consequently, the Group's consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2019, and certain explanatory notes have been restated to reflect these restatements.

The effects of the adjustments arising from completion of the Merger described above on the profit or loss for the year ended 31 December 2019 by line items presented in the consolidated statement of profit or loss were as follows:

Impact on profit for the prior year:

	2019 <i>HK\$'000</i>
Adjustment arising from completion of the Merger:	
Decrease in profit for the year from discontinued operation	<u>94,670</u>
Net decrease in profit attributable to:	
Owners of the Company	53,337
Non-controlling interests	<u>25,019</u>
	<u>78,356</u>

The effects of the adjustments arising from completion of the Merger described above on the financial position as at 31 December 2019 by line items presented in the consolidated statement of financial position were as follows:

	(Originally stated)	Adjustment arising from completion of the Merger	(Restated)
	31 December 2019	31 December 2019	31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Interests in a joint venture	3,223,521	(94,670)	3,128,851
Current liabilities			
Tax payable	(123,017)	<u>16,314</u>	(106,703)
Total effects on net assets	<u>7,602,701</u>	<u>(78,356)</u>	<u>7,524,345</u>
Equity			
Retained profits	2,709,954	(53,337)	2,656,617
Non-controlling interests	927,160	<u>(25,019)</u>	902,141
Total effects on total equity	<u>7,602,701</u>	<u>(78,356)</u>	<u>7,524,345</u>
Impact on basic earnings per share:			
			2019 <i>HK cents</i>
Basic earnings per share before adjustments			2.42
Adjustment arising from completion of the Merger			<u>(2.31)</u>
Restated basic earnings per share			<u>0.11</u>
Impact on diluted earnings per share:			
Diluted earnings per share before adjustments			2.42
Adjustment arising from completion of the Merger			<u>(2.31)</u>
Restated diluted earnings per share			<u>0.11</u>

4. OTHER INCOME, GAINS AND LOSSES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income		
— amount due from an associate	22,497	22,727
— amount due from a joint venture	76,371	19,943
— bank deposits	545	2,750
— loan receivables	181,053	134,717
Net foreign exchange loss	(810)	(162)
Net loss on disposal of property, plant and equipment	(24)	(3)
Government grants*	631	875
Others	4,821	886
	<u>285,084</u>	<u>181,733</u>

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

5. FINANCE COSTS

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank loans	35,216	63,689
Interest on other loans	36,077	2,747
Interest on convertible bonds	141,955	67,310
Interest on senior note	528	—
Interest on lease liabilities	2,899	—
	<u>216,675</u>	<u>133,746</u>

6. TAXATION

	2020 <i>HK\$'000</i>	(Restated) 2019 <i>HK\$'000</i>
Current:		
PRC CIT — charge for the year	929	7,036
Deferred	<u>(4,330)</u>	<u>3,534</u>
Total tax (credit)/charge for the year for continuing operations	<u><u>(3,401)</u></u>	<u><u>10,570</u></u>
Total tax charge for the year for a discontinued operation	<u><u>—</u></u>	<u><u>105,990</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 2020 (2019: Nil).

The taxation charge of the PRC Corporate Income Tax (“CIT”) for the year has been made based on the Group’s estimated assessable profits calculated in accordance with the relevant income tax laws applicable to the Company’s subsidiaries in the PRC. Under the Law of the PRC on Corporate Income Tax (“CIT Law”) and the Implementation Regulation of the CIT Law, the tax rate of the Company’s subsidiaries in the PRC was 25% for the year ended 31 December 2020 (2019: 25%).

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

7. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditor's remuneration	5,350	4,500
Change in fair value of financial assets at fair value through profit or loss	667	201,650
Depreciation of property, plant and equipment	11,376	12,475
Depreciation of right-of-use assets	2,784	—
Employee benefit expense including directors' and chief executive officer's remuneration:		
Wages and salaries*	64,206	59,466
Pension scheme contributions (defined contribution scheme)	2,582	1,526
	<u>66,788</u>	<u>60,992</u>
Rental income under operating leases for investment properties, less outgoing of HK\$9,016,000 (2019: HK\$6,419,000)	(80,112)	(101,149)
Write-off of loan and other receivables	62,510	54,107
(Reversal of impairment)/impairment of financial assets, net	(6,352)	20,984
Change in fair value of investment properties	13,555	(18,103)
Change in fair value of derivative financial instruments	<u>(39,630)</u>	<u>(4,562)</u>

* Wage subsidy of HK\$580,000 was granted from the Employment Support Scheme under Anti-Epidemic Fund in Hong Kong during the year ended 31 December 2020 (2019: Nil). The amount was recognised in the administrative expenses and had been set-off against the amount of wages and salaries. There is no unfulfilled condition or contingency relating to this grant.

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

For (loss)/profit for the year

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

	2020	(Restated) 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit attributable to ordinary equity holders of Company used in the basic (loss)/earnings per share calculation:		
From continuing operations	(317,641)	(169,601)
From discontinued operation	<u>—</u>	<u>172,077</u>
Total	<u>(317,641)</u>	<u>2,476</u>
	Number of shares	
	2020	2019
	<i>in thousand</i>	<i>in thousand</i>
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	<u>2,304,850</u>	<u>2,304,850</u>

No adjustment for dilution has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2020 and 2019 as the Company's convertible bonds outstanding had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

From continuing operations

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss attributable to ordinary equity holders of Company used in the basic loss per share calculation	<u>317,641</u>	<u>169,601</u>

The denominators used are the same as those detailed above for both basic and diluted loss per share.

No adjustment for dilution has been made to the basic loss per share amounts for continuing operations presented for the years ended 31 December 2020 and 2019 as the Company's convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

9. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2020 (2019: Nil).

10. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	<u>7,317</u>	<u>8,735</u>

11. COMMITMENTS

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted, but not provided for:		
Non-performing assets	149,644	—
Unlisted equity securities	178,147	167,411
	<u>327,791</u>	<u>167,411</u>

BUSINESS REVIEW

At the start of 2020, there was an outbreak of the Coronavirus Disease-2019 (“**COVID-19**”) epidemic in Wuhan, Hubei Province, the PRC. Due to the increase in the mobility of population before the 2020 Lunar New Year, the epidemic quickly spread around the world and to overseas regions, hitting the society and economy in China hard with challenges. The Group has been positively responding to the prevention and control measures implemented by the Chinese government, by formulating new prevention and control guidelines for its employees in a timely manner, regularly checking its employees’ health and travel history and preventing cross-infection among employees from happening in the workplace. Given that the Group’s principal business activities spread across China, large-scale production cessation and delayed work resumption as a result of the prevention and control measures to combat the outbreak of the COVID-19 pandemic have already made a significant adverse impact on the daily operations of the Group, resulting in various businesses failed to be carried out as originally planned.

The Group has recorded a loss attributable to owners of the Company for Year 2020 of approximately HK\$317,641,000 as compared to a profit attributable to owners of the Company for the year ended 31 December 2019 (“**Year 2019**”) of approximately HK\$2,476,000 (restated). Basic loss per share was 13.78 HK cents for Year 2020 (Year 2019: basic earnings per share of 0.11 HK cents (restated)).

In 2020, affected by the global COVID-19 pandemic, the global economy came to a standstill. In the PRC, because of the proactive preventive and controlling measures taken by the government against the pandemic, the national economy has shown a stable recovery, with its annual GDP in 2020 increased by 2.3% year-on-year, making the PRC the only major economy around the globe that realised positive economic growth in 2020. Since the beginning of 2020, the international crude oil price has been fluctuating at a low level. It was not until December 2020 that oil price regained upward momentum as different countries in the world started to make considerable progress in vaccinations against COVID-19 which indirectly led to the rise in demand for crude oil. Nevertheless, the crude oil price at the end of 2020 was still 20% lower than its price at the beginning of 2020.

During 2020, impacted by the pandemic and the downturn of the global economy, the Group made timely adjustment on its operating goals and plans, trying its best in reducing the effect of external unfavorable factors on its operations. 中海油氣(泰州)石化有限公司 (Zhong Hai You Qi (Tai Zhou) Petrochemical Company Limited*) (“**Zhong Hai You Qi**”), a former 33% associate of the Company with approximately 22.46% of its equity interest being effectively held by the Company, became a joint venture (“**ZHYQ JV**”) of the Company following the completion (“**Completion**”) of a merger (“**Merger**”) on 15 July 2019, pursuant to which Zhong Hai You Qi absorbed and merged with 泰州東聯化工有限公司 (Tai Zhou United East Petrochemical Company Limited*) (“**TZ United East**”) and 中海瀝青(泰州)有限責任公司 (China Offshore Bitumen (Taizhou) Co., Ltd.*) (“**COBT**”). Due to low international crude oil prices, as well as decreased domestic demand for refined oil and aromatic hydrocarbon oil, ZHYQ JV failed to achieve profitability during Year 2020 but it has managed to lower costs and improve efficiency through a series of measures, such as consuming relatively expensive crude oil inventory in advance, and raising the utilisation rate resources. To pursue its development strategy for high-end lubricating oil in a steady manner, ZHYQ JV established a subsidiary that is engaged in the research and development, production and sales of lubricating oil products, enabling a growth of over five times in terms of annual lubricating oil sales in Year 2020 as compared to those in Year 2019.

Investments

During 2020, the Group continued to develop its various investment operations. In relation to investments in non-performing assets, following the prudence principle, the Group has acquired a non-performing loans portfolio with total principal and interest accrued thereon amounting to approximately RMB300 million. The market enthusiasm towards disposal of non-performing assets has declined since investors in general adopted a wait-and-see attitude under the influence of the pandemic. Through increased effort in judicial disposal and assets promotion, the Group recovered part of the non-performing assets during Year 2020, and will dispose of the remaining non-performing assets in the coming one to two years. The Group proactively explored various types of non-performing assets investment projects, including individual debt restructuring projects, bankruptcy reorganisation projects, etc.. In terms of equity investment projects, the Group divested two existing projects and formulated a divestment proposal for one existing project. The Group has been identifying new investment projects of considerable scale but the Group has not made any new equity investment yet.

The Group also actively made plans for its asset management and financial services business and intended to launch an asset management fund but the launch of such fund is subject to the economic environment and the development of COVID-19.

* *English name is translated for identification purpose only*

The Group has invested in certain PRC enterprises which are classified by the Group as financial assets at fair value through profit or loss. The Board considers that financial asset investments with a carrying amount that accounts for approximately 5% or more of the Group's total assets as at 31 December 2020 as significant financial asset investments of the Group. As at 31 December 2020, NT Trust Scheme (as defined below) was the only financial asset investment the carrying value of which amounted to approximately 5% of the Group's total assets. Further details of the NT Trust Scheme are set out below:

The Group has invested RMB505,000,000 (equivalent to approximately HK\$606,202,000) 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 2020, the value of the NT Trust Scheme accounted for approximately 4.95% of the total assets of the Group. The carrying value of the NT Trust Scheme as at 31 December 2020 was approximately HK\$556,027,000 (2019: HK\$541,110,000), which was measured at fair value through profit or loss. Out of the loss of approximately HK\$667,000 (2019: HK\$201,650,000) recorded in the change in fair value of financial assets at fair value through profit or loss for Year 2020, loss of approximately HK\$19,146,000 (2019: loss of HK\$19,832,000) was attributable to the fair value change of the NT Trust Scheme as at 31 December 2020. The Group did not receive any distribution from the NT Trust Scheme during Year 2020 (2019: Nil). Based on the current investment strategy of the Group, its interest in the NT Trust Scheme is held for trading purpose and classified as a current asset in its consolidated statement of financial position.

The objective of the Group in relation to its investments in financial assets is to capture returns from the appreciation in the values of its investments and to receive income therefrom. The Board believes that the performance of the financial asset investments of the Group is dependent on the financial and operating performance of the investee companies and market sentiment, which are affected by factors such as interest rate movements, national policies and performance of the global and national economies. Among its previously invested projects, the Group is currently seeking exit opportunities after assessing the financial and operational performance of these investments against the Group's expectation, which will allow the Group to recover its capital and invest in projects with higher returns in the next few years. The Group will continue to adopt a prudent investment approach and closely monitor the performance of the investments in its portfolio.

* *English name is translated for identification purpose only*

Property Leasing

The rental income from the Group's property leasing business decreased from approximately HK\$107,568,000 in Year 2019 to approximately HK\$89,128,000 in Year 2020. Revenue from the Group's property leasing business segment was mainly derived from East Gate Plaza, an investment property of the Group in Beijing, China, which is comprised of a residential section and a commercial section. Affected by the COVID-19 pandemic, the occupancy rate of East Gate Plaza declined to approximately 80% in Year 2020 (Year 2019: 90%), resulting in a decrease in revenue from this segment. The Group has made timely adjustment of its property leasing business strategy by actively recruiting new tenants for vacant areas and retaining its existing tenants, in order to boost the occupancy rate of the property.

PROSPECTS AND OUTLOOK

At the end of 2020, the launch of COVID-19 vaccines provided a stimulus to the recovery of the global economy, but the emergence of mutated strains of COVID-19 has sent the global economic outlook back to uncertainty. Economic downturn expedited the growth of non-performing assets. As of the end of 2020, the balance of non-performing loans carried by commercial banks in the PRC reached approximately RMB3.5 trillion, representing an increase of approximately RMB281.6 billion when compared to that of the beginning of 2020, with a non-performing loan ratio of 1.92%. Due to the national supportive policies, it is expected that the explosive growth of non-performing assets in the PRC will be delayed, and the next one to three years will be a better time for investment. The Group will hasten the disposal of its non-performing assets at hand, while grasping the opportunities for individual debt restructuring projects provided by the current market environment, so as to explore diversified non-performing assets investment.

ZHYQ JV, a joint venture of the Company, will proactively formulate further development plans, make filing to the government after preparing the relevant feasibility report and seek shareholders' approval in order to facilitate the speedy implementation of its development plans, including the construction of production equipment for improving and expanding the capacity of high-end lubricating oil products, as well as production equipment for high-performance polyolefin products, for carrying out transformation and upgrade.

With the spread of COVID-19 under control in China, the Group will adjust its various business development strategies based on the latest economic situation, actively deploy investment in high-quality assets and participate in the development of growth industries in order to bring long-term returns to the shareholders of the Company.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisition or disposal during Year 2020.

FINANCIAL REVIEW

The profit attributable to the owners of the Company of approximately HK\$2,476,000 (restated) for Year 2019 turned to a loss attributable to the owners of the Company of approximately HK\$317,641,000 for Year 2020, mainly due 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 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 fair value 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\$251,996,000 (restated) 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 of the Merger on 15 July 2019, pursuant to which Zhong Hai You Qi, a former 33% associate of the Company with approximately 22.46% of its equity interest being effectively held by the Company, absorbed and merged with TZ United East and 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 (i.e. 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
- (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 basic loss per share attributable to ordinary equity holders of the Company was 13.78 HK cents for Year 2020 (Year 2019: basic earnings per share of 0.11 HK cents (restated)).

a. Rental income

Rental income for Year 2020 amounted to approximately HK\$89,128,000 (Year 2019: HK\$107,568,000), representing a decrease of approximately 17.14%, which was mainly attributable to the decrease in the average occupancy rate of the rental properties of the Group from approximately 90% to approximately 80% in Year 2020.

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

The decrease in the loss in the fair value of the financial assets at fair value through profit or loss from approximately HK\$201,650,000 for Year 2019 to approximately HK\$667,000 for Year 2020 was mainly attributable to (1) the amount of fair value 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.

c. Other income, gains and losses

The increase in other income, gains and losses from approximately HK\$181,733,000 for Year 2019 to approximately HK\$285,084,000 for Year 2020 was mainly due to the increase in interest income generated through advances by the Group during Year 2020.

d. Share of profit or loss of an associate

The share of loss of an associate for Year 2019 in the amount of approximately HK\$7,091,000 comprised of the Company's share of loss of Cinda Jianrun Property Company Limited ("**Cinda Jianrun**") in the amount of approximately HK\$9,261,000 and the Company's share of profit of Zhong Hai You Qi of approximately HK\$2,170,000 (for the period from 1 January 2019 up to the completion of the Merger). For Year 2020, the share of profit of an associate was only contributed by the Company's share of profit of Cinda Jianrun and the turnaround from a loss of approximately HK\$7,091,000 for Year 2019 to a profit of approximately HK\$3,325,000 for Year 2020 was mainly due to the increase in the fair value gain of Cinda Jianrun's investments.

e. Share of profit or loss of a joint venture

The share of result of a joint venture recorded a turnaround from a profit of approximately HK\$108,822,000 for Year 2019 to a loss of approximately HK\$404,061,000 for Year 2020, 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 March 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.

f. Loan receivables

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amounts under non-current assets	231,932	160,896
Carrying amounts under current assets	1,207,369	1,198,099
Total	<u>1,439,301</u>	<u>1,358,995</u>

The increase in total loan receivables as at 31 December 2020 was mainly attributable to the advance of short term loans to business partners and certain third parties for better returns during Year 2020.

g. Deposits, prepayments and other receivables

The increase in deposits, prepayments and other receivables from approximately HK\$192,987,000 as at 31 December 2019 to approximately HK\$420,467,000 as at 31 December 2020 was mainly attributable to (1) a deposit of approximately HK\$107,273,000 paid by the Group during Year 2020 to acquire non-performing assets; (2) a deposit of approximately HK\$95,000,000 paid by the Group during Year 2020 to acquire an investment; and (3) a deposit of approximately HK\$2,400,000 paid by the Group during Year 2020 to acquire an asset management company in Hong Kong.

h. Cash and bank balances

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Pledged bank deposits	23,753	22,321
Cash and bank balances	<u>769,767</u>	<u>190,247</u>
Total	<u><u>793,520</u></u>	<u><u>212,568</u></u>

The increase in total cash and bank balances and cash as at 31 December 2020 was mainly due to additional loans drawn down and the issue of senior note by the Company during Year 2020. The cash and bank balances and cash (including pledged bank deposits) of the Group as at 31 December 2020 were mainly denominated in HK\$, RMB and United States dollars (“US\$”).

The Group conducted its business almost exclusively in RMB except that certain transactions were conducted in HK\$ and US\$. The conversion of RMB into HK\$, US\$ or other foreign currencies has been based on the rates set by the People’s Bank of China. The value of RMB against HK\$, US\$ and other foreign currencies may fluctuate and is affected by factors, such as changes in the PRC’s political and economic conditions. The Group has not adopted any financial instruments for hedging purposes. However, the Group will constantly assess the foreign exchange risk it encounters so as to decide on the hedging policy required against the possible foreign exchange risk that may arise.

TREASURY POLICY

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

WORKING CAPITAL AND BORROWINGS

As at 31 December 2020, the Group's total borrowings amounted to approximately HK\$3,172,884,000 in aggregate. The composition of these borrowings is summarised below:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short term borrowings	217,848	261,941
Long term borrowings	1,571,112	672,991
Senior note	151,461	—
Convertible bonds	1,232,463	1,170,351
	<hr/>	<hr/>
Total borrowings	3,172,884	2,105,283
Cash and bank balances (including pledged bank deposits)	793,520	212,568
	<hr/>	<hr/>
Net borrowings	<u>2,379,364</u>	<u>1,892,715</u>

Interests for all borrowings of the Group for Year 2020 were charged at fixed and floating rates ranging from 5.35% per annum to 12% per annum (Year 2019: 3% to 12%).

Out of the long term and short term borrowings of the Group which remained outstanding as at 31 December 2020, nil (31 December 2019: HK\$130,000,000), approximately HK\$1,691,363,000 (31 December 2019: HK\$804,932,000) and approximately HK\$97,597,000 (31 December 2019: nil) were denominated in HK\$, RMB and US\$ respectively, and approximately HK\$587,886,000 (31 December 2019: HK\$715,938,000) carried floating interest rates and approximately HK\$1,201,074,000 (31 December 2019: HK\$218,994,000) carried fixed interest rates. As at 31 December 2020, the Company also had outstanding senior note and convertible bonds due in December 2021 and July 2022 respectively, which were of the aggregate principal amount of US\$19,800,000 and HK\$1,150,000,000 with interest payable at 7.5% and 7% per annum respectively.

As at 31 December 2020, the Group's cash and bank balances (including pledged bank deposits) were approximately HK\$793,520,000 (31 December 2019: HK\$212,568,000) in aggregate, out of which approximately 5.6%, approximately 92.5% and approximately 1.9% were denominated in HK\$, RMB and US\$ respectively. As at 31 December 2020, the Group's net borrowings (interest-bearing bank and other borrowings, senior note and convertible bonds net of pledged bank deposits and cash and bank balances) were approximately HK\$2,379,364,000 (31 December 2019: HK\$1,892,715,000), which comprised (1) a bank borrowing in the principal amount of approximately RMB495,000,000 (31 December 2019: RMB525,000,000) repayable by instalments with the last instalment due in 2026; (2) a loan in the principal amount of approximately RMB670,000,000 (31 December 2019: nil) due in December 2023; (3) a loan in the principal amount of approximately RMB120,000,000 (31 December 2019: RMB120,000,000) due in December 2021; (4) a loan in the principal amount of approximately RMB123,000,000 (31 December 2019: Nil) due in May 2022; (5) loans in the aggregate principal amount of approximately RMB28,128,000 (31 December 2019: RMB76,219,000) repayable on demand; (6) loans in the aggregate principal amount of approximately US\$12,512,000 (31 December 2019: nil) due in June 2022; (7) convertible bonds in the aggregate principal amount of HK\$1,150,000,000 (31 December 2019: HK\$1,150,000,000) due in July 2022; and (8) senior note in the aggregate principal amount of US\$19,800,000 (31 December 2019: nil) due in December 2021, and the Group's net current assets were approximately HK\$3,221,138,000 (31 December 2019: HK\$2,284,982,000 (restated)). In addition, the Group had fully utilised its banking facilities as at 31 December 2020 (31 December 2019: unutilised banking facilities of approximately HK\$80,000,000). There is generally no material seasonality of the borrowing requirements of the Group. Based on the foregoing information, the Board is confident that the Group has adequate working capital to meet its daily operations and to finance its future expansion. Notwithstanding this, the Board will seek to dispose of the Group's short and medium term investments to replenish the Group's funds in order to further enhance the Group's working capital to a stronger level.

As at 31 December 2020, the gearing ratio (calculated as interest-bearing bank and other borrowings, senior note and convertible bonds issued by the Company over equity attributable to owners of the Company) and the current ratio (calculated as current assets over current liabilities) of the Group were 48% (31 December 2019: 32%) and 5.2x (31 December 2019: 4.5x (restated)) respectively. These ratios are key performance indicators used by the management of the Group to measure the Group's level of leverage to ensure the Group has the liquidity to meet its financial obligations at all times. Both ratios have been maintained at good levels.

PLEDGE OF ASSETS

As at 31 December 2020, the Group pledged certain investment properties and leasehold land and buildings with aggregate carrying values of approximately HK\$2,542,850,000 (31 December 2019: HK\$2,408,486,000) and HK\$198,800,000 (31 December 2019: HK\$241,800,000) respectively to secure general banking facilities and other payable granted to an independent third party.

At 31 December 2020, bank deposits of approximately HK\$23,753,000 (31 December 2019: HK\$22,321,000) were pledged to banks to secure banking facilities granted to a joint venture of the Group.

CAPITAL STRUCTURE

As at 31 December 2020, the shareholders' funds of the Group decreased by approximately HK\$62,450,000 to approximately HK\$6,559,754,000 (31 December 2019: HK\$6,622,204,000 (restated)), representing a decline of approximately 0.9%. The decrease was mainly due to (1) the increase in revaluation loss of leasehold properties in Year 2020; and (2) the loss attributable to the owners of the Company in Year 2020, which were partially offset by the increase in foreign exchange translation.

ISSUE OF SENIOR NOTE

On 8 December 2020, the Company as the issuer, Mr. Chu Hing Tsung ("**Mr. Chu**"), a non-executive Director and the chairman of the Board ("**Chairman**"), as the guarantor, CNCB (Hong Kong) Investment Limited ("**Investor**") as the investor and CNCB (Hong Kong) Capital Limited as the arranger, entered into a subscription agreement ("**Subscription Agreement**"), pursuant to which the Company has conditionally agreed to issue to the Investor, and the Investor has conditionally agreed to subscribe for, a senior secured guaranteed note ("**Senior Note**") in the aggregate principal amount of US\$19,800,000 (equivalent to approximately HK\$154,440,000) maturing on the date falling one year from the issue date of the Senior Note ("**Issue Date**"). The consummation of the issue and subscription of the Senior Note is subject to the fulfilment or waiver of all the conditions precedent set out in the Subscription Agreement and will take place within three business days after all such conditions precedent have been fulfilled or waived. Interest shall accrue on the Senior Note from (and including) the Issue Date until (and including) the date on which the Senior Note is redeemed in accordance with the terms and conditions of the Senior Note at the rate of 7.5% per annum on the outstanding principal amount of the Senior Note, payable quarterly in arrears. If an event of default occurs and is continuing, the interest rate for the period from (and including) the date of occurrence of such event of default until (and including) the date on which such event of default ceases to continue, shall be adjusted to a rate of 15% per annum. Pursuant to the Subscription Agreement, the Senior Note is required to be secured by a personal guarantee to be executed by Mr. Chu in favour of the Investor and mortgages to be executed by the Group over certain properties owned by the Group in favour of the Investor. The Senior Note will constitute direct, unconditional, secured, guaranteed, unsubordinated and general obligations of the Company and will rank at least pari passu with all other present and future direct, unconditional, unsecured, unsubordinated and general obligations of the Company.

On 18 December 2020, the Company issued the Senior Note in the aggregate principal amount of US\$19,800,000 (equivalent to approximately HK\$154,440,000) to the Investor. The Board considered that the issue of the Senior Note represented an opportunity to obtain funding for the Group. The net proceeds, after deducting issuance costs, received by the Company from the issue of the Senior Note amounting to approximately US\$19,300,000 (equivalent to approximately HK\$150,540,000), would be used by the Group as its general working capital. As at the date of this announcement, the net proceeds from the issue of the Senior Note have been fully utilised by the Group as intended.

Further details of the Senior Note are set out in the announcement of the Company dated 8 December 2020.

HUMAN RESOURCES

Employee and remuneration policies

The Group had in aggregate 104 employees in Hong Kong and the PRC as at 31 December 2020 (31 December 2019: 96). The Group's overall staff costs amounted to approximately HK\$66,788,000 for Year 2020 (Year 2019: HK\$60,992,000). 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 2020, 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 staffs 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 2020 (Year 2019: 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 2020 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 Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

CORPORATE GOVERNANCE

The Company complied with all mandatory provisions set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 of the Listing Rules throughout Year 2020, except for code provision E.1.2 of the CG Code.

Code provision E.1.2 of the CG Code stipulates that the Chairman should attend the annual general meeting of the Company. Mr. Chu Hing Tsung, the Chairman, did not attend the annual general meeting of the Company held on 12 June 2020 due to his prior engagement. The Chairman will endeavor to attend all future annual general meetings of the Company unless unexpected or special circumstances preventing him from doing so.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. All Directors have confirmed that, following specific enquiry by the Company, they complied with the required standards set out in the Model Code throughout Year 2020.

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

During Year 2020, 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 2020.

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.

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 2020 as set out in the preliminary 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. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement.

CHANGES IN BOARD MEMBERS

After the end of the reporting period, Mr. Ma Yilin resigned as an executive Director with effect from 11 January 2021 and Mr. Tang Lunfei has been appointed as an executive Director with effect from 11 January 2021.

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
Huang Jiajue
Executive Director & Chief Executive Officer

Hong Kong, 29 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.