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)

2023 INTERIM RESULTS ANNOUNCEMENT

The board ("Board") of directors ("Directors") of Silver Grant International Holdings Group Limited ("Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	(Unaudited) Six months ended 30 June 2023 HK$'000	(Unaudited) 2022 HK$'000
Rental income	5	**51,611**	58,934
Direct operating expenses		**(4,679)**	(3,584)
		46,932	55,350
Dividend income from listed securities	5	**2**	136
Other income, gains and losses	5	**158,223**	277,560
Change in fair value of financial assets at fair value through profit or loss ("FVTPL")		**(48,037)**	(108,892)
Change in fair value of a derivative financial instrument		**—**	(22,279)
Reversal of impairment/(impairment) of financial assets, net		**3,698**	(40,264)
Administrative expenses		**(64,641)**	(46,479)
Change in fair value of investment properties		**(28,054)**	(33,831)
Finance costs	6	**(195,263)**	(277,064)
Share of profits of:			
— associates		**5,152**	4,721
— joint ventures		**45,307**	58,214
Loss before taxation	8	**(76,681)**	(132,828)
Taxation	7	**7,086**	6,970
Loss for the period		**(69,595)**	(125,858)
Loss attributable to:			
— Owners of the Company		**(94,260)**	(146,349)
— Non-controlling interests		**24,665**	20,491
		(69,595)	(125,858)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic and diluted (HK cents per share)	9	**(4.09)**	(6.35)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	(Unaudited)	(Unaudited)
	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(69,595)**	(125,858)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(119,247)**	(209,141)
Total other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(119,247)**	(209,141)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Gain/(loss) arising on property revaluation	**6,192**	(1,410)
Income tax effect	**(858)**	151
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**5,334**	(1,259)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(113,913)**	(210,400)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(183,508)**	(336,258)
Total comprehensive loss attributable to:		
— Owners of the Company	**(104,047)**	(313,583)
— Non-controlling interests	**(79,461)**	(22,675)
	(183,508)	(336,258)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	**(Unaudited) As at 30 June 2023** *HK$'000*	(Audited) As at 31 December 2022 *HK$'000*
NON-CURRENT ASSETS			
Investment properties		**2,212,750**	2,309,146
Property, plant and equipment		**237,510**	238,199
Right-of-use assets		**40,564**	43,729
Interests in associates		**304,937**	309,475
Interests in joint ventures		**1,502,814**	1,506,247
Amount due from an associate		**426,168**	439,486
Financial assets at FVTPL		**1,640**	1,640
Total non-current assets		**4,726,383**	4,847,922
CURRENT ASSETS			
Trade receivables	*11*	**5,886**	3,934
Deposits, prepayments and other receivables		**968,349**	908,352
Amounts due from joint ventures		**359,192**	430,437
Loan receivables		**2,165,076**	2,246,377
Financial assets at FVTPL		**626,341**	809,429
Restricted bank balance		**200,000**	674,814
Cash and bank balances		**34,772**	97,517
Total current assets		**4,359,616**	5,170,860
CURRENT LIABILITIES			
Accrued charges, rental deposits and other payables		**656,223**	1,204,446
Interest-bearing bank and other borrowings		**1,687,568**	1,388,974
Taxation payable		**107,094**	107,335
Lease liabilities		**2,057**	2,045
Convertible bonds		**—**	41,712
Total current liabilities		**2,452,942**	2,744,512

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
As at 30 June 2023

	(Unaudited) As at 30 June 2023	(Audited) As at 31 December 2022
	HK$'000	*HK$'000*
NET CURRENT ASSETS	**1,906,674**	2,426,348
TOTAL ASSETS LESS CURRENT LIABILITIES	**6,633,057**	7,274,270
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**2,095,683**	2,541,766
Lease liabilities	**40,564**	45,958
Deferred tax liabilities	**185,805**	192,033
Total non-current liabilities	**2,322,052**	2,779,757
Net assets	**4,311,005**	4,494,513
EQUITY		
Equity attributable to owners of the Company		
Share capital	**3,626,781**	3,626,781
Reserves	**291,569**	395,616
	3,918,350	4,022,397
Non-controlling interests	**392,655**	472,116
Total equity	**4,311,005**	4,494,513

NOTES:

1. BASIS OF PRESENTATION

As at 30 June 2023, notwithstanding that the Group had net current assets of approximately HK$1,907 million, the Group's interest-bearing bank and other borrowings with an aggregate carrying amount of approximately HK$1,688 million are due to be repayable within the next 12 months while its cash and bank balances amounted to approximately HK$35 million. In addition, as at 30 June 2023, the Group's borrowing with a carrying amount of approximately HK$180 million has not been repaid according to the scheduled repayment date and remained outstanding as at 30 June 2023. The directors of the Company expect that the refinancing of the aforesaid borrowing will be completed by 31 December 2023. Up to the date of approval of this interim financial information, the Group has not received any demand for immediate repayment for any of this borrowing.

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

(i) the Group will continue to implement measures to speed up the timing of collection of outstanding loan receivables and interest receivables;

(ii) the Group will continue to take measures to expedite the disposal of financial asset investments, including equity investments and non-performing assets portfolio; and

(iii) the Group will continue its negotiations with the lenders of certain bank and other borrowings or other financial institutions on the refinancing of the borrowings.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 30 June 2023. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements of the Group on a going concern basis.

Notwithstanding the above, there are inherent uncertainties as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to generate adequate cash flows to continue as a going concern would depend on (i) the continual support from the existing lender of the Group such that it will not demand for immediate repayment of the relevant borrowing; (ii) the successful and timely agreement with the lenders on the extension of the repayment dates of the existing borrowings subject to the Group's financial and liquidity position; (iii) the successful and timely implementation of the plans and measures to speed up the timing of collection of outstanding loan receivables and interest receivables; (iv) the successful and timely implementation of the plans for the disposal of financial asset investments; and (v) the successful obtaining of new sources of financing as and when needed.

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

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The financial information relating to the year ended 31 December 2022 that is included in the unaudited condensed consolidated statement of financial position as at 30 June 2023 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Companies Ordinance") is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on the consolidated financial statements for the year ended 31 December 2022. The auditor's report was unqualified; included a reference to material uncertainty related to going concern to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Companies Ordinance.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023 are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The nature and impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any significant impact on the financial position and performance of the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has the following reporting segments:

(a) the investments segment representing the investments in financial assets at FVTPL and loan receivables; and

(b) the property leasing segment representing the holding of properties for rental income and/or potential for capital appreciation.

Management of the Group monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that non-lease-related finance costs, share of results of associates and joint ventures and corporate expenses are excluded from such measurement.

No segment asset or liability is presented as the chief operating decision maker of the Company does not regularly review segment assets and liabilities.

Six months ended 30 June 2023 (Unaudited)

	Investments *HK$'000*	**Property leasing** *HK$'000*	**Total** *HK$'000*
Revenue			
— Rental income	—	**51,611**	**51,611**
— Dividend income from listed securities	**2**	—	**2**
	2	**51,611**	**51,613**
Segment profit	**112,146**	**1,288**	**113,434**
Other unallocated income, gains and losses			**(109)**
Corporate expenses			**(47,051)**
Finance costs (other than interest on lease liabilities)			**(193,414)**
Share of profits of:			
— associates			**5,152**
— joint ventures			**45,307**
Loss before taxation			**(76,681)**
Taxation			**7,086**
Loss for the period			**(69,595)**

Six months ended 30 June 2022 (Unaudited)

	Investments *HK$'000*	Property leasing *HK$'000*	Total *HK$'000*
Revenue			
— Rental income	—	58,934	58,934
— Dividend income from listed securities	136	—	136
	136	58,934	59,070
Segment profit	69,425	2,405	71,830
Other unallocated income, gains and losses			34,776
Corporate expenses			(27,363)
Finance costs (other than interest on lease liabilities)			(275,006)
Share of profits of:			
— associates			4,721
— joint ventures			58,214
Loss before taxation			(132,828)
Taxation			6,970
Loss for the period			(125,858)

Geographical information

Revenue from external customers

	(Unaudited) **Revenue** **Six months ended 30 June** **2023** ***HK$'000***	(Unaudited) 2022 *HK$'000*
Hong Kong	**2**	136
People's Republic of China ("PRC" or "China")	**51,611**	58,934
	51,613	59,070

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

5. REVENUE AND OTHER INCOME, GAINS AND LOSSES

An analysis of revenue is as follows:

	(Unaudited)	(Unaudited)
	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Revenue from other sources		
Gross rental income	**51,611**	58,934
Dividend income from listed securities	**2**	136
	51,613	59,070

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

	(Unaudited)	(Unaudited)
	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Interest income		
— amount due from a joint venture	**3,300**	37,401
— loan receivables	**153,535**	206,846
— bank deposits	**500**	120
Net foreign exchange gain/(loss)	**81**	(886)
Net loss on disposal of property, plant and equipment	**(44)**	—
Gain on disposal of financial assets at FVTPL	**1,497**	—
Government grants	**—**	80
Others	**(646)**	33,999
	158,223	277,560

6. FINANCE COSTS

An analysis of finance costs is as follows:

	(Unaudited)	(Unaudited)
	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Interest on bank loans	**7,780**	6,800
Interest on other loans	**185,634**	190,335
Interest on convertible bonds	**—**	77,871
Interest on lease liabilities	**1,849**	2,058
	195,263	277,064

7. TAXATION

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries in Hong Kong incurred tax losses for both reporting periods.

The taxation charge of the PRC Corporate Income Tax ("CIT") for the reporting periods 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 both reporting periods.

The withholding tax arising from the dividend income received from the Company's subsidiaries in the PRC was calculated at 5% for both reporting periods.

	(Unaudited)	(Unaudited)
	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Current:		
PRC CIT — charge for the period	**—**	430
Deferred	**(7,086)**	(7,400)
Total tax credit for the period	**(7,086)**	(6,970)

8. LOSS BEFORE TAXATION

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

	(Unaudited)	(Unaudited)
	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**6,092**	6,790
Depreciation of right-of-use assets	**1,856**	1,985
Change in fair value of financial assets at FVTPL	**48,037**	108,892
Employee benefit expense including directors' and co-chief executive officers' remuneration:		
Wages and salaries	**28,300**	28,869
Pension scheme contributions (defined contribution scheme)	**1,327**	710
	29,627	29,579
Rental income under operating leases for investment properties, less outgoings of HK$4,679,000 (six months ended 30 June 2022: HK$3,584,000)	**(46,932)**	(55,350)
(Reversal of impairment)/impairment of financial assets, net	**(3,698)**	40,264
Change in fair value of investment properties	**28,054**	33,831
Change in fair value of a derivative financial instrument	**—**	22,279

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

The calculations of the basic and diluted loss per share attributable to ordinary equity holders of the Company are based on the following data:

	(Unaudited)	(Unaudited)
	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Loss for the period attributable to ordinary equity holders of the Company used in the basic and diluted loss per share calculations	**(94,260)**	(146,349)

	Six months ended 30 June	
	2023	2022
	in thousand	*in thousand*
Number of shares:		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculations	**2,304,850**	2,304,850

The denominators used in the calculations of the basic and diluted loss per share are the same as those detailed above for the calculations of the basic and diluted loss per share attributable to the ordinary equity holders of the Company.

No adjustment for dilution has been made to the basic loss per share presented for the six months ended 30 June 2023 and 2022 as the Company's convertible bonds outstanding during each of the reporting periods had an anti-dilutive effect on the basic loss per share presented.

10. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

11. TRADE RECEIVABLES

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

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

	(Unaudited) **As at** **30 June** **2023** ***HK$'000***	(Audited) As at 31 December 2022 *HK$'000*
Within 1 month	**5,886**	3,934

12. COMMITMENTS

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

	(Unaudited) **As at** **30 June** **2023** ***HK$'000***	(Audited) As at 31 December 2022 *HK$'000*
Contracted, but not provided for:		
Unlisted equity securities	**—**	167,973

BUSINESS REVIEW

During the six months ended 30 June 2023 ("Period 2023"), as the economy and society of the PRC resumed fully to normal operations along with the reopening of the borders between the Mainland and Hong Kong, there was a significant rebound in the economic activities in various regions in the country, with a year-on-year increase of approximately 5.5% in the gross domestic product being recorded during the first half of the year. Internationally, the European and U.S. banking crisis that broke out in March 2023 had brought about an adverse impact on the global capital market and cast a shadow over the recovery of the global economy.

Despite the volatility and the declining trend in the international crude oil prices, 中海油氣(泰州)石化有限公司 (Zhong Hai You Qi (Tai Zhou) Petrochemical Company Limited*) ("Zhong Hai You Qi"), a joint venture of the Company which is principally engaged in the crude oil processing business and the production and sale of petrochemical products, still successfully achieved the targets in respect of its production and operation for the first half of 2023. During the period under review, it expanded into the overseas market by selling 11,000 tons of diesel products to its customers in Southeast Asia in March 2023. Nevertheless, the Company's share of the result of Zhong Hai You Qi for Period 2023 had slightly decreased as compared to that for the six months ended 30 June 2022 ("Period 2022"), mainly due to the repair and maintenance of the production facility of Zhong Hai You Qi in June 2023, which resulted in an increase in repair expenses and a one-month suspension of production for Zhong Hai You Qi in Period 2023. To diversify its product line, Zhong Hai You Qi has developed a new product in the adjuvants for animal vaccines with its existing production skills during the period under review. Preparation of the trial production of this new product has commenced following the completion of the preliminary preparation work.

The new energy project in relation to photovoltaic battery technology invested by 北京靈駿新能源科技有限責任公司 (Beijing Lingjun New Energy Technology Company Limited*) ("Beijing Lingjun"), a joint venture of the Company which is engaged in the research and development, transfer and promotion of photovoltaic battery technology in China, has also made positive progress in Period 2023. Supported by the resources of its major shareholder, which is a state-owned enterprise and a leader in the energy sector, the photovoltaic technology developed by the new energy project has obtained completely independent intellectual property rights during the period under review. It is currently building a mass production facility, which is expected to meet the conditions for trial operation in the second half of 2023.

Investments

During the period under review, the Group has successfully disposed of certain non-performing asset investments and recouped part of the capital as of the date of this announcement. The Group is seeking ways proactively to exit from the remaining non-performing assets in its investment portfolio. For equity investments, the Group has strengthened the post-investment management of its invested projects while planning for potential projects in the new energy industry.

The Group has made investments in certain enterprises in the PRC which are classified by the Group as financial assets at FVTPL. As at 30 June 2023, the NT Trust Scheme (as defined below) was the most significant investment in financial assets at FVTPL 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:

* *English name is translated for identification purpose only*

The Group has invested RMB505,000,000 (equivalent to approximately HK$547,722,000) 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 30 June 2023, the carrying value of the NT Trust Scheme as measured at FVTPL, amounted to approximately HK$352,278,000 (31 December 2022: HK$387,458,000) and accounted for approximately 3.9% (31 December 2022: 3.9%) of the total assets of the Group. The Group recorded a fair value loss of approximately HK$23,846,000 on the NT Trust Scheme for Period 2023, as compared with that of approximately HK$28,948,000 for Period 2022. The Group did not receive any distribution from the NT Trust Scheme during Period 2023 (Period 2022: 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 the consolidated statement of financial position of the Company.

The objective of the Group in relation to its investments in financial assets is to capture returns from the appreciation of the value of its investments and to receive income therefrom. The Board believes that the performance of the financial asset investments of the Group is dependent on the financial and operating performance of the investee companies and market sentiment, which are affected by factors, such as interest rate movements, national policies, and the performance of the major economies. The Group will continue to adopt prudent investment principles, closely monitor the performance of its investment portfolio, and readjust its investment strategies as and when appropriate. In response to the potential market volatility and economic downturns, the Group has accelerated the realisation of its mature investments while reducing the proportion of its medium and long-term investments to improve its liquidity position.

Property Leasing

The rental income of the Group's property leasing business decreased by approximately 12.4% to approximately HK$51,611,000 in Period 2023, as compared to that of approximately HK$58,934,000 in Period 2022, mainly due to (i) the exchange loss on rental income arising from the depreciation of the Renminbi ("RMB") against the Hong Kong dollar ("HK$") in Period 2023; and (ii) a slight decline in the rental income as a result of the rent-free periods enjoyed by some new tenants of the Group in Period 2023. Such segment revenue was derived from the Group's investment property, East Gate Plaza, located in Beijing, China, which includes apartments, shops and office buildings. The occupancy rate of East Gate Plaza remained at approximately 85% in Period 2023. In order to maintain the overall occupancy rate and the stability of the rental income in respect of this property, the Group's property management team has strived to implement various measures. In terms of the commercial office buildings operation, the team has conducted market research on a monthly basis, kept abreast of the market trends and adjusted its leasing strategy in a flexible manner. In terms of the apartment operation, the team has endeavoured to retain its existing corporate and institutional clients and develop new ones so as to maintain a stable client base in the long term. The team has also formulated a rigorous and timely payment process to recover the outstanding rent, which has improved the collectability rate of the rent in Period 2023.

** English name is translated for identification purpose only*

PROSPECTS AND OUTLOOK

Looking forward to the second half of 2023, it is expected that China's economy will still face various difficulties and challenges, such as insufficient domestic demand, difficult local business environment and pressures from geopolitical tensions. On 19 July 2023, the Opinions of the Central Committee of the Chinese Communist Party and the State Council on Promoting the Development and Growth of the Private Economy was released, under which 31 policies to support the development of the private economy were proposed, such as the requirement to construct a high-level socialist market economy, as well as the continuous optimisation of a stable, fair, transparent and predictable environment for business development, so as to fully stimulate the vitality of the private economy with a "stimulant" injected into the development of the private economy.

The two joint ventures of the Company, namely Zhong Hai You Qi and Beijing Lingjun, are practitioners of the mixed-ownership reform ("Reform") introduced by the Chinese government to diversify the ownership of China's state-owned enterprises. During the period under review, with the unremitting efforts of the operation management team jointly appointed by its shareholders (including the Group), Zhong Hai You Qi had expanded into the overseas market for the first time since the commencement of the Reform. As a private enterprise which promotes the reform of state-owned enterprises, Beijing Lingjun will integrate flexibility, autonomy and incentive into the genes of new energy projects, and enhance its strength to gain a firm foothold in the fierce market competition. Riding on the favourable policy of the Reform and being confident, the Group, being part of the private economy, will concentrate its efforts to become stronger and better on its chosen path.

FINANCIAL REVIEW

The loss attributable to the owners of the Company decreased from approximately HK$146,349,000 for Period 2022 to approximately HK$94,260,000 for Period 2023, mainly due to the combined effect of the following:

(a) the decrease in other income, gains and losses of the Group from approximately HK$277,560,000 for Period 2022 to approximately HK$158,223,000 for Period 2023, mainly attributable to the decrease in the interest income received from the other loan receivables of the Group and the loans granted by the Group to a joint venture of the Company in Period 2023;

(b) the decrease in the loss from the fair value of the financial assets at FVTPL of the Group from approximately HK$108,892,000 for Period 2022 to approximately HK$48,037,000 for Period 2023, as a result of the post-pandemic improvement in the performance of some of the Group's investments in financial assets at FVTPL as at 30 June 2023;

(c) the impairment of the financial assets, net, of the Group of approximately HK$40,264,000 for Period 2022, as compared to a reversal of the impairment of the financial assets, net, of the Group of approximately HK$3,698,000 for Period 2023, mainly due to the decrease in the expected credit loss of loan receivables recorded by the Group as at 30 June 2023; and

(d) the decrease in the finance costs incurred by the Group from approximately HK$277,064,000 for Period 2022 to approximately HK$195,263,000 for Period 2023, mainly attributable to the redemption of the convertible bonds by the Company in December 2022 and Period 2023.

The basic loss per share attributable to ordinary equity holders of the Company was 4.09 HK cents for Period 2023 (Period 2022: basic loss per share of 6.35 HK cents).

A. Rental income

The rental income earned by the Group from its investment property, East Gate Plaza, located in Beijing, China, decreased from approximately HK$58,934,000 for Period 2022 to approximately HK$51,611,000 for Period 2023. The decrease was mainly caused by (i) the foreign exchange translation loss on the rental income resulted from the depreciation of the RMB against the HK$ during Period 2023; and (ii) the rent-free periods enjoyed by some new tenants of the Group in Period 2023.

B. Interest income

The decrease in the interest income (excluding interest income from bank deposits) of the Group from approximately HK$244,247,000 for Period 2022 to approximately HK$156,835,000 for Period 2023 was mainly due to the decrease in the interest income generated from (i) the other loan receivables of the Group from approximately HK$206,846,000 in Period 2022 to approximately HK$153,535,000 in Period 2023; and (ii) the loans granted by the Group to a joint venture of the Company from approximately HK$37,401,000 in Period 2022 to approximately HK$3,300,000 in Period 2023.

C. Change in fair value of financial assets at FVTPL

The decrease in the loss from the fair value of the financial assets at FVTPL of the Group from approximately HK$108,892,000 for Period 2022 to approximately HK$48,037,000 for Period 2023 was mainly attributable to the decrease in the amounts of fair value loss recognised by the Group on (i) its major financial asset, NT Trust Scheme, from approximately HK$28,948,000 for Period 2022 to approximately HK$23,846,000 for Period 2023; and (ii) its non-performing assets portfolios from approximately HK$75,119,000 for Period 2022 to approximately HK$4,575,000 for Period 2023.

D. Administrative expenses

The increase in the administrative expenses of the Group from approximately HK$46,479,000 for Period 2022 to approximately HK$64,641,000 for Period 2023 was mainly due to the provision of financial guarantee liabilities written back during Period 2022, which was absent in Period 2023.

E. Share of profits of joint ventures

The decrease in the Company's share of profits of joint ventures from approximately HK$58,214,000 for Period 2022 to approximately HK$45,307,000 for Period 2023 was primarily attributable to (i) the foreign exchange translation loss on the Company's share of the results of its joint ventures arising from the depreciation of the RMB against the HK$ during Period 2023; and (ii) the decrease in the Company's share of the profit of its joint venture, Zhong Hai You Qi, from approximately HK$58,214,000 for Period 2022 to approximately HK$50,162,000 for Period 2023, mainly due to the repair and maintenance of its production facility in June 2023, which resulted in an increase in repair expenses and a one-month suspension of production.

F. Accrued charges, rental deposits and other payables

The substantial decrease in the accrued charges, rental deposits and other payables of the Group from approximately HK$1,204,446,000 as at 31 December 2022 to approximately HK$656,223,000 as at 30 June 2023 was mainly resulted from the settlement of certain other payables of approximately HK$474,610,000 by the Group in Period 2023 and the reduction in the interest accruals due to the redemption of the convertible bonds by the Company in December 2022 and Period 2023.

EXCHANGE EXPOSURE

In Period 2023, the Group's principal assets, liabilities, revenue and payments were denominated in HK$, RMB and the United States dollar ("US$"). In the opinion of the Board, RMB will remain as a regulated currency in the foreseeable future. Although the market is generally anticipating an increased volatility in the RMB exchange rate, the Board does not expect that it will have any material adverse effect on the financial position of the Group. However, the Board will closely monitor the future development of the RMB exchange rate and will take appropriate actions as necessary.

In addition, the Board does not anticipate that there will be any material exchange exposure to the Group in respect of other currencies.

At the end of Period 2023, the Group had no material liability denominated in any foreign currencies other than RMB. There was also no hedging transaction contracted for by the Group during Period 2023.

TREASURY POLICY

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

Cash Position

	(Unaudited) **As at** **30 June** **2023** ***HK$'000***	(Audited) As at 31 December 2022 *HK$'000*
Restricted bank balance	**200,000**	674,814
Cash and bank balances	**34,772**	97,517
Total	**234,772**	772,331

The decrease in the cash and bank balances of the Group (excluding restricted bank balance) from approximately HK$97,517,000 as at 31 December 2022 to approximately HK$34,772,000 as at 30 June 2023 was mainly due to the settlement of certain other payables by the Group during Period 2023. The cash and bank balances (including restricted bank balance) of the Group as at 30 June 2023 were mainly denominated in RMB.

As at 30 June 2023, the Group's cash and bank balances (including restricted bank balance) were denominated in the following currencies:

	(Unaudited) **As at** **30 June** **2023**	(Unaudited) As at 31 December 2022
HK$	**0.7%**	0.5%
RMB	**99.3%**	99.5%
	100.0%	100.0%

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

Working Capital and Borrowings

As at 30 June 2023, the Group's total borrowings amounted to approximately HK$3,783,251,000 in aggregate. The composition of these borrowings is summarised below:

	(Unaudited) **As at** **30 June** **2023** ***HK$'000***	(Audited) As at 31 December 2022 *HK$'000*
Short term borrowings	**1,687,568**	1,388,974
Long term borrowings	**2,095,683**	2,541,766
Convertible bonds	**—**	41,712
Total borrowings	**3,783,251**	3,972,452
Less: cash and bank balances	**34,772**	97,517
Net borrowings	**3,748,479**	3,874,935

Interests for all borrowings of the Group for Period 2023 were charged at fixed and floating rates ranging from 3.6% per annum to 27.6% per annum (Period 2022: 5.4% per annum to 12.0% per annum).

As at 30 June 2023, the long and short term borrowings of the Group which remained outstanding were denominated as follows:

	(Unaudited) **As at** **30 June** **2023** ***HK$'000***	(Audited) As at 31 December 2022 *HK$'000*
HK$	**148,400**	180,000
RMB	**3,634,851**	3,750,740
	3,783,251	3,930,740

As at 30 June 2023, the long and short term borrowings of the Group which remained outstanding carried fixed and floating interest rates as follows:

	(Unaudited) As at 30 June 2023 *HK$'000*	(Audited) As at 31 December 2022 *HK$'000*
Fixed interest rates	**1,617,934**	1,689,583
Floating interest rates	**2,165,317**	2,241,157
	3,783,251	3,930,740

As at 30 June 2023, the maturity profile of the long and short term borrowings of the Group was as follows:

	(Unaudited) As at 30 June 2023 *HK$'000*	(Audited) As at 31 December 2022 *HK$'000*
Bank loans repayable:		
Within one year or on demand	**173,536**	50,392
In the second year	**27,115**	152,856
In the third to fifth years, inclusive	**16,920**	35,386
	217,571	238,634
Other loans repayable:		
Within one year or on demand	**1,514,032**	1,338,582
In the second year	**56,941**	333,147
In the third to fifth years, inclusive	**1,994,707**	2,020,377
	3,565,680	3,692,106
	3,783,251	3,930,740

The 12% per annum convertible bonds in the aggregate principal amount of HK$1,150,000,000 due in December 2022 issued by the Company have been fully redeemed after the Company redeemed the remaining balance of such bonds in the aggregate principal amount of approximately HK$41,712,000 during Period 2023.

As at 30 June 2023, the gearing ratio (calculated as total borrowings over equity attributable to owners of the Company) and the current ratio (calculated as current assets over current liabilities) of the Group were 97% (31 December 2022: 99%) and 1.8x (31 December 2022: 1.9x), respectively. These ratios are key performance indicators used by the management of the Group to measure the Group's level of leverage to ensure the Group has the liquidity to meet its financial obligations at all times. The Group will strive to improve its liquidity by expediting its collection of outstanding loan receivables and disposal of financial asset investments (including equity investments and non-performing assets portfolio) which will bring a reasonable return to the Group.

PLEDGE OF ASSETS

As at 30 June 2023, the Group pledged certain investment properties and leasehold land and buildings with an aggregate carrying value of approximately HK$2,157,507,000 (31 December 2022: HK$2,251,652,000) and approximately HK$180,500,000 (31 December 2022: HK$176,300,000), respectively, to secure general banking facilities granted to the Group, other loans and other payables to an independent third party.

COMMITMENTS

As at 30 June 2023, the Group did not have any capital expenditures contracted but not provided for in its unaudited condensed consolidated financial statements (31 December 2022: HK$167,973,000 for the purchase of unlisted equity securities). The management of the Group does not expect there to be any plans for material investments or capital assets in the second half of 2023.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group provided corporate guarantees of approximately HK$3,285,121,000 (31 December 2022: HK$3,576,622,000) in respect of the loans granted to a joint venture of the Company.

CAPITAL STRUCTURE

As at 30 June 2023, the shareholders' fund of the Company was approximately HK$3,918,350,000, representing a decrease of approximately HK$104,047,000 or approximately 2.6%, as compared to that of approximately HK$4,022,397,000 as at 31 December 2022. The decrease was mainly contributed by (i) the depreciation of the RMB against the HK$ of approximately 3.2% during Period 2023 and therefore an exchange loss charged to the exchange translation reserve as a result of the translation of the books of the subsidiaries of the Company in the PRC; and (ii) the loss attributable to the owners of the Company for Period 2023.

HUMAN RESOURCES

As at 30 June 2023, the Group employed 63 employees (31 December 2022: 66 employees) in Hong Kong and in the PRC. Total employee benefit expenses for Period 2023 were approximately HK$29,627,000, as compared to those of approximately HK$29,579,000 for Period 2022.

During Period 2023, the Group offered its employees competitive remuneration packages, which were consistent with the prevailing market practices in the relevant jurisdictions. The remuneration package for each employee of the Group contains a combination or modification of some or all of the following four main components: (i) basic salary; (ii) incentive bonus; (iii) share options (no share option scheme of the Company is in force as at the date of this interim results announcement); and (iv) other benefits, such as statutory retirement scheme and medical insurance. Incentive bonus and share options for each employee are determined with reference to the employee's position, performance and ability to contribute to the overall success of the Group. The Group's remuneration policies remained unchanged during Period 2023. The employees of the Group are remunerated according to their respective job nature, market conditions, individual performance and qualifications. As the Group views career development as an important aspect of its employees, ongoing training has been provided to its employees according to the needs of the Group during Period 2023.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023 (Period 2022: nil).

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in the interests of its shareholders ("Shareholders").

Except for the deviation specified below, the Company has complied with all the code provisions set out in Part 2 of the Corporate Governance Code ("Code") contained in Appendix 14 to the Listing Rules throughout Period 2023.

Code provision C.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period under review, the Company did not have a separate chairman and chief executive officer as Mr. Chu Hing Tsung assumed both the roles of the chairman and one of the co-chief executive officers of the Company. The Board believes that vesting both the roles of chairman and chief executive officer/co-chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions efficiently.

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (as defined in the Code) on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules.

On specific enquiries made, all Directors confirmed that they have complied with the required standards set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during Period 2023.

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

During Period 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

INTERIM FINANCIAL REPORT

The interim report of the Company for Period 2023 will be despatched to the Shareholders and published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.silvergrant.com.cn) in due course.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and risk management and internal control systems of the Group. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Hung Muk Ming, Mr. Liang Qing and Mr. Zhang Lu. Mr. Hung Muk Ming is the chairman of the Audit Committee.

The unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2023 have been reviewed by the Audit Committee.

CHANGES IN BOARD MEMBERS

Mr. Wang Ping resigned as an executive Director with effect from 1 April 2023 and Mr. Weng Jian, the executive president of the Company, has been appointed as an executive Director with effect from 1 July 2023.

APPRECIATION

The Board would like to express its appreciation and gratitude to the 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 goals.

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

Hong Kong, 30 August 2023

As at the date of this announcement, the Board comprises Mr. Chu Hing Tsung (alias Zhu Qing Yi) (Chairman and Co-Chief Executive Officer), Mr. Chen Yongcun (Co-Chief Executive Officer), Mr. Luo Zhihai, Mr. Tang Lunfei and Mr. Weng Jian as executive Directors; Mr. Chen Zhiwei as a non-executive Director; and Mr. Liang Qing, Mr. Zhang Lu and Mr. Hung Muk Ming as independent non-executive Directors.