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 2023

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 2023 ("**Year 2023**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Rental income	2	**96,958**	96,884
Direct operating expenses		**(6,465)**	(3,542)
		90,493	93,342
Dividend income from listed securities	2	**2**	136
Other income, gains and losses	3	**258,946**	467,687
Change in fair value of financial assets at fair value through profit or loss		**(147,287)**	(166,108)
Change in fair value of derivative financial instruments		**—**	(22,280)
Impairment of financial assets, net		**(489,129)**	(251,580)
Administrative expenses		**(165,030)**	(181,456)
Change in fair value of investment properties		**(63,646)**	(208,156)
Finance costs	4	**(342,422)**	(530,034)
Share of (losses)/profits of:			
— associates		**(31,141)**	2,050
— joint ventures		**(83,071)**	1,130
Loss before taxation	6	**(972,285)**	(795,269)
Taxation	5	**16,009**	52,611
Loss for the year		**(956,276)**	(742,658)
Loss attributable to:			
— Owners of the Company		**(947,409)**	(734,563)
— Non-controlling interests		**(8,867)**	(8,095)
		(956,276)	(742,658)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (in HK cents)	7		
— Basic		**(41.11)**	(31.87)
— Diluted		**(41.11)**	(31.87)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(956,276)**	(742,658)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(49,801)**	(466,819)
Total other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(49,801)**	(466,819)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Gain/(loss) arising on property revaluation	**7,533**	(17,596)
Income tax effect	**(858)**	3,353
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**6,675**	(14,243)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(43,126)**	(481,062)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(999,402)**	(1,223,720)
Total comprehensive loss attributable to:		
— Owners of the Company	**(902,605)**	(1,208,947)
— Non-controlling interests	**(96,797)**	(14,773)
	(999,402)	(1,223,720)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	**2023**	2022
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Investment properties		**2,133,714**	2,309,146
Property, plant and equipment		**54,134**	238,199
Right-of-use assets		**39,460**	43,729
Other intangible assets		**—**	—
Interests in associates		**274,094**	309,475
Interests in joint ventures		**1,402,837**	1,506,247
Amount due from an associate		**416,542**	439,486
Amounts due from joint ventures		**216,216**	—
Financial assets at fair value through profit or loss		**1,640**	1,640
Total non-current assets		**4,538,637**	4,847,922
CURRENT ASSETS			
Trade receivables	*9*	**6,362**	3,934
Deposits, prepayments and other receivables		**838,086**	908,352
Amounts due from joint ventures		**1,664**	430,437
Loan receivables		**1,894,369**	2,246,377
Financial assets at fair value through profit or loss		**434,677**	809,429
Restricted bank balance		**—**	674,814
Cash and bank balances		**57,333**	97,517
Total current assets		**3,232,491**	5,170,860
CURRENT LIABILITIES			
Accrued charges, rental deposits and other payables		**419,184**	1,204,446
Interest-bearing bank and other borrowings		**3,485,049**	1,388,974
Taxation payable		**107,114**	107,335
Lease liabilities		**2,187**	2,045
Convertible bonds		**—**	41,712
Total current liabilities		**4,013,534**	2,744,512
NET CURRENT (LIABILITIES)/ASSETS		**(781,043)**	2,426,348
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,757,594**	7,274,270

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 31 December 2023

	2023	2022
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**66,887**	2,541,766
Lease liabilities	**43,112**	45,958
Deferred tax liabilities	**161,161**	192,033
Total non-current liabilities	**271,160**	2,779,757
Net assets	**3,486,434**	4,494,513
EQUITY		
Equity attributable to owners of the Company		
Share capital	**3,626,781**	3,626,781
Reserves	**(506,989)**	395,616
	3,119,792	4,022,397
Non-controlling interests	**366,642**	472,116
Total equity	**3,486,434**	4,494,513

NOTES:

1.1 BASIS OF PRESENTATION

As at 31 December 2023, the Group had cash and bank balances of approximately HK$57 million and the Group's interest-bearing bank and other borrowings with an aggregate carrying amount of approximately HK$3,485 million are due to be repaid within 12 months from the end of the reporting period, including (i) borrowing of approximately HK$195 million which has not been repaid according to the scheduled repayment date before the end of the reporting period; and (ii) borrowings of approximately HK$3,007 million with original maturity dates of over one year from the end of the reporting period which have been reclassified to current liabilities due to the delay in the payment of interest of certain borrowings and which has been repaid after year end. Furthermore, subsequent to the end of the reporting period, another borrowing of the Group with a principal amount of approximately HK$131 million has not been repaid according to the scheduled repayment date. As at the date of approval of these consolidated financial statements, the Group has been actively negotiating with the lenders for extension of the repayment date of certain of the aforesaid borrowings. Up to the date of approval of these consolidated financial statements, the Group has not received any demand for immediate repayment of these and other borrowings.

In view of the above circumstances, the Directors 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 for the disposal of the outstanding loan receivables and loan interest receivables;

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

(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; and

(iv) the Group will obtain additional credit facilities from existing and other lenders as and when needed.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than 12 months from 31 December 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 within 12 months from 31 December 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements of the Group on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend on (i) the successful and timely implementation of the plans and measures for the disposal of the outstanding loan receivables and loan interest receivables; (ii) the successful and timely implementation of the plans for the disposal of the financial asset investments; (iii) the continual support from the existing lenders of the Group such that they will not demand for immediate repayment of the relevant borrowings; and (iv) 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 and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

1.2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The financial information relating to the years ended 31 December 2023 and 2022 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 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap.622) and will deliver the consolidated financial statements for the year ended 31 December 2023 to the Registrar of Companies in due course. The Company's auditor has reported on the consolidated financial statements of the Group for both years. For the year ended 31 December 2022, the auditor's reports were unqualified; included a reference to material uncertainty related to going concern to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under section 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap.622). For the year ended 31 December 2023, the auditor's report was qualified and contained a statement under sections 407(2) and 407(3) of the Hong Kong Companies Ordinance (Cap.622); and the auditor's report did not contain a statement under section 406(2) of the Hong Kong Companies Ordinance (Cap. 622). For details, please refer to the section headed "EXTRACT OF INDEPENDENT AUDITOR'S REPORT" in this announcement.

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 (Cap.622). They have been prepared under the historical cost convention, except for investment properties, leasehold land and buildings under property, plant and equipment, financial assets at fair value through profit or loss and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

HKFRS 17	*Insurance Contracts*
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*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

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 *Making Materiality Judgements* 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 measurement, recognition or presentation of any items in the Group's financial statements.

(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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* 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 adoption of amendments to HKAS 12 did not have any impact on the consolidated statement of financial position as at 31 December 2023, 31 December 2022 and 1 January 2022.

(d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2. REVENUE

An analysis of revenue is as follows:

	2023	2022
	HK$'000	*HK$'000*
Revenue from other sources		
Gross rental income	**96,958**	96,884
Dividend income from listed securities	**2**	136
	96,960	97,020

Operating segment information

Year ended 31 December 2023

	Investments	**Property leasing**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue			
— Rental income	**—**	**96,958**	**96,958**
— Dividend income from listed securities	**2**	**—**	**2**
	2	**96,958**	**96,960**
Segment loss	**(399,166)**	**(20,006)**	**(419,172)**
Other unallocated income, gains and losses			**28,436**
Corporate expenses			**(128,675)**
Finance costs (other than interest on lease liabilities)			**(338,662)**
Share of losses of:			
— associates			**(31,141)**
— joint ventures			**(83,071)**
Loss before taxation			**(972,285)**
Taxation			**16,009**
Loss for the year			**(956,276)**

Year ended 31 December 2022

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

Geographical information

Revenue from external customers

	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**2**	136
People's Republic of China ("**PRC**")	**96,958**	96,884
	96,960	97,020

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

Non-current assets

	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**803**	256,508
PRC	**3,903,436**	4,150,288
	3,904,239	4,406,796

The non-current assets information above is based on the locations of the assets and excludes financial assets at fair value through profit or loss, amount due from an associate and amounts due from joint ventures.

3. OTHER INCOME, GAINS AND LOSSES

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

	2023	2022
	HK$'000	*HK$'000*
Interest income on:		
— amount due from a joint venture	**4,787**	44,666
— bank deposits	**565**	250
— loan receivables	**197,907**	410,508
Net foreign exchange gain/(loss)	**37**	(1,551)
Net gain/(loss) on disposal of property, plant and equipment	**13**	(59)
Net loss on disposal of investment properties	**(10,500)**	—
Impairment loss on other intangible assets	**—**	(2,814)
Government grants*	**—**	7
Gain on disposal of financial assets at fair value through profit or loss	**1,360**	1,860
Gain on disposal of a subsidiary	**36,957**	—
Others	**27,820**	14,820
	258,946	467,687

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

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	HK$'000	*HK$'000*
Interest on bank loans	**14,897**	14,808
Interest on other loans	**323,765**	370,725
Interest on convertible bonds	**—**	140,400
Interest on lease liabilities	**3,760**	4,101
	342,422	530,034

5. TAXATION

	2023	2022
	HK$'000	*HK$'000*
Current:		
PRC Corporate Income Tax ("**CIT**") — charge for the year	**—**	344
Deferred	**(16,009)**	(52,955)
Total tax credit for the year	**(16,009)**	(52,611)

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 2023 (2022: Nil).

The taxation charge of the PRC CIT for the year has been made based on the Group's estimated assessable profits calculated in accordance with the relevant income tax laws applicable to the Company's subsidiaries in the PRC. Under the Law of the PRC on Corporate Income Tax ("**CIT Law**") and the Implementation Regulation of the CIT Law, the tax rate of the Company's subsidiaries in the PRC was 25% for the year ended 31 December 2023 (2022: 25%).

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

6. LOSS BEFORE TAXATION

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

	2023 *HK$'000*	2022 *HK$'000*
Auditor's remuneration	**7,200**	7,200
Change in fair value of financial assets at fair value through profit or loss	**147,287**	166,108
Depreciation of property, plant and equipment	**12,270**	13,527
Depreciation of right-of-use assets	**3,662**	3,824
Employee benefit expenses including directors' and co-chief executive officers' remuneration:		
Wages and salaries*	**60,133**	64,354
Pension scheme contributions (defined contribution scheme)**	**2,681**	2,579
	62,814	66,933
Rental income under operating leases for investment properties, less outgoing of HK$6,465,000 (2022: HK$3,542,000)	**(90,493)**	(93,342)
Impairment loss on other intangible assets***	**—**	2,814
Write-off of loan and other receivables	**—**	7,835
Impairment of financial assets, net	**489,129**	251,580
Change in fair value of investment properties	**63,646**	208,156
Change in fair value of derivative financial instruments	**—**	22,280

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

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

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

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

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

	2023	2022
	HK$'000	*HK$'000*
Loss attributable to ordinary equity holders of the Company used in the basic loss per share calculation	**947,409**	734,563

	Number of shares	
	2023	2022
	in thousand	*in thousand*
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**2,304,850**	2,304,850

No adjustment for dilution has been made to the basic loss per share amount presented for the years ended 31 December 2023 and 2022 as the Company's convertible bonds then outstanding had an anti-dilutive effect on the basic loss per share amount presented.

8. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2023 (2022: Nil).

9. TRADE RECEIVABLES

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

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

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**6,362**	3,934

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

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

"DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described in the *Basis for disclaimer of opinion* section of our report, it is not possible for us to form an opinion on these consolidated financial statements. Except for the matters described in the *Basis for disclaimer of opinion* section and the *Additional matter – Qualification on loan receivables and loan interest receivables* section of our report, in all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

As set out in note 2.1 to the consolidated financial statements, as at 31 December 2023, the Group had cash and bank balances of approximately HK$57 million and the Group's interest-bearing bank and other borrowings with an aggregate carrying amount of approximately HK$3,485 million are due to be repaid within 12 months from the end of the reporting period, including (i) borrowing of approximately HK$195 million which has not been repaid according to the scheduled repayment date before the end of the reporting period; and (ii) borrowings of approximately HK$3,007 million with original maturity dates of over one year from the end of the reporting period which have been reclassified to current liabilities due to the delay in the payment of interest of certain borrowings before the end of the reporting period. Furthermore, subsequent to the end of the reporting period, another borrowing of the Group with a principal amount of approximately HK$131 million has not been repaid according to the scheduled repayment date. These conditions, along with other matters set forth in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have been undertaking plans and measures to improve the Group's liquidity and financial position, details of which are set out in note 2.1 to the consolidated financial statements. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including:

(a) the successful and timely implementation of the plans and measures for the disposal of the outstanding loan receivables and loan interest receivables;

(b) the successful and timely implementation of the plans for the disposal of the financial asset investments;

(c) the continual support from the existing lenders of the Group such that they will not demand for immediate repayment of the relevant borrowings; and

(d) the successful obtaining of new sources of financing as and when needed.

As a result of these multiple uncertainties, their potential interaction, and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate. Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to operate as a going concern, and adjustments would have to be made to write down the carrying 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 the consolidated financial statements.

ADDITIONAL MATTER — QUALIFICATION ON LOAN RECEIVABLES AND LOAN INTEREST RECEIVABLES

Included in loan receivables and deposits, prepayments and other receivables on the consolidated statement of financial position as at 31 December 2023 were loan receivables from different borrowers with an aggregate carrying amount of approximately HK$1,552 million, net of loss allowance, and related loan interest receivables with an aggregate carrying amount of approximately HK$349 million, net of loss allowance. In addition, included in other income, gains and losses and impairment of financial assets, net on the consolidated statement of profit or loss for the year ended 31 December 2023 were interest income of approximately HK$165 million and impairment loss of approximately HK$390 million in relation to the abovementioned loan receivables and loan interest receivables. Furthermore, investing cash flows of interest received of approximately HK$22 million, advance of loan receivables of approximately HK$357 million and receipt of loan receivables of approximately HK$75 million in relation to the abovementioned loan receivables and loan interest receivables were presented in the consolidated statement of cash flows for the year ended 31 December 2023.

As disclosed in note 20 to the consolidated financial statements, the Company has established a special investigation committee to undertake investigation on matters pertaining to the loan transactions, including but not limited to, the commercial rationale of the loan transactions and the relationship between the Group and the borrowers. Up to the date of this report, as the aforesaid investigation has not been completed and is still in progress, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the commercial rationale of the loan transactions, the relationships between the Group and the borrowers, and the relationships amongst the borrowers; (ii) whether the carrying amounts of the loan receivables and loan interest receivables were properly stated as at 31 December 2023; (iii) whether the impairment loss for these loan receivables and loan interest receivables for the year ended 31 December 2023 was properly assessed and recognised based on the reasonable and supportable information in accordance with the applicable accounting standard and, consequently, whether the interest income from these loan receivables was properly recognised during the year ended 31 December 2023; and (iv) whether the cash flows in relation to the loan transactions were properly presented in the consolidated statement of cash flows for the year 31 December 2023.

Any adjustments to the figures as described above might have consequential effects on the financial position of the Group as at 31 December 2023 and the financial performance and cash flows of the Group for the year ended 31 December 2023, and the related disclosures thereof in the consolidated financial statements.

Even had there been no multiple uncertainties relating to going concern as described in the *Basis for disclaimer of opinion* section of our report which precluded us from expressing an opinion on the consolidated financial statements, our opinion would have been qualified for the additional matter as described above.

REPORT ON OTHER MATTERS UNDER SECTIONS 407(2) AND 407(3) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence about the loan receivables and loan interest receivables as described in the *Additional matter — Qualification on loan receivables and loan interest receivables* section of our report above:

- we were unable to determine whether adequate accounting records had been kept; and
- we have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit."

BUSINESS REVIEW

The Group has recorded a loss attributable to owners of the Company of approximately HK$947,409,000 for Year 2023, as compared with that of approximately HK$734,563,000 for the year ended 31 December 2022 ("**Year 2022**"). Basic loss per share of the Company was 41.11 HK cents for Year 2023 (Year 2022: 31.87 HK cents).

In 2023, the global macro-environment was complex and volatile as a result of the frequent extreme weather conditions, the rapid developments in artificial intelligence, the continued regional conflicts and the volatility in the Sino-US relations, which all led to a faltering world economy. China's economy also experienced a series of challenges, including insufficient effective domestic demand, difficulties in the real estate industry and pressure on foreign trading. Nevertheless, China's economy had still contributed significantly to global economic growth and remained one of the largest engines of global growth in 2023.

The Company's joint venture, 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**"), which is principally engaged in the crude oil processing business as well as the production and sale of petrochemical products, has still successfully achieved its production and operation goals for Year 2023, despite the challenging and complex issues in connection with its products, such as the volatile international crude oil prices, the sharp decrease in the spread between the wholesale price and the retail price of domestic refined oil products, and the ongoing decline in the prices of chemical products. During the year under review, Zhong Hai You Qi strictly implemented various modules of its production safety and health, safety and environmental management systems. By adopting a diversified sales model that combines both the wholesale and retail markets, Zhong Hai You Qi has created a complementary management system that integrates sales and logistics to achieve a stable increase in the number of its customers and steady improvement in its delivery speed, which has laid a solid foundation for stabilising its market share. Zhong Hai You Qi has also made good strides in advancing its high-end lubricating oil business, including (1) the seamless progress of scientific research on adjuvants for animal vaccines, for which it has been exploring with business partners for industrial production and application; (2) the ongoing enhancement of product competitiveness and the reinforcement of partnerships with prominent multinational enterprises and state-owned enterprises; and (3) the breakthroughs in export for transformer oil products which are supplied to Southeast Asia and the Middle East. Nevertheless, Zhong Hai You Qi carried out a major overhaul at its factory during Year 2023, which resulted in a suspension in its operation for two months and thus a decline in its overall performance for Year 2023 as compared with that for Year 2022.

Given the prevailing government policies and the development trends in relation to the green industry, the Board believes that making investments in the relevant sub-sectors of the new energy industry would be an essential move for the Group to achieve its strategic transformation. In the second half of 2023, the Group made additional adjustments to its strategic deployment. With respect to conventional energy, the Group had continued to support the transformation and upgrading of the petrochemical industry towards fine chemicals. Regarding the new energy business, the Group had concentrated on investing in distributed photovoltaic projects and electric vehicle charging pile projects, striving to create its own competitive advantages in the "photovoltaics, storage and charging" business sectors.

In 2023, the photovoltaic cell module project company invested by the Company's joint venture, 北京靈駿新能源科技有限責任公司 (Beijing Lingjun New Energy Technology Company Limited*) ("**Beijing Lingjun**"), had reached significant milestones. In September 2023, the first module of the first 5GW high-efficiency heterojunction cell and module project of the project company (which is engaged in the research and development, production and sales of photovoltaic module in China) was successfully rolled off the production line. In October 2023, the project commenced mass production. In December 2023, the project company started delivering the first batch of high-efficiency heterojunction module products to its customers.

In December 2023, the Group entered into a cooperation agreement with a partner in relation to investments in distributed photovoltaic projects, pursuant to which a rooftop distributed photovoltaic power plant with an installed capacity of approximately 1.3MW shall be constructed. The plant is currently in the pre-construction phase subject to the approval for project filing.

* *English name is translated for identification purpose only*

Investments

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

The Group has made investments in certain enterprises in the PRC which are classified by the Group as financial assets at fair value through profit or loss. As at 31 December 2023, the NT Trust Scheme (as defined below) was the most significant financial asset investment of the Group, the carrying value of which represented approximately 3.0% (31 December 2022: 3.9%) of the total assets of the Group. Further details of the NT Trust Scheme are set out below:

The Group has invested RMB505,000,000 (equivalent to approximately HK$557,419,000) 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 2023, the carrying value of the NT Trust Scheme as measured at fair value through profit or loss, amounted to approximately HK$230,801,000 (31 December 2022: HK$387,458,000) and accounted for approximately 3.0% (31 December 2022: 3.9%) of the total assets of the Group. Out of the loss of approximately HK$147,287,000 (Year 2022: HK$166,108,000) recorded by the Group in the change in fair value of financial assets at fair value through profit or loss for Year 2023, a loss of approximately HK$151,936,000 (Year 2022: HK$35,309,000) was attributable to the fair value change of the NT Trust Scheme as at 31 December 2023. The Group did not receive any distribution from the NT Trust Scheme during Year 2023 (Year 2022: Nil). Based on the current investment strategy of the Group, its interest in the NT Trust Scheme is held for trading and classified as a current asset in its consolidated statement of financial position.

In 2023, the Group successfully disposed of certain non-performing asset investment projects and recovered part of the funds. In relation to the existing equity investment projects, the investment management team has comprehensively sorted out the progress of the projects, strengthened its post-investment management of the projects and paid attention to the market dynamics at all times, so that each project can be exited at an appropriate time.

* *English name is translated for identification purpose only*

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

Property Leasing

The rental income from the Group's property leasing business in Year 2023 was approximately HK$96,958,000 (Year 2022: HK$96,884,000), which had remained stable between the two years. Revenue from this business segment was derived from the leasing of East Gate Plaza, an investment property of the Group located in Beijing, China, consisting of apartments, shops and offices. The property operation team of the Group has endeavoured to implement various measures to stabilise the rental income of the Group, including: (1) conducting monthly market research, keeping abreast of market trends, and flexibly adjusting leasing strategies; (2) actively maintaining the relationships between the Group and its existing corporate and institutional customers and developing new customers to establish a long-term stable customer base; and (3) developing a rigorous and timely collection process to recover any rents in arrears and improve the rent recovery ratio of the Group in 2023.

PROSPECTS AND OUTLOOK

Looking forward to 2024, global economic growth is expected to slow down further. It is noted from China's Central Economic Work Conference held in December 2023 that stable growth will remain the keynote of the economic work of China in 2024. The main tasks of the Chinese government will include expanding domestic demand, effectively resolving the risks of the real estate corporations, and promoting financial stability. It is expected that investors will still focus on identifying new growth drivers through innovation and value chain upgrade, while capital in the market will continue to pour into areas such as the digital economy, artificial intelligence development and green technology. In order to maintain the stable growth of its existing businesses, the Group will delve deeply into new energy and scale down its investments in non-performing assets and loans gradually. By strengthening the construction of talent teams, developing relationships with different business partners and considering diversified financing channels, the Group will increase its investments in the "photovoltaics, storage and charging" sectors in the new energy industry, so as to lay a solid foundation for its sustainable development.

MATERIAL ACQUISITIONS AND DISPOSALS

On 11 October 2023, (i) the Company, Silver Grant Hainan Investments (BVI) Limited ("**SG Hainan**"), a wholly owned subsidiary of the Company, and Silver Grant Group Limited ("**First Purchaser**"), an independent third party, entered into a sale and purchase agreement, pursuant to which (a) the Company and SG Hainan have conditionally agreed to sell, and the First Purchaser has conditionally agreed to acquire, 100% of the issued shares of Real China Development Limited ("**Target Company**"), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company which held offices 1, 2 and 9 on 49th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Hong Kong ("**Office Property**"), and (b) the Company has conditionally agreed to sell, and the First Purchaser has conditionally agreed to acquire, all amounts, including the principal and interest owing by the Target Company to the Company, at the consideration of HK$200,000,000, subject to adjustments ("**First Disposal**"); and (ii) the Company and Mr. Gao Jimmy Z. ("**Second Purchaser**"), an independent third party, entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell, and the Second Purchaser has conditionally agreed to acquire, the duplex apartment 9B on 9/F & 10/F, No. 6A Bowen Road, Hong Kong and the car parking space No. 106 on 2nd Level Basement, No. 6A Bowen Road, Hong Kong ("**Investment Property**"), at the consideration of HK$70,000,000 ("**Second Disposal**").

Both the First Disposal and the Second Disposal were completed in December 2023. Further details of the First Disposal and the Second Disposal are set out in the announcement and the circular of the Company dated 11 October 2023 and 22 November 2023 respectively.

Save for the above, the Group did not have any material acquisition or disposal during Year 2023.

FINANCIAL REVIEW

The loss attributable to the owners of the Company increased by approximately 29% from approximately HK$734,563,000 for Year 2022 to approximately HK$947,409,000 for Year 2023 and the basic loss per share attributable to ordinary equity holders of the Company increased from 31.87 HK cents for Year 2022 to 41.11 HK cents for Year 2023, mainly due to the following:

(a) the decrease in the Group's other income, gains and losses from approximately HK$467,687,000 for Year 2022 to approximately HK$258,946,000 for Year 2023, mainly due to the combined effect of: (i) the decrease in the aggregate interest income from an amount due from a joint venture and loan receivables from approximately HK$455,174,000 for Year 2022 to approximately HK$202,694,000 for Year 2023; and (ii) the gain on the disposal of a subsidiary of approximately HK$36,957,000 during Year 2023, which was absent during Year 2022;

(b) the increase in the Group's impairment of financial assets, net from approximately HK$251,580,000 for Year 2022 to approximately HK$489,129,000 for Year 2023, mainly attributable to the increase in the impairment loss provision in the amount of approximately HK$172,452,000 made by the Group on its loan receivables under the expected credit loss model in accordance with HKFRS 9 *Financial Instruments* from Year 2022 to Year 2023, as a result of the deterioration in the credit quality of the Group's loan receivables during Year 2023;

(c) the decrease in the loss from the fair value of the investment properties of the Group from approximately HK$208,156,000 for Year 2022 to approximately HK$63,646,000 for Year 2023, mainly due to (i) the decrease in the fair value loss of the Group's investment property located in Beijing as at 31 December 2023, as compared with that as at 31 December 2022; and (ii) the disposal of the Investment Property by the Group in December 2023;

(d) the decrease in the finance costs incurred by the Group from approximately HK$530,034,000 for Year 2022 to approximately HK$342,422,000 for Year 2023, mainly due to the full redemption of the convertible bonds by the Group in the first half of Year 2023; and

(e) the decline in the performance of Zhong Hai You Qi (one of the Company's joint ventures) in Year 2023 as a result of the major overhaul carried out by Zhong Hai You Qi at its factory, which led to a two-month interruption in its operation in Year 2023 and hence the turn of the Company's share of Zhong Hai You Qi's result from a profit of approximately HK$6,600,000 for Year 2022 to a loss of approximately HK$68,937,000 for Year 2023.

Revenue

Rental income of the Group for Year 2023 amounted to approximately HK$96,958,000 (Year 2022: HK$96,884,000), which had remained stable between the two years.

Other income, gains and losses

The decrease in the Group's other income, gains and losses from approximately HK$467,687,000 for Year 2022 to approximately HK$258,946,000 for Year 2023 was mainly due to the combined effect of: (i) the decrease in the aggregate interest income from an amount due from a joint venture and loan receivables from approximately HK$455,174,000 for Year 2022 to approximately HK$202,694,000 for Year 2023; and (ii) the gain on the disposal of a subsidiary of approximately HK$36,957,000 during Year 2023, which was absent during Year 2022.

Impairment of financial assets, net

The increase in the Group's impairment of financial assets, net from approximately HK$251,580,000 for Year 2022 to approximately HK$489,129,000 for Year 2023 was mainly attributable to the increase in the impairment loss provision in the amount of approximately HK$172,452,000 made by the Group on its loan receivables under the expected credit loss model in accordance with HKFRS 9 *Financial Instruments* from Year 2022 to Year 2023, as a result of the deterioration in the credit quality of the Group's loan receivables during Year 2023.

Change in fair value of investment properties

The decrease in the loss from the fair value of the investment properties of the Group from approximately HK$208,156,000 for Year 2022 to approximately HK$63,646,000 for Year 2023 was mainly attributable to (i) the decrease in the fair value loss of the Group's investment property located in Beijing as at 31 December 2023, as compared with that as at 31 December 2022; and (ii) the disposal of the Investment Property by the Group in December 2023.

Finance costs

The decrease in the finance costs incurred by the Group from approximately HK$530,034,000 for Year 2022 to approximately HK$342,422,000 for Year 2023 was mainly due to the full redemption of the convertible bonds by the Group in the first half of Year 2023.

Share of profits or losses of joint ventures

The change in the Company's share of profits or losses of joint ventures from profits of approximately HK$1,130,000 for Year 2022 to losses of approximately HK$83,071,000 for Year 2023 was mainly attributable to the decline in the performance of Zhong Hai You Qi (one of the Company's joint ventures) in Year 2023 as a result of the major overhaul carried out by Zhong Hai You Qi at its factory, which led to a two-month interruption in its operation in Year 2023 and hence the turn of the Company's share of Zhong Hai You Qi's result from a profit of approximately HK$6,600,000 for Year 2022 to a loss of approximately HK$68,937,000 for Year 2023.

Property, plant and equipment

The substantial decrease in the property, plant and equipment of the Group from approximately HK$238,199,000 as at 31 December 2022 to approximately HK$54,134,000 as at 31 December 2023 was mainly due to the disposal of the Office Property in December 2023, which had been used by the Company as its office in Hong Kong.

Accrued charges, rental deposits and other payables

The decrease in the Group's accrued charges, rental deposits and other payables from approximately HK$1,204,446,000 as at 31 December 2022 to approximately HK$419,184,000 as at 31 December 2023 was mainly attributable to (i) the settlement of certain payables due to other creditors of approximately HK$715,004,000 by the Group in Year 2023; and (ii) the decrease in the accrued interest payables as at 31 December 2023 as compared with that as at 31 December 2022, as a result of the full redemption of the convertible bonds by the Group during the first half of Year 2023.

TREASURY POLICY

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

Cash Position

	2023	2022
	HK$'000	*HK$'000*
Restricted bank balance	—	674,814
Cash and bank balances	**57,333**	97,517
Total	**57,333**	772,331

As at 31 December 2023, the Group's cash and bank balances were denominated in the following currencies:

	2023	2022
HK$	**5.0%**	0.5%
RMB	**94.7%**	99.5%
US$	**0.3%**	0.0%
	100.0%	100.0%

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

Working Capital and Borrowings

As at 31 December 2023, the Group's total borrowings amounted to approximately HK$3,551,936,000 in aggregate. The composition of these borrowings is summarised below:

	2023	2022
	HK$'000	*HK$'000*
Short term borrowings	**3,485,049**	1,388,974
Long term borrowings	**66,887**	2,541,766
Convertible bonds	—	41,712
Total borrowings	**3,551,936**	3,972,452
Cash and bank balances	**57,333**	97,517
Net borrowings	**3,494,603**	3,874,935

Interests for all borrowings of the Group for Year 2023 were charged at fixed and floating rates ranging from 3.7% per annum to 27.6% per annum (Year 2022: 3.7% per annum to 12.0% per annum).

As at 31 December 2023, the long and short term borrowings of the Group which remained outstanding were denominated as follows:

	2023	2022
	HK$'000	*HK$'000*
HK$	—	180,000
RMB	**3,551,936**	3,750,740
	3,551,936	3,930,740

As at 31 December 2023, the long and short term borrowings of the Group which remained outstanding carried at fixed and floating interest rates as follows:

	2023	2022
	HK$'000	*HK$'000*
Fixed interest rates	**1,456,876**	1,689,583
Floating interest rates	**2,095,060**	2,241,157
	3,551,936	3,930,740

As at 31 December 2023, the maturity profile of the long and short term borrowings of the Group was as follows:

	2023	2022
	HK$'000	*HK$'000*
Bank loans repayable:		
Within one year or on demand	**161,700**	50,392
In the second year	**33,775**	152,856
In the third to fifth years, inclusive	**—**	35,386
	195,475	238,634
Other loans repayable:		
Within one year or on demand	**3,323,349**	1,338,582
In the second year	**—**	333,147
In the third to fifth years, inclusive	**33,112**	2,020,377
	3,356,461	3,692,106
	3,551,936	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 had 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 the first half of Year 2023.

As at 31 December 2023, the gearing ratio (calculated as interest-bearing bank and other borrowings, over equity attributable to owners of the Company) and the current ratio (calculated as current assets over current liabilities) of the Group were 114% (31 December 2022: 99%) and 0.8x (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 the collection and/or disposal of its outstanding loan receivables and the disposal of its financial asset investments (including its equity investments and non-performing assets portfolio).

As at 31 December 2023, the Group had cash and bank balances of approximately HK$57 million and the Group's interest-bearing bank and other borrowings with an aggregate carrying amount of approximately HK$3,485 million are due to be repaid within 12 months from the end of the reporting period, including (i) borrowing of approximately HK$195 million which has not been repaid according to the scheduled repayment date before the end of the reporting period; and (ii) borrowings of approximately HK$3,007 million with original maturity dates of over one year from the end of the reporting period which have been reclassified to current liabilities due to the delay in the payment of interest of certain borrowings and which has been repaid after year end. Furthermore, subsequent to the end of the reporting period, another borrowing of the Group with a principal amount of approximately HK$131 million has not been repaid according to the scheduled repayment date. Up to the date of approval of this announcement, the Group has not received any demand for immediate repayment of these and other borrowings, and the Group has been actively negotiating with the lenders for extension of the repayment date of certain of the aforesaid borrowings.

In view of the above circumstances, the Directors 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 for the disposal of the outstanding loan receivables and loan interest receivables;

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

(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; and

(iv) the Group will obtain additional credit facilities from existing and other lenders as and when needed.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than 12 months from 31 December 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 within 12 months from 31 December 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements of the Group on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend on (i) the successful and timely implementation of the plans and measures for the disposal of the outstanding loan receivables and loan interest receivables; (ii) the successful and timely implementation of the plans for the disposal of the financial asset investments; (iii) the continual support from the existing lenders of the Group such that they will not demand for immediate repayment of the relevant borrowings; and (iv) 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 and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

PLEDGE OF ASSETS

As at 31 December 2023, certain investment properties of the Group with aggregate carrying value of approximately HK$2,078,366,000 (2022: investment properties and leasehold land and buildings with aggregate carrying values of approximately HK$2,251,652,000 and HK$176,300,000, respectively) were pledged to secure general banking facilities granted to the Group and other payable due to an independent third party. As at 31 December 2022, certain receivables (mainly the loans granted by the Group to its joint venture and independent third parties) of approximately HK$3,285,685,000 and the equity interests in the subsidiaries and associates of the Company holding receivables of the Group were pledged to secure the convertible bonds issued by the Company which had been subsequently redeemed in full in the first half of Year 2023.

CAPITAL COMMITMENTS

As at 31 December 2023, the Group did not have any capital expenditures contracted for but not provided for in respect of the purchase of unlisted equity securities (31 December 2022: HK$167,973,000). The management of the Group does not expect there to be any plans for material investments or capital assets in 2024 with reference to the current situation as at the date of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group provided corporate guarantees of approximately HK$2,839,041,000 (31 December 2022: HK$3,576,622,000) in respect of loans granted to a joint venture of the Company.

CAPITAL STRUCTURE

As at 31 December 2023, the shareholders' funds of the Group decreased by approximately HK$902,605,000 to approximately HK$3,119,792,000 (31 December 2022: HK$4,022,397,000), representing a decline of approximately 22%. The decrease was mainly due to the loss attributable to the owners of the Company in Year 2023.

HUMAN RESOURCES

The Group had in aggregate 55 employees in Hong Kong and the PRC as at 31 December 2023 (31 December 2022: 66). The Group's overall staff costs amounted to approximately HK$62,814,000 for Year 2023 (Year 2022: HK$66,933,000). 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 2023, including training on updates of accounting standards and market updates.

The Group has not experienced any significant problem with its employees or disruption to its operations due to labour discipline nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group has maintained a good relationship with its employees. Certain senior management and staff have been working for the Group for many years.

FINAL DIVIDEND

The Company aims to maximise the interests of its shareholders and at the same time maintaining a strong and healthy financial position, so as to prepare the Group for investment opportunities that may arise from time to time and its sustainable development in the future. In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account the Group's earnings performance, financial position, investment requirements and future prospects. In addition, the Board will also take into account any restrictive covenants imposed by banks and other funding facilities granted to the Group from time to time and any other factors the Board may deem appropriate and/or relevant.

The Board has resolved not to recommend the payment of a final dividend for Year 2023 (Year 2022: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company is committed to establishing and maintaining a standard of corporate governance that is consistent with market practices. The Company complied with all the applicable code provisions set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 (renumbered as Appendix C1 with effect from 31 December 2023) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") then in force throughout Year 2023, except for the deviation specified below:

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be the same individual. During the year under review, the Company did not have a separate chairman and chief executive officer as Mr. Chu Hing Tsung assumed both the roles of the chairman and one of the co-chief executive officer of the Company. The Board believes that vesting both the roles of the chairman and the 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.

COMPLIANCE WITH THE MODEL CODE

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 (renumbered as Appendix C3 with effect from 31 December 2023) to the Listing Rules then in force as its own code of conduct regarding Directors' securities transactions in Year 2023. 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 2023.

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

During Year 2023, 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 has reviewed and accepted the Group's annual results for Year 2023.

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 Year 2023 as set out in this announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for Year 2023. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently, no opinion or assurance conclusion has been expressed by Ernst & Young on this announcement.

FORMATION OF SPECIAL INVESTIGATION COMMITTEE

On 18 March 2024, an independent special investigation committee ("**Special Investigation Committee**"), initially comprising Mr. Hung Muk Ming as chairman, Mr. Liang Qing and Mr. Zhang Lu as members, being all independent non-executive Directors, has been established pursuant to a resolution of the Board passed on 18 March 2024 for the purposes of, among other things, investigating on various matters and events relating to the loan agreements ("**Loan Agreements**") in relation to the portfolio of loan receivables held by the Group (consisting of loan receivables in the aggregate principal amount and accrued interest of approximately RMB2,201 million as at 31 December 2023) ("**Loan Receivables**"), in particular, the approval process of the Loan Agreements, the background information of the related borrowers, the commercial rationale for entering into the Loan Agreements and the effectiveness of the internal control system of the Group in relation to the approval of the Loan Agreements and the collection of the Loan Receivables and the interest accrued thereon. On 18 March 2024, the Special Investigation Committee appointed a leading global professional services firm specialising in forensic accounting and investigations ("**Investigation Agency**") to assist in conducting independent investigations into the Loan Agreements. At the same time, the Special Investigation Committee appointed an independent third-party law firm ("**Independent Legal Adviser**") to instruct the Investigation Agency and to provide independent legal support to the Special Investigation Committee in respect of the investigations, if necessary. As at the date of this announcement, the independent investigations are still ongoing. Further information in relation to the formation of the Special Investigation Committee and the appointments of the Investigation Agency and the Independent Legal Adviser is set out in the announcements of the Company dated 18 March 2024 and 19 March 2024.

APPRECIATION

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

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

Hong Kong, 28 March 2024

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 Yongcon (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.