SILVER GRANT INTERNATIONAL INDUSTRIES LIMITED
銀建國際實業有限公司

(Incorporated in Hong Kong with limited liability)
Website: www.silvergrant.com.hk (Stock Code: 171)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

The board of directors (the "Board") of Silver Grant International Industries Limited (the "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 2011 as follows:

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2011 (Unaudited)

		Six months ended 30 June	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
Property management fee income	*2*	**55,030**	51,669
Rental income	*2*	**23,142**	25,882
		78,172	77,551
Cost of sales and services		**(43,587)**	(37,266)
		34,585	40,285
Income from investment in distressed assets through establishment of a special purpose vehicle	*2*	—	26,464
Dividend income from listed securities	*2*	**13,911**	9,511
Other income, gains and losses	*3*	**53,291**	70,946
Change in fair value of held-for-trading investments		**(60,074)**	(24,934)
Administrative expenses		**(64,590)**	(53,039)
Reversal of revaluation deficit of leasehold properties		**8,578**	2,055
Change in fair value of investment properties		**18,331**	34,906
Change in fair value of structured finance securities		**217**	(4,315)
Change in fair value of financial assets at fair value through profit or loss		**95,765**	—
Finance costs	*4*	**(9,615)**	(8,389)
Share of results of associates		**29,492**	52,506
Share of results of jointly controlled entities		**63,610**	5,451
Profit before taxation		**183,501**	151,447
Taxation charge	*5*	**(11,821)**	(17,083)
Profit for the period	*6*	**171,680**	134,364
Attributable to:			
Owners of the Company		**164,384**	131,734
Non-controlling interests		**7,296**	2,630
		171,680	134,364
Earnings per share (in HK dollar)	*7*		
— Basic		**0.073**	0.063

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011 (Unaudited)

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Profit for the period	**171,680**	134,364
Other comprehensive (expense) income		
Fair value (loss) gain arising on revaluation of available-for-sale investments	**(199,167)**	455,947
Gain arising on revaluation of leasehold properties	**24,694**	9,688
Income tax relating to components of other comprehensive (expense) income	**(2,501)**	(1,652)
Other comprehensive (expense) income for the period (net of tax)	**(176,974)**	463,983
Total comprehensive (expense) income for the period	**(5,294)**	598,347
Total comprehensive (expense) income attributable to:		
Owners of the Company	**35,664**	439,688
Non-controlling interests	**(40,958)**	158,659
	(5,294)	598,347

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	**Unaudited At 30 June 2011** *HK$'000*	Audited At 31 December 2010 *HK$'000*
ASSETS			
Non-current assets			
Investment properties		**2,640,690**	2,541,194
Property, plant and equipment		**287,846**	260,630
Goodwill		**7,001**	7,001
Interest in associates		**1,489,897**	1,492,301
Interest in jointly controlled entities		**318,106**	266,331
Structured finance securities		**5,292**	5,075
Available-for-sale investments		**802,593**	1,038,604
Loan receivables		**—**	295,858
		5,551,425	5,906,994
Current assets			
Inventories, at cost		**347**	327
Investment in distressed assets through establishment of a special purpose vehicle		**—**	65,245
Held-for-trading investments		**125,978**	126,237
Trade receivables	*9*	**14,325**	10,825
Deposits, prepayments and other receivables		**429,118**	199,259
Amounts due from associates		**410,340**	430,081
Amount due from jointly controlled entities		**61,543**	61,543
Loan receivable with embedded derivative		**—**	117,581
Loan receivables		**470,728**	139,250
Available-for-sale investments		**691,355**	654,511
Bank balances and cash		**883,530**	1,338,558
		3,087,264	3,143,417
Assets classified as held-for-sale		**55,621**	62,036
		3,142,885	3,205,453
TOTAL ASSETS		**8,694,310**	9,112,447

	Notes	**Unaudited As at 30 June 2011** *HK$'000*	Audited As at 31 December 2010 *HK$'000*
EQUITY			
Capital and reserves			
Share capital		**460,970**	436,970
Reserves		**6,737,065**	6,603,290
Equity attributable to owners of the Company		**7,198,035**	7,040,260
Non-controlling interests		**227,209**	268,167
TOTAL EQUITY		**7,425,244**	7,308,427
LIABILITIES			
Non-current liabilities			
Borrowings		**48,130**	89,448
Deferred tax liabilities		**392,605**	380,101
		440,735	469,549
Current liabilities			
Trade payables	*10*	**110,512**	106,406
Accrued charges, rental deposits and other payables		**308,561**	576,731
Borrowings		**206,450**	438,062
Taxation payable		**147,187**	151,236
		772,710	1,272,435
Liabilities associated with assets classified as held-for-sale		**55,621**	62,036
		828,331	1,334,471
TOTAL LIABILITIES		**1,269,066**	1,804,020
TOTAL EQUITY AND LIABILITIES		**8,694,310**	9,112,447
Net current assets		**2,314,554**	1,870,982
Total assets less current liabilities		**7,865,979**	7,777,976

NOTES:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited ("Stock Exchange"). These unaudited consolidated financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010.

The unaudited consolidated financial statements have been prepared under the historical cost basis except for properties and certain financial assets and liabilities, which are measured at fair values or revalued amounts.

Except as described below, the accounting policies applied in preparing these consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

In the current period, the Group has applied the following new and revised Hong Kong Financial Reporting Standards ("HKFRS") and interpretations issued by the HKICPA, which are effective from 1 January 2011:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendments)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instrument

Amendments to HKAS 34 "Interim Financial Reporting" (as part of Improvements to HKFRSs issued in 2010) is effective for annual periods beginning on or after 1 January 2011. It emphasizes the existing disclosure principals in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from most recent annual report. The change in accounting policy only results in additional disclosures.

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosure — Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments — Classification and Measurement[4]
HKFRS 10	Consolidated Financial Instruments[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosures of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (Revised in 2011)	Employee Benefits[4]
HKAS 27 (Revised in 2011)	Separate Financial Statements[4]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[4]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new Standard may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

HKFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. HKFRS 10 provides additional guidance to assist in the determination of control where this is difficult to assess.

HKFRS 11 "Joint Arrangements" provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). HKFRS 11 addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.

HKFRS 12 "Disclosures of Interests in Other Entities" is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

HKFRS 13 "Fair Value Measurement" improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

Other than HKFRS 9, the directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

Revenue is analysed as follows:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Property management fee income	**55,030**	51,669
Rental income	**23,142**	25,882
Income from investment in distressed assets through establishment of a special purpose vehicle	**—**	26,464
Dividend income from listed securities	**13,911**	9,511
	92,083	113,526

The Group is currently organised into six operating divisions: distressed assets business, investments (including the results from held-for-trading investments, available-for-sale investments, structured finance securities and loan receivables), sales of properties, property leasing, property management and production and trading of petrochemical products. These operating divisions are the basis of the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

	Six months ended 30 June 2011						
	Distressed assets business *HK$'000*	Investments *HK$'000*	Sales of properties *HK$'000*	Property leasing *HK$'000*	Property management *HK$'000*	Production and trading of petrochemical products *HK$'000*	Consolidated *HK$'000*
Revenue	—	13,911	—	23,142	55,030	—	92,083
Results							
Segment (loss) profit	(3)	80,415	(179)	22,744	(6,782)	(3,502)	92,693
Other unallocated income, gains and losses							21,827
Reversal of revaluation deficit of leasehold properties							8,578
Corporate expenses							(23,084)
Finance costs							(9,615)
Share of results of associates							29,492
Share of results of jointly controlled entities							63,610
Profit before taxation							183,501

	Six months ended 30 June 2010						
	Distressed assets business *HK$'000*	Investments *HK$'000*	Sales of properties *HK$'000*	Property leasing *HK$'000*	Property management *HK$'000*	Production and trading of petrochemical products *HK$'000*	Consolidated *HK$'000*
Revenue	26,464	9,511	—	25,882	51,669	—	113,526
Results							
Segment profit (loss)	26,438	7,412	(177)	41,218	1,141	(2,560)	73,472
Other unallocated income, gains and losses							42,267
Reversal of revaluation deficit of leasehold properties							2,055
Corporate expenses							(15,915)
Finance costs							(8,389)
Share of results of associates							52,506
Share of results of jointly controlled entities							5,451
Profit before taxation							151,447

3. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Interest income		
— bank deposits	**3,322**	6,019
— jointly controlled entities	**—**	263
— associates	**2,233**	28,836
— loan receivables	**28,992**	24,114
— others	**1,754**	3,232
Imputed interest on consideration receivable from disposal of an associate	**4,139**	6,538
Consultancy income	**9,320**	—
Commission income	**1,880**	1,396
Net loss on disposal of property, plant and equipment	**(16)**	(4)
Net foreign exchange loss	**(3,160)**	(2,982)
Others	**4,827**	3,534
	53,291	70,946

4. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Interest on bank borrowings		
— wholly repayable within five years	**8,303**	6,882
— not wholly repayable within five years	**—**	252
Interest on other loans wholly repayable within five years	**1,312**	1,255
	9,615	8,389

5. TAXATION

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Tax charge comprises:		
PRC Enterprise Income Tax — current tax	**612**	8,415
PRC Enterprise Income Tax — underprovision in prior year	**1,206**	—
	1,818	8,415
Deferred Taxation	**10,003**	8,668
Taxation charge attributable to the Company and its subsidiaries	**11,821**	17,083

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries have no assessable profits for the current and prior periods.

The taxation charge of the PRC Enterprise Income Tax for the current and the prior periods have been made based on the Group's estimated assessable profits calculated at the prevailing tax rates in accordance with the relevant income tax laws applicable to the subsidiaries in the PRC.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of PRC subsidiaries is 25% from 1 January 2008 onwards.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging:		
Auditor's remuneration	**1,285**	990
Amortisation of land use rights	**—**	287
Depreciation	**6,366**	5,794
Operating lease rentals in respect of land and buildings	**2,115**	1,527
Staff costs including directors' remuneration and the retirement benefit costs of HK$3,819,000 (2010: HK$3,479,000)	**44,413**	33,600
And after crediting:		
Rental income under operating leases less outgoings of HK$173,000 (2010:HK$408,000)	**(22,969)**	(25,474)

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**164,384**	131,734

	2011	2010
	In thousand	*In thousand*
Number of shares:		
Weighted average number of shares for the purpose of basic earnings per share	**2,241,866**	2,104,377

8. DIVIDEND

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Dividend recognised as distribution during the period:		
Final dividend of 2010, paid — HK$0.10 (2010: Final dividend of 2009, paid — HK$0.10) per share	**230,485**	218,485

The Board has resolved not to recommend payment of any interim dividend for the six months ended 30 June 2011 (2010: Nil).

9. TRADE RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting periods:

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
0 to 30 days	**3,186**	2,149
31 to 90 days	**4,298**	2,345
91 to 180 days	**4,389**	2,541
181 to 360 days	**2,452**	3,790
	14,325	10,825

10. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting periods:

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
0 to 30 days	**15,190**	23,117
31 to 90 days	**8,479**	8,419
91 to 180 days	**12,169**	8,687
181 to 360 days	**73,674**	12,060
Over 360 days	**1,000**	54,123
	110,512	106,406

REVIEW OF RESULTS

Profit attributable to owners of the Company for the six months ended 30 June 2011 increased by 25% to HK$164.4 million (2010: HK$131.7 million). Basic earnings per share also increased by 16% to HK$0.073 (2010: HK$0.063). A smaller increment was recorded in basic earnings per share was due to the dilution effect caused by the issuing of 120,000,000 new shares in April 2011.

The increase was mainly attributable to the following increments in major profit components:

There was a one-time profit contribution amounting to approximately HK$95.8 million attributable to the fair value gain of financial assets at fair value through profit or loss. The amount was attributable to the gain recognised upon the exercise of the right attached to a loan to a third party which was exchanged into particular number of shares of China Lumena New Materials Corp. during the period.

Increase in share of results of jointly controlled entities amounting to approximately HK$58.2 million, which was mainly attributable to the significant increase in net profit of TZ United East. Both the unit selling prices and the volume of sales of methyl ethyl ketone, which is the key product of TZ United East, struck record high during the period. Japan producers are the major suppliers of methyl ethyl ketone, which productions and market supply were hindered by the 311 Japan earthquakes. TZ United East was able to take benefit from this temporarily expanded market share and high unit selling prices.

And it was partially compensated by the following decreases in major profit components:

The Group ceased to have any profit contribution from distressed assets disposal businesses following the completion of disposal of all distressed assets portfolios in 2010. Profit contribution in previous period was HK$26.5 million.

Decrease in share of result of associates amounting to approximately HK$23.0 million, which was mainly attributable to the decrease in profit contribution from Zhong Hai You Qi. Compared with that of the previous period, the relatively higher average crude oil price has nibbled Zhong Hai You Qi's gross profit.

Increase in unrealised loss in respect of held-for-trading investments amounting to approximately HK$35.1 million in light of highly volatile and depressed stock market prices.

Decrease in fair value gain in respect of investment properties amounting to approximately HK$16.6 million. The rate of appreciation of real estate prices in Beijing was lower than that of the previous period in light of tightened government policies and controls.

BUSINESS REVIEW & PROSPECTS

Property Investments, Development and Management

Rental income for the current period amounted to approximately HK$23.1 million (2010: HK$25.9 million). During the period under review, the Group has concentrated its effort on renovating the East Gate Plaza and the disposal of the flat units on the south apartment block to retail customers.

Natural Resources Venture

Yangquan Tiantai (49% associate)

Yang Quan Coal Industry (Group) Tiantai Investment Limited ("Yangquan Tiantai"), formerly known as Guoyang Tiantai Investment Limited, is a 49% owned associates of the Group. The remaining 51% equity interest of Yangquan Tiantai is held by Yang Quan Coal Industry (Group) Co., Ltd. ("Yangquan Coal"), formerly known as Shanxi Guoyang New Energy Co., Ltd.. Yangquan Coal is a company listed on the Shanghai Stock Exchange, whose controlling shareholder is Yang Quan Coal (Group) Corporation, which is one of the five largest coal enterprises in the Shanxi Province, China.

Yangquan Tiantai is recognised by the Steering Office for the Consolidation of Coal Enterprises of the Shanxi Province as a designated entity to undertake the mergers and restructuring of the coal industry in the Shanxi Province, and has been actively and legitimately participated in the consolidation, exploitation, utilisation, investment and construction projects in respect of coal resources.

Up to 30 June 2011, Yangquan Tiantai has commenced or secured the acquisition and consolidation works of 25 coal mines. These mines will be consolidated into 10 larger coal mines in accordance with their locations. The total contract amount in respect of the acquisition of these coal mines were approximately HK$1,570.5 million out of which, approximately HK$1,120.6 million has been paid. The total coal resources reserve of these coal mines are approximately 628,000,000 tons and the expected production capacity per annum attributable to Yangquan Tiantai are 7,800,000 tons.

At present, Yangquan Tiantai is endeavor to accelerate its coal mines acquisition process for the purpose of increasing production capacity to approximately 20 million tons per annum. However, as the coal mines acquired by Yangquan Tiantai are undergoing construction and redevelopment works, it is expected that Yangquan Tiantai will gradually generate profit and contribute profit to the Group in or after 2012. At the same time, Yangquan Tiantai is investigating the possibility to acquire certain operating mines which may have immediate profit contribution to Yangquan Tiantai and to the Group.

Petrochemical Products

Zhong Hai You Qi (23.03% associate)

The current production capacity of Zhong Hai You Qi is 1,500,000 tons per annum. For the period under review, crude oil processed amounted to approximately 695,000 tons (2010: 538,000 tons) with an increment of approximately 29%. After tax profit for the current period was approximately HK$66.5 million (2010: HK$191.7 million).

During the period under review, crude oil prices were highly volatile and were lack of a stable market. In addition, in order to control CPI growth, the PRC government limited upward adjustment of the domestic selling prices of fuel oil, hence the oil refinery industry in the PRC was generally operating at a great loss. Zhong Hai You Qi strategically produced more bitumen for use on heavy duty highways. Moreover, Zhong Hai You Qi redefined the fuel oil market and adjusted its product structure by increasing the sales of naphtha and diesel products which was not subject to sales tax. Therefore, Zhong Hai You Qi was capable of recording a profit position which performance was better than the other market players.

TZ United East (50% jointly controlled entity)

During the period under review, TZ United East processed raw materials amounting to approximately 59,600 tons and sold product amounting to approximately 60,200 tons. The revenue and profit after tax were RMB510.9 million and RMB108.3 million respectively. Profit contribution to the Group was approximately HK$64.1 million (2010: HK$3.3 million).

The increase in after tax profit was mainly due to the fact that the 311 Japan earthquakes had temporarily disrupted the methyl ethyl ketone productions and supply of Japan manufacturers, which are the main suppliers of methyl ethyl ketone. Selling prices of methyl ethyl ketone surged to record high of RMB20,000 per ton. Accordingly, TZ United East recorded a significant increase in profit. At the end of June 2011, the selling prices of TZ United East's core product methyl ethyl ketone stood at RMB15,000 per ton. In the near future, it is expected that the selling prices of methyl ethyl ketone will stand at the range of RMB10,000 to RMB15,000 per ton, which will provide a favorable market environment to TZ United East.

The Group has an intention to expand the business scale of the existing petrochemical projects by strengthening the utilisation of raw materials, expanding the deeper processing of raw material, manufacturing of high market demand products and extending the products line. Amongst which, TZ United East has intention to construct a 1,000,000 tons heavy oil production facility, Zhong Hai You Qi has intention to expand its oil refinery capacity by 3,000,000 tons and to construct a 600,000 tons lubricant oil facility. By further expanding the production capacity of the petrochemical operations, the Group can enjoy the benefit of economic of scale which will eventually become a stable source of revenue and profit of the Group.

JC International

On 31 January 2011, the Company through its indirect non-wholly owned subsidiary Konson Investment Limited ("Konson") entered into a legally binding letter of intent with Jiangxi Copper Company Limited ("Jiangxi Copper") and China Ordins Corporation ("China Ordins") to invest in a 20% equity interest in Jiangxi Copper International Trading Co., Ltd. ("JC International") at a consideration of RMB200.0 million (equivalent to approximately HK$236.7 million). The remaining equity interest was owned as to 60% by Jiangxi Copper and as to 20% by China Ordins. Pursuant to the letter of intent and upon execution of the formal agreement dated 5 July 2011, the Company reduced its investment amount in JC International to RMB100.0 million (equivalent to approximately HK$118.3 million) so as to retain more liquid fund to invest in other potential investments. After this strategic change, the shareholdings of JC International will be owned as to 60% by Jiangxi Copper, as to 30% by China Ordins and 10% as to by Konson. The Group will hold its 10% interest in JC International for long term investment. The transaction contemplated under the formal agreement is subject to obtaining relevant government authorities' approval in the PRC. Parties to the formal agreement will work together to obtain such approvals.

Financial Investments

The Group strategically invested, directly and indirectly, in certain PRC enterprises. These enterprises have good potential for separate listing. Some of them have already been listed. As at 30 June 2011, the carrying value of these strategic investments amounted to approximately HK$1,493.9 million in aggregate (as at 31 December 2010: HK$1,693.1 million) with individual allocation detailed below:

Investment projects	**Unaudited At 30 June 2011** *HK$ million*	Audited At 31 December 2010 *HK$ million*
Winsway Coking Coal	**489.4**	684.3
CUP	**110.1**	110.1
SINOMA	**63.5**	63.5
Bai Nian De Cheng	**94.7**	94.7
Zqgame	**337.8**	498.7
China XD Electric	**120.3**	155.8
China New Material	**40.0**	40.0
BBMG	**230.8**	38.8
Others	**7.3**	7.2
	1,493.9	1,693.1

Winsway Coking Coal (Hong Kong: 1733)

The Company is interested in approximately 146.5 million shares in Winsway Coking Coal with six months lock up period ending on 10 April 2011. Based on the closing price of HK$3.34 per share as at 30 June 2011, the carrying value of the Winsway Coking Coal shares amounted to approximately HK$489.4 million with an estimated unrealised gain approximates to HK$165.3 million in aggregate. Compared with the balance as at 31 December 2010, the decrease in the carrying amount was due to the decrease in the market value of the Winsway Coking Coal shares.

Zqgame (Shenzhen: 300052)

The Group has a beneficial interest in approximately 11.7 million A shares of Zqgame. The Group's Zqgame A shares are subjected to a one-year lock-up period which was ended on 10 February 2011. As at 30 June 2011, based on a market price of RMB14.64 per share, the estimated unrealised gain approximates to HK$193.4 million in aggregate. Compared with the balance as at 31 December 2010, the decrease in the carrying amount was due to the decrease in the market value of the Zqgame A shares.

China XD Electric (Shanghai: 601179)

The Group is beneficially interested in approximately 16.0 million A shares of China XD Electric A shares. The Group's A share of China XD Electric are subjected to a one-year lock-up period which was automatically released upon its expiry on 27 January 2011. As at 30 June 2011, based on a market price of RMB6.1 per share, the estimated unrealised gain approximates to HK$61.1 million in aggregate. Compared with the balance as at 31 December 2010, the decrease in the carrying amount was due to the decrease in the market value of the China XD Electric A shares.

BBMG (Shanghai: 601992, Hong Kong: 2009)

The A share of BBMG was listed on the Shanghai Stock Exchange on 1 March 2011. The Group is beneficially interested in approximately 12.0 million A shares of BBMG A shares. The Group's A share of BBMG is subjected to a one-year lock-up period which will be released upon its expiry on 28 February 2012. As at 30 June 2011, based on a market price of RMB15.48 per share, the estimated unrealised gain approximates to HK$192.1 million in aggregate.

There is no significant change in the remaining strategic investments during the period.

GROWTH STRATEGIES

The Board has established a growth strategy for the Group by investing in or expanding its existing investments in coal, power and petrochemical projects for the purpose of extending the source of recurring income and expanding the magnitude of recurring earnings.

FINANCIAL REVIEW

Exchange Exposure & Hedging

The Group's principal assets, liabilities, revenue and payments are denominated in HKD and RMB. Moreover, the Board is capable of maintaining a net monetary asset position denominated in RMB for the Group. Therefore, the Board is confident that the Group's exposure to exchange rate fluctuations in respect of RMB will not have material adverse effect on the financial position of the Group in light of the continuous and mild appreciation of the RMB to HKD exchange rate. In addition, the Board does not anticipate that there is any material exchange exposure in respect of other currencies.

At the end of the reporting period, the Group has no material liability denominated in other foreign currencies other than RMB. There was also no hedging transaction contracted for by the Group during the current period.

Working Capital & Borrowings

As at 30 June 2011, the Group's total borrowings amounted to approximately HK$254.6 million in aggregate. The composition of borrowings is summarized below:

	HK$'m	*Percentage*
Short term borrowings	206.5	81%
Long term borrowings	48.1	19%
Total	254.6	100%

Interests for all borrowings were charged at floating rates ranging from 1.93% per annum to 6.98% per annum.

As at 30 June 2011, the Group's cash and bank balances was approximately HK$883.5 million in aggregate. The Group's net cash balance and net current assets were approximately HK$629.0 million and HK$2,314.6 million respectively. In view of the Group's strong working capital base and the relatively high level of net cash, the Board is confident that the Group has adequate working capital to meet daily operations and to finance future expansion. Moreover, the Group has a sound and strong financial position.

As at 30 June 2011, the Gearing Ratio (calculated as total borrowings over equity attributable to owners of the Company) and Current Ratio (calculated as current assets over current liabilities) of the Group were 3.5% (2010: 9.8%) and 3.8x (2010: 3.2x) respectively.

Investment properties

Increase in the carrying amount was due to the increase in fair values of investment properties. There were no material additions (other than costs incurred in renovating the East Gate Plaza) or disposals during the period.

Available-for-sale Investments

	Unaudited At 30 June 2011 ***HK$'000***	Audited At 31 December 2010 *HK$'000*
Carrying balances under non-current assets	**802,593**	1,038,604
Carrying balances under current assets	**691,355**	654,511
Total	**1,493,948**	1,693,115

The decrease in the aggregated carrying balances was mainly due to the decrease in market values of investments in Winsway Coking Coal and Zqgame which was partially compensated by the increase in market value of BBMG recognised upon its listing during the period.

Loan Receivables

	Unaudited At 30 June 2011 *HK$'000*	Audited At 31 December 2010 *HK$'000*
Carrying balances under non-current assets	—	295,858
Carrying balances under current assets	**470,728**	139,250
Total	**470,728**	435,108

These were loan made to certain independent borrowers for the purposes of utilising a portion of the Group's idle funds for better returns and increasing interest income in the prevailing low deposit rates era.

Deposits, prepayments and other receivables

Increase was mainly due to a deposit paid in respect of negotiations for a potential investment, the sale proceeds receivable from disposal of a subsidiary and short-term advances to business partners. A majority of these items were received after the reporting period.

Loan receivable with embedded derivative

The loan was exchanged into a certain number of listed securities upon exercise of the exchange right attached to the loan.

Bank Balances and Cash

The significant decrease in bank balances and cash was mainly due to repayment of bank loan and payment of 2010 final dividends during the period.

Accrued charges, rental deposits and other payables

The decrease was due to settlement of HK$110.4 million which was included in other payables as at 31 December 2010. The amount represented cash collected from the distressed assets of the Second Orient Portfolio by the Group on behalf of the other investors under the joint investment contracts. In addition, the Group also partially repaid HK$113.7 million short-term advance from a business partner which has an outstanding balance of HK$203.5 million as at 31 December 2010.

Capital Structure

As at 30 June 2011, the shareholders' fund of the Group was approximately HK$7,198.0 million with an increment of approximately 2.2% compared to that as at 31 December 2010.

During the current period, the Company paid approximately HK$230.5 million to shareholders of the Company as final dividends for the year ended 31 December 2010, which has an effect of reducing the overall capital.

On 6 April 2011, the Company issued 120,000,000 new shares at the price of HK$3.0 per share to independent investors and raised a net proceed of approximately HK$352.6 million for working capital, which has an effect of increasing the overall capital.

Human Resources

There is no material change in the number of employees during the first half year of 2011. The Group offers its employees competitive remuneration packages, which are consistent with the prevailing market practice. The Group's remuneration policies remain unchanged during the current period. Total staff costs for the current period was approximately HK$44.4 million (2010: HK$33.6 million). The reason for the increment was mainly due to annual salary adjustment and appointment of senior management.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim financial report.

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

On specific enquiries made, all directors have confirmed that, in respect of the accounting period covered by the interim financial report, they have complied with the required standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

The consolidated financial statements for the six months ended 30 June 2011 were unaudited but has been reviewed, accepted and approved by the Audit Committee on 26 August 2011.

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

CAPITAL COMMITMENTS

As at 30 June 2011, the Group did not have any material capital commitments.

EVENT AFTER THE REPORTING PERIOD

On 27 April 2011, the Group entered into a conditional subscription agreement, inter alia, to subscribe for 776,424,000 new shares in CGNPC Huamei Investment Limited ("CGNPC Huamei") at a cash consideration of HK$776,424,000 in aggregate. After completion, the Group will hold 29.41% equity interest in CGNPC Huamei and CGNPC Huamei will become an associate of the Group. The conditional subscription agreement and the transactions contemplated therein constituted a very substantial acquisition and connected transaction of the Company. On 20 July 2011, the conditional subscription agreement and the transactions contemplated therein were approved by independent shareholders of the Company at extraordinary general meeting. Completion of the conditional subscription agreement and the transactions contemplated therein took place on 25 July 2011.

On 16 August 2011, Fast Growing International Ltd. ("Fast Growing"), a wholly owned subsidiary of the Company entered into a conditional subscription agreement to subscribe for 24,390,244 new shares in China Smart Electric Group Limited ("China Smart"), representing 3.76% of the existing issued capital of China Smart at a total consideration of RMB40.0 million (equivalent to approximately HK$47.3 million). China Smart is principally engaged in the development, production and sale of power electronics, smart power grids and energy saving products. The Group will hold its interest in China Smart as a financial investment for the purpose of earning future capital gain.

CHANGE SINCE 31 DECEMBER 2010

Save as disclosed and updated in the Interim Financial Report 2011, there were no other significant changes in the Group's financial position and from the information disclosed under the Management Discussion and Analysis in the annual report for the year ended 31 December 2010.

INTERIM FINANCIAL REPORT

The Interim Financial Report 2011 will be dispatched to shareholders and published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.silvergrant.com.hk) in due course.

APPRECIATION

On behalf of the Board, 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.

By order of the Board of
Silver Grant International Industries Limited
Gao Jian Min
Managing Director

Hong Kong, 26 August 2011

As at the date of this announcement, the Board of the Company comprises Mr. Gao Jian Min (Managing Director), Mr. Liu Tianni (Deputy Managing Director), Mr. Gu Jianguo, Mr. Zhang Zhongqiu, Mr. Chow Kwok Wai and Mr. Li Xianli as executive directors, Mr. Chen Xiaozhou (Chairman), Mr. Hui Xiao Bing (Vice Chairman) and Mr. Yang Zhao (Vice Chairman) as non-executive directors and Mr. Kang Dian, Mr. Zhang Lu and Mr. Hung Muk Ming as independent non-executive directors.