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 2012

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 2012 as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012 (Unaudited)

		Six months ended 30 June	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
Property management fee income	*3*	**75,105**	55,030
Rental income	*3*	**14,568**	23,142
Sales of petrochemical products	*3*	**127,873**	—
		217,546	78,172
Cost of sales and services		**(199,489)**	(43,587)
		18,057	34,585
Dividend income from listed and unlisted securities	*3*	**5,811**	13,911
Other income, gains and losses	*4*	**109,452**	53,291
Change in fair value of held-for-trading investments		**7,792**	(60,074)
Change in fair value of available-for-sale investments		**(120,459)**	—
Gain on disposal of a subsidiary		**126,306**	—
Gain on disposal of available-for-sale investments		**144,306**	—
Administrative expenses		**(83,081)**	(64,590)
Reversal of revaluation deficit of leasehold properties		**—**	8,578
Change in fair value of investment properties		**59,305**	18,331
Change in fair value of structured finance securities		**337**	217
Change in fair value of financial assets at fair value through profit or loss		**—**	95,765
Finance costs	*5*	**(20,751)**	(9,615)
Share of results of associates		**(58,506)**	29,492
Share of results of jointly controlled entities		**(6,653)**	63,610
Profit before taxation		**181,916**	183,501
Taxation charge	*6*	**(32,356)**	(11,821)
Profit for the period	*7*	**149,560**	171,680
Attributable to:			
Owners of the Company		**111,706**	164,384
Non-controlling interests		**37,854**	7,296
		149,560	171,680
Earnings per share (in HK dollar)			
— Basic	*8*	**0.048**	0.073

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012 (Unaudited)

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Profit for the period	**149,560**	171,680
Other comprehensive income		
Fair value gain (loss) arising on revaluation of available-for-sale investments	**4,543**	(199,167)
Reclassification adjustment — transfer to profit or loss on disposal of available-for-sale investments	**(144,306)**	—
Gain arising on revaluation of leasehold properties	**20,630**	24,694
Income tax relating to components of other comprehensive income	**12,546**	(2,501)
Other comprehensive income for the period (net of tax)	**(106,587)**	(176,974)
Total comprehensive income for the period	**42,973**	(5,294)
Total comprehensive income attributable to:		
Owners of the Company	**50,299**	35,664
Non-controlling interests	**(7,326)**	(40,958)
	42,973	(5,294)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	**Unaudited At 30 June 2012 HK$'000**	Audited At 31 December 2011 HK$'000
ASSETS			
Non-current assets			
Investment properties		**2,938,241**	2,917,526
Property, plant and equipment		**803,040**	593,053
Land use right		**69,505**	70,328
Goodwill		**46,463**	46,463
Interest in associates		**1,445,273**	2,197,879
Interest in jointly controlled entities		**76,419**	83,072
Structured finance securities		**6,547**	6,210
Available-for-sale investments		**756,906**	727,801
Deposits paid for land use right		**35,727**	35,727
Loan receivable with embedded derivative		**776,000**	—
		6,954,121	6,678,059
Current assets			
Inventories		**79,359**	50,445
Investment in distressed assets through establishment of a special purpose vehicle		**6,092**	6,092
Held-for-trading investments		**79,508**	74,944
Trade receivables	*10*	**10,258**	12,594
Deposits, prepayments and other receivables		**130,255**	149,765
Amounts due from associates		**678,012**	758,809
Amount due from a jointly controlled entity		**33,523**	51,748
Loan receivables		**627,079**	109,646
Available-for-sale investments		**149,585**	313,254
Bank balances and cash		**1,016,693**	1,345,763
		2,810,364	2,873,060
Assets classified as held-for-sale		**132,545**	130,323
		2,942,909	3,003,383
TOTAL ASSETS		**9,897,030**	9,681,442

	Notes	Unaudited At 30 June 2012 HK$'000	Audited At 31 December 2011 HK$'000
EQUITY			
Capital and reserves			
Share capital		**460,970**	460,970
Reserves		**6,767,018**	6,831,961
Equity attributable to owners of the Company		**7,227,988**	7,292,931
Non-controlling interests		**496,583**	503,909
TOTAL EQUITY		**7,724,571**	7,796,840
LIABILITIES			
Non-current liabilities			
Borrowings		**524,797**	544,797
Deferred tax liabilities		**333,160**	335,312
		857,957	880,109
Current liabilities			
Trade payables	*11*	**137,622**	134,476
Accrued charges, rental deposits and other payables		**415,402**	340,928
Taxation payable		**29,655**	28,301
Borrowings		**540,539**	370,465
Bank overdrafts		**58,739**	—
		1,181,957	874,170
Liabilities associated with assets classified as held-for-sale		**132,545**	130,323
		1,314,502	1,004,493
TOTAL LIABILITIES		**2,172,459**	1,884,602
TOTAL EQUITY AND LIABILITIES		**9,897,030**	9,681,442
Net current assets		**1,628,407**	1,998,890
Total assets less current liabilities		**8,582,528**	8,676,949

NOTES:

1. BASIS OF PREPARATION

These condensed consolidated financial statements 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 on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). These condensed consolidated financial statements were unaudited and should be read in conjunction with the audited financial statements for the year ended 31 December 2011.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for properties and certain financial instruments, which are measured at fair values or revalued amounts, as appropriate.

Except as described below, the accounting policies applied in preparing the condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

HKFRS 7 (Amendments)	Financial Instruments: Disclosures — Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue is analysed as follows:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$000*
Property management fee income	**75,105**	55,030
Rental income	**14,568**	23,142
Dividend income from listed and unlisted securities	**5,811**	13,911
Sales of petrochemical products	**127,873**	—
	223,357	92,083

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, loan receivable with embedded derivative 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, represented by the executive directors, 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 reportable segments:

	Six months ended 30 June 2012						
	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	—	5,811	—	14,568	75,105	127,873	223,357
Results							
Segment (loss) profit	(24)	88,422	(30)	49,704	(2,109)	(27,913)	108,050
Other unallocated income, gains and losses							56,547
Gain on disposal of a subsidiary							126,306
Corporate expenses							(23,077)
Finance costs							(20,751)
Share of results of associates							(58,506)
Share of results of jointly controlled entities							(6,653)
Profit before taxation							181,916

	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

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Interest income		
— bank deposits	**5,307**	3,322
— associates	**19,246**	2,233
— loan receivables	**49,324**	27,889
— others	**3,864**	2,857
Imputed interest on consideration receivable from disposal of an associate	**—**	4,139
Consultancy income	**12,093**	9,320
Commission income	**2,002**	1,880
Management fee income	**16,036**	—
Net loss on disposal of property, plant and equipment	**(139)**	(16)
Net foreign exchange gain (loss)	**20**	(3,160)
Others	**1,699**	4,827
	109,452	53,291

5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**19,385**	8,303
Interest on other loans wholly repayable within five years	**1,366**	1,312
	20,751	9,615

6. TAXATION

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Taxation charge comprises:		
PRC Enterprise Income Tax — current tax	**18,778**	612
PRC Enterprise Income Tax — (over) underprovision in prior periods	**(1,120)**	1,206
	17,658	1,818
Deferred Taxation		
— current period	**14,698**	10,003
Taxation charge attributable to the Company and its subsidiaries	**32,356**	11,821

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries in Hong Kong incurred tax losses for the current and prior periods.

The taxation charge of the PRC Enterprise Income Tax for the current and prior periods have been made based on the Group's estimated assessable profits calculated 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.

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Auditor's remuneration	**1,150**	1,285
Release of land use right	**823**	—
Depreciation for property, plant and equipment	**21,993**	6,366
Operating lease rentals in respect of land and buildings	**1,302**	2,115
Staff costs including directors' remuneration and the retirement benefit costs of HK$5,705,000 (2011: HK$3,819,000)	**58,805**	44,413
Rental income under operating leases for investment properties, less outgoings of HK$197,000 (2011: HK$173,000)	**(15,263)**	(22,969)

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the period attributable to Owners of the Company)	**111,706**	164,384

	2012	2011
	In thousand	*In thousand*
Number of shares:		
Weighted average number of shares for the purpose of basic earnings per share	**2,304,850**	2,241,866

9. DIVIDEND

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Dividend recognised as distribution during the period:		
Final dividend of 2011, paid HK$0.05 (2011: Final dividend of 2010, paid HK$0.10) per share	**115,242**	230,485

The Board has resolved not to recommend payment of any interim dividend for the six months ended 30 June 2012 (2011: Nil).

10. TRADE RECEIVABLES

The Group allows a credit period of 30 to 60 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting periods:

	At 30 June 2012	At 31 December 2011
	HK$'000	*HK$'000*
0 to 30 days	**2,327**	2,750
31 to 90 days	**2,843**	3,492
91 to 180 days	**4,027**	3,515
181 to 360 days	**1,061**	2,837
	10,258	12,594

11. TRADE PAYABLES

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

	At 30 June 2012	At 31 December 2011
	HK$'000	*HK$'000*
0 to 30 days	**24,956**	37,592
31 to 90 days	**12,274**	11,951
91 to 180 days	**11,968**	5,914
181 to 360 days	**85,083**	9,876
Over 360 days	**3,341**	69,143
	137,622	134,476

REVIEW OF RESULTS

Profit attributable to Owners of the Company decreased by 32% to approximately HK$111.7 million (2011: HK$164.4 million). Basic earnings per share also decreased by 34% to approximately HK$0.048 (2011: HK$0.073).

The decrease was mainly attributable to the recognition of a significant fair value loss amounting to approximately HK$120.5 million in respect of an available-for-sale investment. The Company holds approximately 146.5 million shares in Winsway Coking Coal Holdings Limited ("Winsway Coking Coal"), which market closing price had dropped to a level significantly below the Company's carrying cost at the end of the balance sheet date.

In light of the recently depressed economy in Hong Kong and China, the directors anticipate that profit contribution from operating activities including that of associates and jointly controlled entities will decrease significantly. Therefore, the Group actively disposed of its available-for-sale investments and realized profit amounted to approximately HK$144.3 million for the purpose of mitigating the effect of decrease in profit contribution.

The one-time gain on disposal of a subsidiary in the current period represents the gain recognized upon the disposal of the Group's entire investment in the CGNPC Huamei Investment Limited ("CGNPC Huamei"). The gain had compensated the effect on profit drop caused by the 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 in the prior period. The amount in prior period was a gain recognised upon the exercise of the right attached to a loan to a third party which was exchanged into a particular number of shares of China Lumena New Materials Corp..

Share of results of associates changed from a profit position in the prior period to a loss position in the current period was due to share of losses of approximately HK$53.6 million and HK$26.3 million from CGNPC Huamei and Yang Quan Coal Industry (Group) Tiantai Investment Limited ("Yangquan Tiantai") respectively. The Group acquired CGNPC Huamei in the second half-year of 2011. CGNPC Huamei incurred loss due to heavy interest burden and exchange loss in respect of its huge bank loan denominated in RMB. Yangquan Tiantai incurred operating loss in the current period because it has not yet commenced mining operation and thus has no revenue to cover its overhead costs and operating expenses.

Share of results of jointly controlled entities also changed from a profit position in the prior period to a loss position in the current period and was due to the fact that Tai Zhou United East Petrochemical Company Limited ("TZ United East"), a principal jointly controlled entity, was reclassified and accounted for as a subsidiary in the second half-year of 2011 after the Group obtained control over the board of director of TZ United East. The operating results of TZ United East were consolidated into the Group's results. Due to the same reason, the Group recorded a new revenue of sales of petrochemical products and a significant increase in the cost of sales and services in the current period.

BUSINESS REVIEW & PROSPECTS

Property Investments, Development and Management

Rental income for the current period amounted to approximately HK$14.6 million (2011: HK$23.1 million). During the current period, 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.

Yangquan Tiantai

Up to 31 December 2011, Yangquan Tiantai has commenced or secured the acquisition of 30 coal mines. The coal mines will be consolidated into 12 larger coal mines with an annual production capacity ranging from 600,000 to 3,000,000 tons each. The total contract amount of in respect of the acquisition of the aforesaid coal mines is approximately HK$1,944.9 million, out of which approximately HK$1,491.4 million has been paid. The proven reserve of these coal mines and the designed annual production capacity controlled by Yangquan Tiantai is approximately 305,820,000 tons and 6,260,000 tons respectively.

The 12 larger coal mines are situated in Pingding, Ningwu, Yicheng and Puxian districts. The acquisition and consolidation of the 4 coal mines in Pingding and Ningwu were completed; whereas, the remaining 8 coal mines in Yicheng and Puxian are secured and pending the completion of the administration procedures by the local government.

During the current period, Yangquan Tiantai has concentrated its effort in the renovation and redevelopment works of the 4 coal mines. The renovation and redevelopment works is expected to be completed gradually by the end of the 2012 through 2013. 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.

Due to the fact that the coal mines of Yangquan Taintai have not yet commenced their productions and thus Yangquan Tiantai recorded an operating loss in the current period. The Group shared a loss amounting to approximately HK$26.3 million (2011: HK$1.6 million) from Yangquan Tiantai.

Petrochemical Products

TZ United East

The operating results of TZ United East are summarized below:

	2012	2011	Change
	HK$'m	*HK$'m*	*%*
Raw material processed	**17,300 tons**	59,600 tons	(71.0%)
Products sold	**14,800 tons**	60,200 tons	(75.4%)
Revenue	**127.9**	604.6	(78.8%)
Net (loss) profit	**(30.0)**	128.1	(123.4%)

In the prior period, the shortage in the supply of methyl ethyl ketone, which is the principal product of TZ United East, brought about by the 3.11 Japan earthquake had led to a surge in the selling prices of methyl ethyl ketone to a historical high of RMB20,000 per ton. Thus, TZ United East was able to reap an encouraging profit.

In the current period, the market situation was reversed. The persistently increase in crude oil prices has pushed up raw material prices and the cost of production where as the selling prices of methyl ethyl ketone continue to drop to a level of lower than RMB10,000 per ton in light of decrease in demand. As a result, TZ United East incurred operating loss in the current period.

Zhong Hai You Qi

The operating results of Zhong Hai You Qi (Tai Zhou) Petrochemical Company Limited ("Zhong Hai You Qi") are summarized below:

	2012	2011	Change
	HK$'m	*HK$'m*	*%*
Annual production capacity	**1,500,000 tons**	1,500,000 tons	N/A
Crude oil processed	**602,000 tons**	695,000 tons	(13.4%)
Revenue	**3,585.2**	3,432.5	4.4%
Net profit	**12.9**	66.5	(80.6%)
Profit contribution	**3.0**	15.3	(80.4%)

Due to the reason that international crude oil prices has increased significantly and the price-control on selling prices of fuel oil in Mainland China during the current period, the oil refinery sector was generally operating at a loss position. By adopting a differentiated product structure strategy, Zhong Hai You Qi was able to remain profitable in the first half-year of 2012. In the second half-year of 2012, it is expected that economic environment will be improved; Zhong Hai You Qi may further increase its profit magnitude.

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 2012, the carrying value of these strategic investments amounted to approximately HK$906.5 million in aggregate (31 December 2011: HK$1,041.1 million) with individual allocation detailed below:

	Unaudited At 30 June 2012 *HK$'m*	Audited At 31 December 2011 *HK$'m*
Investment projects		
Winsway Coking Coal	**203.7**	335.5
Zqgame	**109.6**	270.8
CUP	**114.6**	114.6
SINOMA	**63.5**	63.5
Bai Nian De Cheng	**98.6**	98.6
China New Material	**40.0**	40.0
JC International	**123.0**	—
West King	**61.0**	61.0
China Smart	**49.0**	49.0
KW	**37.9**	—
Others	**5.6**	8.1
	906.5	1,041.1

Winsway Coking Coal (Hong Kong: 1733)

The Company is interested in approximately 146.5 million shares in Winsway Coking Coal which is now freely tradable. Based on the closing price of HK$1.39 per share as at 30 June 2012, the carrying value of the Winsway Coking Coal shares amounted to approximately HK$203.7 million with an unrealized loss of approximately HK$120.5 million. Compared with the balance as at 31 December 2011, the decrease in the carrying amount was due to the drop in the market value of the Winsway Coking Coal shares.

Zqgame (Shenzhen: 300052)

The Group has a beneficially interest in approximately 10.5 million shares A share in Shenzhen Zhongqingbao Interaction Network Co., Ltd. ("Zqgame") as at 31 December 2011. The Group has disposed 10.0 million shares A share during the period and realized before tax profit of approximately HK$144.3 million. The Group is still holding a beneficially interest in approximately 4.5 million shares A share. As at 30 June 2012, based on a market closing price of RMB11.86 per share, the estimated unrealized gain before taxation approximates to HK$40.2 million in aggregate. Compared with the balance as at 31 December 2011, the decrease in the carrying amount was mainly due to the above disposal and the drop in the market value of the remaining A shares.

JC International

On 16 March 2012, the Group completed the acquisition of an indirect equity interest of 10% in Jiangxi Copper International Trading Co., Ltd. ("JC International") at a cash consideration of RMB100.0 million (equivalent to approximately HK$123.0 million). The principal business of JC International is engaged in the trading of copper on both the spot and future market.

KW

KW is a Germany based mechanical engineering company specialized in forging technology. KW is principally engaged in the manufacturing of casting moulds and the relevant production lines for the production of vehicle engines.

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

POWER & ENERGY

Meiya Power

In the third quarter of 2011, the Group acquired 29.41% equity interest in CGNPC Huamei at a cash consideration of approximately HK$776.4 million which is accounted for as an associate using the equity method. The sole investment of CGNPC Huamei is its wholly owned subsidiary Meiya Power Company Limited ("Meiya Power"). Meiya Power is a conglomerate engaged mainly in clean power operations. Meiya Power recorded a small post-acquisition after tax profit of approximately HK$9.8 million in 2011. Due to the fact that CGNPC Huamei financed a significant portion of its investment in Meiya Power by RMB denominated bank loans amounting to approximately HK$6,275.5 million, CGNPC Huamei incurred significant interest expenses, on a post-acquisition perspective, amounting to approximately HK$132.4 million. In addition, CGNPC Huamei also recognized a significant exchange loss, on a post-acquisition perspective, amounting to approximately HK$123.1 million on translating the RMB denominated bank loans at the year-end date. In this regard, the Group shared a post-acquisition loss of approximately HK$72.7 million in aggregate from CGNPC Huamei including Meiya Power for the year ended 31 December 2011.

In 2012, the Board was advised by CGNPC Huamei that China Guangdong Nuclear Power Holding Corporation intend to conduct business restructuring of CGNPC Huamei and shareholders of CGNPC Huamei are required to inject additional capital to CGNPC Huamei. Since the Group do not have additional budget to participate in the intended restructuring, the Group's interest in CGNPC Huamei will inevitably be significantly diluted to a level of less than 20%, and CGNPC Huamei will cease to be an associate of the Company. Accordingly, the Company will not equity account for its interest in CGNPC Huamei which will not contribute any consolidated profit to the Company. Hence, the Group negotiated CGNPC International Limited ("CGNPC International") and entered into a conditional agreement on 9 March 2012. Pursuant to the agreement, the Company will sell its entire 29.41% interest in CGNPC Huamei to CGNPC International at a cash consideration of HK$776.4 million. The Company also entered into a Memorandum of Undertaking with China Uranium Development Company Limited ("CUDC Limited") on 9 March 2012 and subsequently a formal subscription agreement on 23 March 2012 (the "Subscription Agreement"). Pursuant to the Subscription Agreement, the Company has conditionally agreed to subscribe for a five-year exchangeable bond with 5% coupon interest issued by CUDC Limited. The principal amount of the exchangeable bond is HK$776.0 million. The Company has option to, upon fulfillment of certain conditions, exchange a portion of or the entire principal amount of the exchangeable bond into shares of CGN Mining Company Limited ("CGN Mining") at HK$1.41 per share. CGN Mining is a company listed on the Stock Exchange and is a subsidiary of CUDC Limited. The Board believes that CGN Mining will eventually engage in businesses closely related to uranium resources. Uranium is a crucial fuel for nuclear power generation and the Board holds an optimistic view in the future development of nuclear power in the PRC.

In the opinion of the Board, as an investment, it is more appropriate to invest in the above exchangeable bond. The exchangeable bond is on one hand capable of generating recurring interest income at 5% per annum to the Group while on the other hand will have potential for sizeable capital gain.

Both of the aforesaid transactions are connected transactions of the Company and were subsequently approved by independent shareholders of the Company on 18 May 2012.

During the current period, the Group further shared loss of approximately HK$53.6 million in aggregate from CGNPC Huamei. Together with the loss of approximately HK$72.7 million recognised in 2011, the cumulative loss aggregated to approximately HK$126.3 million and was reversed and recognized a gain on disposal of a subsidiary in the current period.

GROWTH STRATEGIES

Going forward, the Group's growth strategy is to expand its existing investments in coal, power and petrochemical products for the purpose of extending the source of recurring income and expanding the magnitude of recurring earnings.

The Group has an intention to expand the business scale of the existing petrochemical projects by strengthening the utilization of raw materials, expanding the deeper processing of raw material, manufacturing of high market demand products and to extend the products line. Amongst which, TZ United East has intention to construct a 1.0 million tons per year heavy oil production facility, Zhong Hai You Qi has intention to expand its oil refinery capacity by 3.0 million tons per year and to construct a 600,000 tons per year 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.

FINANCIAL REVIEW

Exchange Exposure

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 2012, the Group's total borrowings amounted to approximately HK$1,124.1 million in aggregate. The composition of borrowings is summarized below:

	HK$'m	*Percentage*
Short term borrowings	599.3	53%
Long term borrowings	524.8	47%
Total	1,124.1	100%

Interests for all borrowings were charged at floating rates ranging from 2.3% per annum to 7.25% per annum.

As at 30 June 2012, the Group's cash and bank balances was approximately HK$1,016.7 million in aggregate. The Group had net borrowings of approximately HK$107.4 million. The Group had net current assets of approximately HK$1,628.4 million. As the amount of net current assets is significantly greater than the net borrowings, the Board is confident that the Group has adequate working capital to meet daily operations and to finance future expansion. Moreover, the Group's financial position is still at a good level.

As at 30 June 2012, the Gearing Ratio and Current Ratio of the Group were 15.6% (2011: 3.5%) and 2.2x (2011: 3.8x) respectively.

Property, plant and equipment

Increase was due to the completion and put into use of the newly constructed production equipment by TZ United East during the current period.

Interest in associates

Decrease was due to disposal of a principal associate CGNPC Huamei at a consideration of approximately HK$776.4 million.

Loan receivable with embedded derivative

It represented the investment in the five-year exchangeable bond with 5% coupon interest issued by CUDC Limited acquired during the current period.

Loan receivables

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 to increase interest income in the prevailing low deposit rates era.

The increase was due to the advancement of RMB250.0 million (equivalent to approximately HK$308.0 million) and RMB200.0 million (equivalent to approximately HK$246.4 million) on 9 January 2012 and 10 January 2012 respectively to an independent third party in accordance with a loan agreement dated 9 January 2012 (the "Loan"). The term of Loan is 8 months from drawdown date and it charges interest at the rate of 18% per annum.

Available-for-sale Investments

	Unaudited At 30 June 2012 *HK$'000*	Audited At 31 December 2011 *HK$'000*
Carrying balances under non-current assets	**756,906**	727,801
Carrying balances under current assets	**149,585**	313,254
Total	**906,491**	1,041,055

The decrease in the aggregated carrying balances was mainly due to the drop in market value of Winsway Coking Coal and the partial disposal of the Zqgame A shares.

Bank Balances and Cash

Decrease in bank balances and cash was mainly due to repayment of bank loan and payment of 2011 final dividend during the period.

Capital Structure

As at 30 June 2012, the shareholders' fund of the Group was approximately HK$7,228.0 million which is approximate to that as at 31 December 2011.

During the current period, the Company paid approximately HK$115.2 million to shareholders of the Company as final dividend for the year ended 31 December 2011, which has an effect of reducing the overall capital. The amount paid approximate to the level of profit for the current period rendering there is no material change in overall capital.

Human Resources

There is no material change in the number of employees during the first half-year of 2012. 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$58.8 million (2011: HK$44.4 million). The reason for the increment was mainly due to the effect of annual salary adjustment and the inclusion of the staff cost of TZ United East in the current period only.

CORPORATE GOVERNANCE

Except for the deviation specified below, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (newly effective from 1 April 2012) (the "Code") contained in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim results announcement:

Provision A.6.7 requires independent non-executive directors and other non-executive directors to attend general meetings and develop a balanced understanding of the views of shareholders. However, Mr. Hui Xiao Bing, a non-executive director, Mr. Kang Dian and Mr. Zhang Lu, the independent non-executive directors, were unable to attend the annual general meeting and the extraordinary general meeting of the Company held on 18 May 2012 due to the fact that they were out of town.

The Company has adopted codes of conduct regarding securities transactions by directors and by relevant employees (as defined in the Code) on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("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 results announcement, 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 condensed consolidated financial statements for the six months ended 30 June 2012 were unaudited but has been reviewed, accepted and approved by the Audit Committee of the Company on 24 August 2012.

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

CAPITAL COMMITMENTS

As at 30 June 2012, the Group did not have any material capital commitment.

CHANGE IN PROFILE OF DIRECTOR

Change in director's biographical details since the date of annual report 2011 of the Company which is required to be disclosed pursuant to Rule 13.51(2) and 13.51B(1) of the Listing Rules, is set out below:

Liu Tianni

Mr. Liu Tianni has been an executive director and chairman of Wonderful Sky Financial Group Holdings Limited (Stock code: 1260), which commenced listing on the Stock Exchange on 30 March 2012.

Wen Jinsong

With effect from 22 March 2012, Ms. Wen Jinsong was appointed as a director of CGNPC Uranium Resources Co., Ltd. which is a wholly owned subsidiary of China Guangdong Nuclear Power Holdings Co., Ltd..

CHANGE SINCE 31 DECEMBER 2011

Save as disclosed and updated in this announcement, there were no other significant changes in the Group's financial position and from the information disclosed under the Managing Director's Statement in the annual report for the year ended 31 December 2011.

INTERIM FINANCIAL REPORT

The Interim Financial Report 2012 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, 24 August 2012

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 Ms. Wen Jinsong as executive directors, Mr. Chen Xiaozhou (Chairman), Mr. Hui Xiao Bing (Vice Chairman) and Mr. Chen Qiming (Vice Chairman) as non-executive directors and Mr. Kang Dian, Mr. Zhang Lu and Mr. Hung Muk Ming as independent non-executive directors.