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 2013

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 2013 as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013 (Unaudited)

		Six months ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
Property management fee income	*3*	**90,018**	75,105
Rental income	*3*	**26,326**	14,568
Sales of petrochemical products	*3*	**33,782**	127,873
		150,126	217,546
Cost of sales and services		**(108,270)**	(199,489)
		41,856	18,057
Dividend income from listed and unlisted securities	*3*	**781**	5,811
Other income, gains and losses	*4*	**94,704**	109,452
Change in fair value of held-for-trading investments		**3,044**	7,792
Administrative expenses		**(97,344)**	(83,081)
Gain on disposal of available-for-sale investments		**119,403**	144,306
Impairment loss recognized on available-for-sale investments		**(126,010)**	(120,459)
Change in fair value of investment properties		**(46,249)**	59,305
Change in fair value of loan receivables with embedded derivative		**24,265**	—
Finance costs	*5*	**(19,604)**	(20,751)
Change in fair value of structured finance securities		**(264)**	337
Gain on disposal of a subsidiary		**—**	126,306
Share of results of associates		**(17,553)**	(58,506)
Share of result of a joint venture		**866**	(6,653)
(Loss) profit before taxation		**(22,105)**	181,916
Taxation credit (charge)	*6*	**37,463**	(32,356)
Profit for the period	*7*	**15,358**	149,560
Profit for the period attributable to:			
Owners of the Company		**21,496**	111,706
Non-controlling interests		**(6,138)**	37,854
		15,358	149,560
Earnings per share (in HK dollar)			
— Basic	*8*	**0.009**	0.048

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013 (Unaudited)

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Profit for the period	**15,358**	149,560
Other comprehensive income — reclassifiable to income statement when specific conditions are met		
Fair value gain arising on revaluation of available-for-sale investments	—	4,543
Reclassification adjustment — transfer to profit or loss on disposal of available-for-sale investments	—	(144,306)
Income tax relating to items that may be reclassifiable to income statement	—	15,402
	—	(124,361)
Other comprehensive income — not reclassifiable to income statement		
Gain arising on revaluation of leasehold properties	**10,761**	20,630
Income tax relating to items not reclassifiable to income statement	**(1,247)**	(2,856)
	9,514	17,774
Other comprehensive income for the period (net of tax)	**9,514**	(106,587)
Total comprehensive income for the period	**24,872**	42,973
Total comprehensive income attributable to:		
Owners of the Company	**31,010**	50,299
Non-controlling interests	**(6,138)**	(7,326)
	24,872	42,973

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	**Unaudited At 30 June 2013 HK$'000**	Audited At 31 December 2012 HK$'000
ASSETS			
Non-current assets			
Investment properties		**2,796,716**	2,955,920
Property, plant and equipment		**1,790,031**	1,249,130
Land use right		**218,971**	221,203
Goodwill		**46,463**	46,463
Interests in associates		**1,435,330**	1,457,381
Interest in a joint venture		**90,283**	89,417
Structured finance securities		**6,269**	6,533
Available-for-sale investments		**487,744**	699,574
Loan receivables		**679,120**	622,559
Loan receivables with embedded derivative		**721,642**	736,178
		8,272,569	8,084,358
Current assets			
Inventories		**61,264**	20,751
Investment in distressed assets through establishment of a special purpose vehicle		**6,403**	6,403
Held-for-trading investments		**289,079**	53,099
Trade receivables	*10*	**12,982**	8,344
Deposits, prepayments and other receivables		**407,391**	254,398
Amounts due from associates		**576,562**	511,445
Amount due from a joint venture		**—**	68,523
Loan receivables		**169,154**	238,806
Bank balances and cash		**859,338**	747,615
		2,382,173	1,909,384
Assets classified as held-for-sale		**126,370**	114,629
		2,508,543	2,024,013
TOTAL ASSETS		**10,781,112**	10,108,371

	Notes	Unaudited At 30 June 2013 *HK$'000*	Audited At 31 December 2012 *HK$'000*
EQUITY			
Capital and reserves			
Share capital		**460,970**	460,970
Reserves		**6,709,943**	6,794,175
Equity attributable to owners of the Company		**7,170,913**	7,255,145
Non-controlling interests		**403,703**	409,841
TOTAL EQUITY		**7,574,616**	7,664,986
LIABILITIES			
Non-current liabilities			
Borrowings		**1,225,274**	972,985
Deferred tax liabilities		**289,597**	331,343
		1,514,871	1,304,328
Current liabilities			
Trade payables	*11*	**125,297**	105,711
Accrued charges, rental deposits and other payables		**495,467**	467,242
Amount due to a joint venture		**8,840**	—
Borrowings		**923,704**	434,698
Taxation payable		**11,947**	16,777
		1,565,255	1,024,428
Liabilities associated with assets classified as held-for-sale		**126,370**	114,629
		1,691,625	1,139,057
TOTAL LIABILITIES		**3,206,496**	2,443,385
TOTAL EQUITY AND LIABILITIES		**10,781,112**	10,108,371
Net current assets		**816,918**	884,956
Total assets less current liabilities		**9,089,487**	8,969,314

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 2012.

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 2012.

In the current period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for preparation of the Group's condensed consolidated financial statements:

HKFRSs (Amendments)	Annual improvements to HKFRSs 2009 — 2011 cycle
HKFRS 7 (Amendments)	Disclosures — Offsetting financial assets and financial liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 1 (Amendments)	Presentation of items of other comprehensive income
HKAS 19 (Revised 2011)	Employee benefits
HKAS 27 (Revised 2011)	Separated financial statements
HKAS 28 (Revised 2011)	Investments in associates and joint ventures
HK(IFRIC) — INT 20	Stripping costs in the production phase of a surface mine

(a) Annual improvements to HKFRSs 2009 — 2011 cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Amongst them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the chief operating decision maker and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group.

(b) Amendments to HKFRS 7 Disclosures — Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognized financial instruments that are set off in accordance with HKAS 32 "Financial instrument: Presentation" and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

(c) HKFRS 10 Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) — Int 12 "Consolidation — Special purpose entities". HKFRS 10 introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

(d) HKFRS 11 Joint arrangements

HKFRS 11 replaces HKAS 31 "Interests in joint ventures" and HK(SIC) — Int 13 "Jointly controlled entities — Non-monetary contributions by venturers". HKFRS 11 divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognized on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity methods in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice. The adoption of HKFRS 11 does not have any material impact on the financial position and the financial result of the Group.

(e) HKFRS 12 Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in these interim financial statements as a result of adopting HKFRS 12.

(f) HKFRS 13 Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contain extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of HKFRS 13 does not have any material impact on the interim financial reports of the Group except for additional disclosures made in the interim financial report.

(g) HKAS 1 (Amendments) Presentation of items of other comprehensive income

The amendments to HKAS 1 "Presentation of items of other comprehensive income" requires entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

Other than as disclosed above, 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	
	2013	2012
	HK$'000	*HK$000*
Property management fee income	**90,018**	75,105
Rental income	**26,326**	14,568
Dividend income from listed and unlisted securities	**781**	5,811
Sales of petrochemical products	**33,782**	127,873
	150,907	223,357

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 receivables 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 executive directors of the Company, being the chief operating decision maker, in order to allocate resources to segments and to assess their performance. No operating segments were identified by the chief operating decision maker has been aggregated in arriving at the reportable segments of the Group.

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 2013						
	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	**—**	**781**	**—**	**26,326**	**90,018**	**33,782**	**150,907**
Results							
Segment (loss) profit	**(1)**	**57,428**	**(21)**	**(48,579)**	**3,092**	**(22,285)**	**(10,366)**
Other unallocated income, gains and losses							**56,577**
Corporate expenses							**(32,025)**
Finance costs							**(19,604)**
Share of results of associates							**(17,553)**
Share of result of a joint venture							**866**
Loss before taxation							**(22,105)**

	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
Corporate expenses							(23,077)
Finance costs							(20,751)
Gain on disposal of a subsidiary							126,306
Share of results of associates							(58,506)
Share of result of a joint venture							(6,653)
Profit before taxation							181,916

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Interest income		
— bank deposits	**2,680**	5,307
— amounts due from associates	**39,442**	19,246
— loan receivables	**37,384**	49,324
— others	**5,321**	3,864
Consultancy income	**156**	28,880
Commission income	**765**	2,002
Net loss on disposal of property, plant and equipment	**(12)**	(139)
Net foreign exchange gain	**1,824**	20
Others	**7,144**	948
	94,704	109,452

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**37,210**	19,385
Interest on other loans wholly repayable within five years	**9,840**	1,366
Total	**47,050**	20,751
Less: Amounts capitalized	**(27,446)**	—
	19,604	20,751

6. TAXATION CREDIT (CHARGE)

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Tax credit (charge) comprises:		
PRC Enterprise Income Tax — current tax	**(478)**	(18,778)
PRC Enterprise Income Tax — (under) overprovision in prior periods	**(5,052)**	1,120
	(5,530)	(17,658)
Deferred taxation		
— current period	**42,993**	(14,698)
Tax credit (charge) attributable to the Company and its subsidiaries	**37,463**	(32,356)

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the period.

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	
	2013	2012
	HK$'000	*HK$'000*
Auditor's remuneration	**1,150**	1,150
Cost of inventories recognized as an expense	**44,289**	144,119
Write back of allowance for inventories (included in cost of inventories recognized as expenses) *(Note)*	**—**	(2,973)
Release of land use right	**2,232**	823
Depreciation for property, plant and equipment	**21,793**	21,993
Operating lease rentals in respect of land and buildings	**162**	1,302
Staff costs including directors' and chief executive's remuneration	**59,966**	58,805
Rental income under operating leases for investment properties, less outgoings of HK$1,991,000 (2012: HK$197,000)	**(24,335)**	(14,371)

Note: During the period ended 30 June 2012, certain inventories previously provided for allowance were sold above cost and hence write back allowance for inventories of HK$2,973,000.

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	
	2013	2012
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**21,496**	111,706

	2013	2012
	In thousand	*In thousand*
Number of shares:		
Weighted average number of shares for the purpose of basic earnings per share	**2,304,850**	2,304,850

9. DIVIDEND

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Dividend recognised as distribution during the period:		
Final dividend of 2012, paid HK$0.05 (2012: Final dividend of 2011, paid HK$0.05) per share	**115,242**	115,242

The Board has resolved not to recommend payment of any interim dividend for the six months ended 30 June 2013 (2012: 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, which approximated the respective revenue recognition dates:

	At 30 June 2013	At 31 December 2012
	HK$'000	*HK$'000*
0 to 30 days	**2,851**	2,060
31 to 90 days	**4,345**	2,048
91 to 180 days	**5,003**	2,255
181 to 360 days	**783**	1,981
	12,982	8,344

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 2013	At 31 December 2012
	HK$'000	*HK$'000*
0 to 30 days	**40,043**	29,738
31 to 90 days	**9,921**	9,296
91 to 180 days	**11,911**	5,140
181 to 360 days	**49,166**	5,664
Over 360 days	**14,256**	55,873
	125,297	105,711

12. CAPITAL COMMITMENTS

	At 30 June 2013	At 31 December 2012
	HK$'000	*HK$'000*
Capital contribution to an associate	**23,322**	—
Capital contribution in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**801,989**	503,997
	825,311	503,997

REVIEW OF RESULTS

Profit for the period attributable to owners of the Company decreased by 81% to HK$21.5 million (2012: HK$111.7 million). Basic earnings per share also decreased by 81% to HK$0.009 (2012: HK$0.048).

The decrease was mainly attributable to the following three principal factors:

First of all, the Group recognized a significant impairment loss amounting to approximately HK$126.0 million in respect of an available-for-sale investments. 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 reporting period. To mitigate the anticipated drop in profit, the Group disposed certain available-for-sale investments and recognized profit of approximately HK$119.4 million which is represented by the gain on the disposal of 8 million shares of China UnionPay Company Limited ("CUP"). The amount in the prior period was mainly represented by the gain on the disposal of 10 million shares of Shenzhen Zhongqingbao Interaction Network Co., Ltd.

Secondly, in respect of the effect of the change in the fair value of the Group's investment properties, the Group recognized a loss of approximately HK$46.2 million in the current period whereas there was a gain of approximately HK$59.3 million recognized in the prior period. Net effect is to reduce profit by approximately HK$105.5 million.

Lastly, there was a one-time gain on disposal of a subsidiary amounting to approximately HK$126.3 million in the prior period representing the gain recognized upon the disposal of the Group's entire investment in the CGNPC Huamei Investment Limited ("CGNPC Huamei").

Sales of Petrochemical Product/Cost of Sales and Services

Sales of petrochemical products and cost of sales and services decreased significantly were mainly due to Tai Zhou United East Petrochemical Company Limited ("TZ United East") suspended its productions for approximately two and a half months during the period in light of thin profit margin and lack of demand in a sluggish economy.

Share of Results of Associates

Decrease in share of losses of associates was mainly due to the fact that the losses in the prior period include a loss of approximately HK$53.6 million attributable to the CGNPC Huamei. The Group's entire interest in the CGNPC Huamei was disposed in the prior period.

Taxation Credit

The taxation credit in the current period represents the written back amount of overprovision of deferred taxation of investment properties which, in turn, was due to drop in the fair value of investment properties and written back of deferred tax provision on income tax of properties sold.

BUSINESS REVIEW & PROSPECTS

Property Investments, Development and Management

Rental income for the current period amounted to approximately HK$26.3 million (2012: HK$14.6 million). Increase in rental income was mainly due to recovery in occupation rate following the completion of the renovation works in East Gate Plaza. However, the property leasing segment recorded a loss of approximately HK$48.6 million (2012: Profit of HK$49.7 million) for the current period. The main reason was revaluation of investment properties had generated a loss of approximately HK$46.2 million in the period whereas there was a profit of approximately HK$59.3 million in the prior period.

Property management fee income for the current period amounted to approximately HK$90.0 million (2012: HK$75.1 million), representing an increment of approximately 20%. Segment profit was approximately HK$3.1 million (2012: Loss of HK$2.1 million). The main reason was that Beijing Yinda Property Management Limited ("Yinda") concluded 3 new management projects by the end of 2012 and another 3 new management projects during the period. At the end of the reporting period, there were 26 projects (2012: 19 projects) under the management of Yinda, with managed gross floor area in excess of 4,000,000 square meters (2012: 3,000,000 square meters).

Natural Resources Venture

Yangquan Tiantai

In light of the currently nationwide pile up of coal inventories which has affected and caused coal prices to drop continuously to a level approximate to mining cost. For the purpose of minimizing operating costs, and to avoid the current situation of selling coals at a loss faced by many coal mines, Yang Quan Coal Industry (Group) Tiantai Investment Co., Limited ("Yangquan Tiantai") has deliberately slow down the construction and redevelopment works of its coal mines during the period. Despite this, Yangquan Tiantai still incurred an operating loss in the current period. The Group shared a loss amounting to approximately HK$40.0 million (2012: HK$26.3 million) from Yangquan Tiantai.

Petrochemical Products

TZ United East

The operating results of TZ United East are summarized below:

	2013	2012	Changes
	Tons	*Tons*	%
Raw material processed	**8,860**	17,300	(49%)
Products sold	**4,900**	14,800	(67%)
			Changes
	HK$'m	*HK$'m*	%
Revenue	**33.8**	127.9	(74%)
Net loss	**(24.9)**	(30.0)	(17%)

Commencing 1 January 2013, the enactment of the sales tax policy has brought a majority of the raw material for the production of petrochemical products into the new tax bracket. Besides, the persistently sluggish economy pressed demand and also push down selling prices. The selling price of methyl ethyl ketone has dropped continuously from the level of RMB10,000 per ton at the end of 2012 to a level of RMB8,000 per ton by the end of June 2013, which is very close to the cost of production and has seriously affected the profitability of petrochemical producers. Moreover, 中石化陽子石化公司 had changed its crude oil processing mechanism and ceased to supply TZ United East the principal raw material C4 for methyl ethyl ketone production. TZ United East need to source C4 from other suppliers at high prices, which raised cost of production further. In this regard, TZ United East deliberately chose to suspend production for a period of approximately two and a half months in aggregate. As a result, TZ United East recorded operating loss for the current period.

In order to secure a stable supply of C4, TZ United East has commenced its construction of 1,000,000 ton per year heavy oil production facility (named the "Binjiang Project") and has concentrated its effort in pushing the construction progress during the period. It is expected that the "Binjiang Project" will step into the test-running stage in the fourth quarter of 2013 and will commence full production by the end of the second quarter of 2014. The "Binjiang Project" is capable of producing more than 200,000 ton C4 per year and will fundamentally solve the raw material sourcing problem of methyl ethyl ketone production. It will restore and even strengthen the market competitiveness of methyl ethyl ketone products.

Zhong Hai You Qi

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

	2013	2012	Changes
	Tons	*Tons*	*%*
Annual production capacity	**1,500,000**	1,500,000	N/A
Crude oil processed	**576,900**	602,000	(4%)
			Changes
	HK$'m	*HK$'m*	*%*
Revenue	**2,979.5**	3,585.2	(17%)
Net profit	**54.6**	12.9	323%
Profit contribution	**12.6**	3.0	320%

During the period, international crude oil prices were trading at US$80-98 per barrel, which is less than that of US$90-105 per barrel in the prior period rendering rooms of profitability to Zhong Hai You Qi. In addition, Zhong Hai You Qi had benefited from its differentiated product structure strategy and achieved improvement in operating results. If there is no significant increase in crude oil prices, it is expected the profit of Zhong Hai You Qi will be increased further.

Financial Investments

The carrying values of the Group's strategic investments as at 30 June 2013 amounted to approximately HK$487.7 million in aggregate (31 December 2012: HK$699.6 million) with individual allocation detailed below:

	Unaudited At 30 June 2013 *HK$'m*	Audited At 31 December 2012 *HK$'m*
Investment projects		
Winsway Coking Coal	**64.5**	190.5
CUP	**56.0**	115.7
SINOMA	**63.5**	63.5
Bai Nian De Cheng	**73.4**	99.5
JC International	**124.6**	124.6
West King	**62.2**	62.2
KW	**37.9**	37.9
Others	**5.6**	5.7
	487.7	699.6

Winsway Coking Coal (Hong Kong: 1733)

The Company is interested in approximately 146.5 million shares in Winsway Coking Coal. Based on the closing price of HK$0.44 per share as at 30 June 2013, the carrying value of the Winsway Coking Coal shares amounted to approximately HK$64.5 million with an impairment loss of approximately HK$126.0 million. Compared with the balance as at 31 December 2012, the decrease in the carrying amount was due to the decrease in the market value of the Winsway Coking Coal shares.

CUP

CUP is the largest bank card association and credit card issuers in the Mainland China having a very bright business prospect. The Group held investment of RMB93.0 million (equivalent to HK$115.7 million) in CUP (and was beneficially interested in approximately 15.5 million shares) as at 31 December 2012. During the period, the Group disposed 8.0 million shares in CUP and realized a profit of approximately HK$119.4 million. Compared with the balance as at 31 December 2012, the decrease in the carrying amount was due to the above disposal.

Bai Nian De Cheng

During the period, Bai Nian De Cheng redeemed a portion of the fund units held by the Group at cost amounting to RMB21.0 million in aggregate (equivalent to approximately HK$26.1 million). The decrease in the carrying amount was due to the above redemption.

China New Material (Zhongpu) Holdings Limited

During the period, the Company has been actively negotiating the re-investment proposal in China New Material (Zhongpu) Holdings Limited ("China New Material"), whose exchangeable notes were redeemed in full by the controlling shareholder of China New Material in November 2012.

Save for the above, there is no significant change in the remaining strategic investments during the period.

GROWTH STRATEGIES & PROSPECT

To expand its existing investments in coal, power and petrochemical products remain the growth strategy of the Group. The Board believes that this growth strategy will eventually bring in extension in the source of recurring income and expansion in the magnitude of recurring earnings.

The United States' economy has been broadly on course of sustainable recovery which will result in a gradual termination of the quantitative easing policies later this year or early next year. Inevitably, the global financial markets will be affected and damp the still fragile economic recovery momentum in other part of the world outside of the United States.

In the Mainland China, the sluggish world economy has severely affected the export-related sectors. To warrant a sustainable growth, the policy emphasis of the State Council for the time being is to boost domestic consumption through urbanization. This is only a little help to the Group's core businesses.

In short term, the Group's operations and results will inevitably face a period of difficult times. On one hand, the Board does not anticipate that the Group's financial investments will have unexpected performance in the near future. On the other hand, the nationwide pile up of coal inventories in the coal sector has caused a continuous drop in coal prices to a level approximate to the cost of production. Many coal mines are even operating at loss. The Board is figuring out appropriate actions to tackle these problems.

In the medium to long term, the Board believes that the Group will be rewarded with higher returns in the future by keep investing in bad times.

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 2013, the Group's total borrowings amounted to approximately HK$2,149.0 million in aggregate. The composition of borrowings is summarized below:

	HK$'m	*Percentage*
Long term borrowings	1,225.3	57%
Short term borrowings	923.7	43%
Total	2,149.0	100%

Interests for all borrowings were charged at floating rates ranging from 2.21% per annum to 7.53 % per annum.

As at 30 June 2013, the Group's cash and bank balances was approximately HK$859.3 million in aggregate. The Group had net borrowings of approximately HK$1,289.7 million. The Group had net current assets of approximately HK$1,740.6 million (not including borrowings amounting to HK$923.7 million). Moreover, after the date of the end of reporting period and before the date of this interim report, the Group has received the proceeds on disposal of available-for-sale investments and held-for-trading investments amounting to approximately HK$409.0 million in aggregate. Based on the foregoing, 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 2013, the Gearing Ratio and Current Ratio of the Group were 30.0% (2012: 15.6%) and 1.5x (2012: 2.2x) respectively.

Changes in Items on Statement of Financial Position

Investment Properties

Decrease was due to drop in fair value at the end of the reporting period and the reclassification of certain investment properties as assets classified as held-for-sale and pending disposal completion at the end of the report period.

Property, Plant and Equipment

Increase was due to the additions of construction in progress by TZ United East during the current period.

Available-for-sale Investments

The decrease in the aggregated carrying balances was mainly due to the decrease in market value of Winsway Coking Coal and the partial disposal of the CUP shares amounting to approximately HK$126.0 million and HK$59.7 million respectively.

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.

	Unaudited At 30 June 2013 *HK$'000*	Audited At 31 December 2012 *HK$'000*
Carrying balances under non-current assets	**679,120**	622,559
Carrying balances under current assets	**169,154**	238,806
Total	**848,274**	861,365

Held-for-trading Investments

Increase was a result of the increase in securities trading activities during the period.

Deposit, Prepayments and Other Receivables

Increase was mainly due to the proceeds receivable in respect of the partial disposal of available-for-sale investments (i.e. the CUP shares). The receivable was fully settled after the period ended date.

Borrowings

Total borrowings as at 30 June 2013 are:

	Unaudited At 30 June 2013 *HK$'000*	Audited At 31 December 2012 *HK$'000*
Carrying balances under non-current liabilities	**1,225,274**	972,985
Carrying balances under current liabilities	**923,704**	434,698
Total	**2,148,978**	1,407,683

Increase in total borrowings was mainly due to utilization of Hong Kong dollars denominated banking facilities by the Company to pay dividends, securities trading activities and building loans raised by TZ United East in the construction of its "Binjiang Project".

Bank Balances and Cash

Increase in bank balances and cash was mainly due to drawdown of bank loans by TZ United East by the period ended date.

Capital Structure

As at 30 June 2013, the shareholders' fund of the Group was approximately HK$7,170.9 million and is HK$84.2 million less than that as at 31 December 2012. The decrease was mainly due to payment of 2012 final dividends amounting to approximately HK$115.2 million during the period.

Human Resources

There is no material change in the number of employees during the first half year of 2013. The Group offers its employees competitive remuneration packages, which are consistent with the prevailing market practices. The Group's remuneration policies remain unchanged during the current period. Total staff costs for the current period was approximately HK$60.0 million (2012: HK$58.8 million). The reason for the increment was mainly due to the effect of annual salary adjustment.

CORPORATE GOVERNANCE

Except for the deviation specified below, the Company has complied with all code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the accounting period covered by the interim financial report:

Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Mr. Chen Xiaozhou, the Chairman of the Board had an urgent business appointment and did not attend the annual general meeting of the Company held on 20 May 2013. The Chairman will endeavor to attend all future annual general meeting of the Company unless unexpected or special circumstances preventing him from doing so.

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 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 condensed consolidated financial statements for the six months ended 30 June 2013 were unaudited but has been reviewed and approved by the Audit Committee on 26 August 2013.

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

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

CHANGE SINCE 31 DECEMBER 2012

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 2012.

INTERIM FINANCIAL REPORT

The Interim Financial Report 2013 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 2013

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) and Mr. Gu Jianguo 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.