# 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 2014

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 2014 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2014 (Unaudited)*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2014** | 2013 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Property management fee income | *3* | **87,968** | 90,018 |
| Rental income | *3* | **34,197** | 26,326 |
| Sales of petrochemical products | *3* | **82,066** | 33,782 |
| | | **204,231** | 150,126 |
| Cost of sales and services | | **(145,099)** | (108,270) |
| | | **59,132** | 41,856 |
| Dividend income from listed and unlisted securities | *3* | **27** | 781 |
| Other income, gains and losses | *4* | **101,422** | 94,704 |
| Change in fair value of held-for-trading investments | | **2,044** | 3,044 |
| Administrative expenses | | **(115,902)** | (97,344) |
| Gain on disposal of available-for-sale investments | | **6,394** | 119,403 |
| Impairment loss recognised on available-for-sale investments | | **(12,493)** | (126,010) |
| Change in fair value of investment properties | | **32,079** | (46,249) |
| Change in fair value of loan receivable with embedded derivative | | **42,823** | 24,265 |
| Finance costs | *5* | **(19,172)** | (19,604) |
| Change in fair value of structured finance securities | | **274** | (264) |
| Share of results of associates | | **(40,497)** | (17,553) |
| Share of result of a joint venture | | **—** | 866 |
| Profit (loss) before taxation | | **56,131** | (22,105) |
| Taxation (charge) credit | *6* | **(5,903)** | 37,463 |
| Profit for the period | *7* | **50,228** | 15,358 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | **50,519** | 21,496 |
| Non-controlling interests | | **(291)** | (6,138) |
| | | **50,228** | 15,358 |
| Earnings per share (in HK dollar) | | | |
| — Basic | *8* | **0.022** | 0.009 |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2014 (Unaudited)*

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Profit for the period | **50,228** | 15,358 |
| **Other comprehensive income** | | |
| *Items that will not be reclassified to profit or loss:* | | |
| Gain arising on revaluation of leasehold properties | **5,997** | 10,761 |
| Exchange differences arising on translation | **3,357** | — |
| Income tax related to items that will not be reclassified | **(356)** | (1,247) |
| | **8,998** | 9,514 |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Fair value loss arising on revaluation of available-for-sale investments | **(7,326)** | — |
| Share of other comprehensive income of associates | **877** | — |
| | **(6,449)** | — |
| Other comprehensive income for the period (net of tax) | **2,549** | 9,514 |
| Total comprehensive income for the period | **52,777** | 24,872 |
| Total comprehensive income attributable to: | | |
| Owners of the Company | **50,627** | 31,010 |
| Non-controlling interests | **2,150** | (6,138) |
| | **52,777** | 24,872 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2014*

| | Notes | **Unaudited At 30 June 2014 HK$'000** | Audited At 31 December 2013 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment properties | | **2,803,737** | 2,805,540 |
| Property, plant and equipment | | **2,732,381** | 2,276,887 |
| Land use rights | | **220,540** | 222,835 |
| Goodwill | | **46,463** | 46,463 |
| Interests in associates | | **1,459,300** | 1,458,534 |
| Structured finance securities | | **6,426** | 6,152 |
| Available-for-sale investments | | **402,739** | 480,103 |
| Loan receivables | | **127,877** | 127,877 |
| Loan receivable with embedded derivative | | **724,843** | 720,820 |
| Deposit paid for acquisition of property, plant and equipment | | — | 91,722 |
| | | **8,524,306** | 8,236,933 |
| **Current assets** | | | |
| Inventories | | **2,566** | 20,586 |
| Loan receivable with embedded derivative | | **9,714** | — |
| Held-for-trading investments | | **96,367** | 19,845 |
| Trade receivables | *10* | **28,290** | 12,612 |
| Deposits, prepayments and other receivables | | **390,385** | 467,838 |
| Amounts due from associates | | **637,942** | 612,264 |
| Loan receivables | | **930,233** | 843,340 |
| Pledged bank deposits | | — | 82,309 |
| Bank balances and cash | | **934,706** | 669,760 |
| | | **3,030,203** | 2,728,554 |
| Assets classified as held-for-sale | | **100,893** | 138,930 |
| | | **3,131,096** | 2,867,484 |
| **TOTAL ASSETS** | | **11,655,402** | 11,104,417 |

| | Notes | **Unaudited At 30 June 2014** *HK$'000* | Audited At 31 December 2013 *HK$'000* |
|---|---|---|---|
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | | **460,970** | 460,970 |
| Reserves | | **6,872,898** | 6,937,515 |
| Equity attributable to Owners of the Company | | **7,333,868** | 7,398,485 |
| Non-controlling interests | | **449,348** | 449,898 |
| **TOTAL EQUITY** | | **7,783,216** | 7,848,383 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **1,843,223** | 1,179,897 |
| Deferred tax liabilities | | **285,615** | 281,319 |
| | | **2,128,838** | 1,461,216 |
| **Current liabilities** | | | |
| Trade payables | *11* | **113,007** | 93,290 |
| Accrued charges, rental deposits and other payables | | **666,164** | 728,024 |
| Borrowings | | **850,995** | 808,728 |
| Taxation payable | | **12,289** | 25,846 |
| | | **1,642,455** | 1,655,888 |
| Liabilities associated with assets classified as held-for-sale | | **100,893** | 138,930 |
| | | **1,743,348** | 1,794,818 |
| **TOTAL LIABILITIES** | | **3,872,186** | 3,256,034 |
| **TOTAL EQUITY AND LIABILITIES** | | **11,655,402** | 11,104,417 |
| **Net current assets** | | **1,387,748** | 1,072,666 |
| **Total assets less current liabilities** | | **9,912,054** | 9,309,599 |

*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 2013.

## 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 2013.

In the current period, the Group has applied the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA for the first time.

| | |
|---|---|
| Amendments to HKFRS10, HKFRS 12 and HKAS 27 | Investment entities |
| Amendments to HKAS 32 | Offsetting financial assets and financial liabilities |
| Amendments to HKAS 36 | Recoverable amount disclosure for non-financial assets |
| Amendments to HKAS 39 | Novation of derivatives and continuation of hedge accounting |
| HK(IFRIC) — INT 21 | Levies |

The application of the new and revised HKFRSs has no material impact on the Group's financial performance and positions for the current period and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 3. REVENUE AND SEGMENT INFORMATION

Revenue is analysed as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$000* |
| Property management fee income | **87,968** | 90,018 |
| Rental income | **34,197** | 26,326 |
| Dividend income from listed and unlisted securities | **27** | 781 |
| Sales of petrochemical products | **82,066** | 33,782 |
| | **204,258** | 150,907 |

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 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 and reportable segments:

| | Six months ended 30 June 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Distressed assets business | Investments | Sales of properties | Property leasing | Property management | Production and trading of petrochemical products | Consolidated |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue | — | 27 | — | 34,197 | 87,968 | 82,066 | 204,258 |
| Results | | | | | | | |
| Segment (loss) profit | (3) | 75,132 | (23) | 35,056 | (1,661) | (21,292) | 87,209 |
| Other unallocated income, gains and losses | | | | | | | 53,500 |
| Corporate expenses | | | | | | | (24,909) |
| Finance costs | | | | | | | (19,172) |
| Share of results of associates | | | | | | | (40,497) |
| Profit before taxation | | | | | | | 56,131 |

| | 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) |

## 4. OTHER INCOME, GAINS AND LOSSES

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Interest income | | |
| — bank deposits | **3,981** | 2,680 |
| — amount due from an associate | **42,957** | 39,442 |
| — loan receivables | **46,678** | 37,384 |
| — others | **3,415** | 5,321 |
| Consultancy income | **—** | 156 |
| Commission income | **1,390** | 765 |
| Net foreign exchange gain | **2,756** | 1,824 |
| Net loss on disposal of property, plant and equipment | **(146)** | (12) |
| Others | **391** | 7,144 |
| | **101,422** | 94,704 |

## 5. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans wholly repayable within five years | **60,109** | 37,210 |
| Interest on other loans wholly repayable within five years | **10,803** | 9,840 |
| Total | **70,912** | 47,050 |
| *Less:* Amounts capitalised in the cost of qualifying assets | **(51,740)** | (27,446) |
| | **19,172** | 19,604 |

Borrowing costs capitalised during the period are specifically related to expenditure on qualifying assets.

## 6. TAXATION (CHARGE) CREDIT

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| **Tax charge comprises:** | | |
| PRC Enterprise Income Tax — current tax | **(643)** | (478) |
| PRC Enterprise Income Tax — underprovision in prior periods | **(1,321)** | (5,052) |
| | **(1,964)** | (5,530) |
| **Deferred taxation:** | | |
| — current period | **(3,939)** | 42,993 |
| Taxation (charge) credit attributable to the Company and its subsidiaries | **(5,903)** | 37,463 |

Hong Kong Profits Tax is calculated at 16.5% (2013: 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 | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Auditor's remuneration | **2,030** | 1,150 |
| Cost of inventories recognised as an expense | **79,091** | 44,289 |
| Depreciation for property, plant and equipment | **21,699** | 21,793 |
| Release of land use rights | **2,295** | 2,232 |
| Operating lease rentals in respect of land and buildings | **87** | 162 |
| Staff costs including directors' and chief executive's remuneration | **60,969** | 59,966 |
| Rental income under operating leases for investment properties, less outgoings of HK$1,302,000 (2013: HK$1,991,000) | **(32,895)** | (24,335) |

## 8. 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 | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| **Earnings:** | | |
| Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company) | **50,519** | 21,496 |

| | **2014** | 2013 |
|---|---|---|
| | ***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 |

The Company has no potential ordinary shares for the six months ended 30 June 2014 and 2013.

## 9. DIVIDEND

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Dividend recognised as distribution during the period: | | |
| Final dividend of 2013, payable HK$0.05 (2013: Final dividend of 2012, 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 2014 (2013: 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 dates at the end of the reporting period, which approximated the respective revenue recognition dates:

| | **At 30 June 2014** *HK$'000* | At 31 December 2013 *HK$'000* |
|---|---|---|
| 0 to 30 days | **3,719** | 3,499 |
| 31 to 90 days | **10,283** | 3,595 |
| 91 to 180 days | **13,119** | 2,857 |
| 181 to 360 days | **1,169** | 2,661 |
| | **28,290** | 12,612 |

## 11. TRADE PAYABLES

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

| | **At 30 June 2014** *HK$'000* | At 31 December 2013 *HK$'000* |
|---|---|---|
| 0 to 30 days | **27,832** | 43,603 |
| 31 to 90 days | **12,535** | 6,898 |
| 91 to 180 days | **11,728** | 5,435 |
| 181 to 360 days | **47,094** | 17,232 |
| Over 360 days | **13,818** | 20,122 |
| | **113,007** | 93,290 |

## 12. CAPITAL COMMITMENTS

| | **At 30 June 2014** *HK$'000* | At 31 December 2013 *HK$'000* |
|---|---|---|
| Capital commitments in respect of the acquisition of property, plant and equipment | | |
| — contracted for but not provided in the consolidated financial statements | **357,280** | 821,866 |
| — authorised but not contracted for | **—** | 313,299 |

## REVIEW OF RESULTS

Profit for the period attributable to owners of the Company increased by 135% to approximately HK$50.5 million (2013: HK$21.5 million). Basic earnings per share also increased by 144% to approximately HK$0.022 (2013: HK$0.009).

Factors leading to the significant increase in profit was two folded. On one hand, the relatively small base profit of the corresponding period in 2013 magnified the magnitude of increment in the current period. On the other hand, there was no significant impairment loss being recognised in the current period thus enabling the Group's profit to be maintained at normal level. Regarding available-for-sale investments, an impairment loss of approximately HK$12.5 million was recorded in the current period, which was much less than that of approximately HK$126.0 million recognised in the previous period.

In the previous period, the Group actively disposed certain available-for-sale investments to realise profit amounting to approximately HK$119.4 million for the purpose of mitigating the effect of anticipated drop in profit. There was only minimal relevant gain amounting to approximately HK$6.4 million realised in the current period. The effect was to decrease profit by approximately HK$113.0 million which was more or less compensated by the increase in the fair value gain attributable to investment properties. In respect of investment properties, the Group recognised a fair value gain of approximately HK$32.1 million in the current period. Compared to a fair value loss of approximately HK$46.2 million in the previous period, net effect is to increase profit by approximately HK$78.3 million.

### Sales of Petrochemical Products/Cost of Sales and Services

Both increase in sales of petrochemical products and cost of sales and services were mainly attributable to Tai Zhou United East Petrochemical Company Limited ("TZ United East"). TZ United East suspended its productions for approximately two and a half months in the previous period in light of thin profit margin and lack of demand in a sluggish economy, which has resulted in an insignificant amount of sales of petrochemical products and the related cost of sales in the previous period. Productions of TZ United East were also suspended during the current period pending the completion of the construction of the new facility. Sales of petrochemical products and the related costs of sales in the current period represent the sales of previously contracted raw materials at a thin margin.

### Share of Results of Associates

Increase in share of losses of associates was mainly attributable to the turning from profit to loss of both associates Beijing East Bay Investment Consultancy Company Limited ("East Bay") and Cinda Jianrun Property Company Limited ("Cinda Jianrun"). The Group shared a loss of approximately HK$10.4 million from East Bay during the period whereas there was a profit of approximately HK$1.4 million in the previous period due to the written off of certain bad debts in the current period. The Group also shared a loss of approximately HK$12.8 million from Cinda Jianrun during the period whereas there was a profit of approximately HK$3.0 million in the previous period due to the fact that Cinda Jianrun's interest expenses was larger than interest income during the period.

### Administrative expenses

Administrative expenses increased by approximately HK$18.6 million, representing an increment of approximately 19%. The increase was mainly attributable to increase in depreciation amounting to approximately HK$14.0 million which in turn was a direct result of increase in property, plant and equipment of TZ United East.

## BUSINESS REVIEW & PROSPECTS

### Property Investments, Development and Management

Rental income for the current period amounted to approximately HK$34.2 million (2013: HK$26.3 million), increased by approximately 30%. Increase in rental income was mainly due to recovery in occupation rate following the completion of the renovation works in East Gate Plaza. The property leasing segment recorded a profit of approximately HK$35.1 million (2013: loss of HK$48.6 million) for the current period. The main reason was revaluation of investment properties had generated a gain of approximately HK$32.1 million in the current period whereas there was a loss of approximately HK$46.2 million in the prior period.

Property management fee income for the current period amounted to approximately HK$88.0 million (2013: HK$90.0 million), decreased slightly by 2% and remain pretty stable for both periods. Segment loss was approximately HK$1.7 million (2013: profit of HK$3.1 million). The main reason was Beijing Yinda Property Management Limited ("Yinda") has solicited a management contract of the canteen of a bank and thus had incurred various preliminary expenses during the period. At the end of the reporting period, there were 26 projects (2013: 26 projects) under the management of Yinda with managed gross floor area in excess of 4,000,000 square meters (2013: 4,000,000 square meters).

### Natural Resources Venture

#### *Yangquan Tiantai*

Coal inventory starts to pile up on a nationwide scale since 2013 and there is no sign of improvement up till now. Huge inventory pile up had 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") maintained its strategy of 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$36.9 million (2013: HK$40.0 million) from Yangquan Tiantai.

To tackle the problem of Yangquan Tiantai being a continuous loss burden on the Group's results, the Board is negotiating for a possible restructuring of Yangquan Tiantai, which may include a probable disposal of the Group's interest either partially or entirely in Yangquan Tiantai.

**Petrochemical Products**

**TZ United East**

The operating results of TZ United East are summarized below:

| | **2014** | 2013 | Changes |
|---|---|---|---|
| | ***Tons*** | *Tons* | *%* |
| Raw materials processed | — | 8,860 | (100%) |
| Raw materials/Products sold | **10,100** | 4,900 | 106% |
| | | | Changes |
| | ***HK$'m*** | *HK$'m* | *%* |
| Revenue | **82.1** | 33.8 | 143% |
| Net loss | **(18.4)** | (24.9) | (26%) |

During the period, TZ United East has principally concentrated its efforts in completing the construction of the 1,000,000 tons per year heavy oil production facility (named the "Binjiang Project") for the purpose of securing a stable supply of C4 to satisfy its own production consumption. The production activities was basically suspended during the period. Accordingly, raw material processed and products sold during the period were insignificant. Revenue for the period represents revenue received from the direct selling of the raw materials acquired through previously contracted supply contracts. As the margin from direct selling of raw materials is limited which is not capable of covering all the operating expense during the period. Therefore, TZ United East incurred a net loss during the period.

It is expected the Binjiang Project will commence test and/or full production by the end of the fourth quarter of 2014. The Binjiang Project is capable of producing more than 200,000 tons 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.

To satisfy the funding needs of TZ United East, the Group has made a capital injection of RMB200.0 million (equivalent to approximately HK$252.4 million) to TZ United East unilaterally and increased the Group's shareholding in TZ United East from 50% to 66.77% in March 2014.

*Zhong Hai You Qi*

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

| | **2014** | 2013 | Changes |
|---|---|---|---|
| | ***Tons*** | *Tons* | *%* |
| Annual production capacity | **1,500,000** | 1,500,000 | N/A |
| Crude oil processed | **545,800** | 576,900 | (5%) |

| | | | Changes |
|---|---|---|---|
| | ***HK$'m*** | *HK$'m* | *%* |
| Revenue | **2,824.3** | 2,979.5 | (5%) |
| Net profit | **59.6** | 54.6 | 9% |
| Profit contribution | **13.7** | 12.6 | 9% |

Benefited from the adoption of a differentiated product structure strategy by Zhong Hai You Qi in emphasizing on the production of high gross margin products, Zhong Hai You Qi recorded an increase in operating results during the period. However, due to the fact that international crude oil prices were trading at approximately US$91-107 per barrel and in most of the time was trading close to the upper end. The prices were higher than that of approximately US$80-98 per barrel in the prior period and eroded a portion of the profit margin which resulted in an insignificant increment in profit. If there is no significant increase in crude oil prices, it is expected that Zhong Hai You Qi can maintain the current profitability in the second half year.

**Financial Investments**

The carrying values of the Group's strategic investments as at 30 June 2014 amounted to approximately HK$402.7 million in aggregate (31 December 2013: HK$480.1 million) with individual allocation detailed below:

| | **Unaudited At 30 June 2014** *HK$'m* | Audited At 31 December 2013 *HK$'m* |
|---|---|---|
| Winsway Holdings | **58.6** | 71.9 |
| CUP | **57.5** | 57.5 |
| SINOMA | **31.9** | 38.5 |
| Bai Nian De Cheng | — | 57.5 |
| JC International | **124.6** | 124.6 |
| West King | **62.2** | 62.2 |
| KW | **37.9** | 37.9 |
| Kema Yinxiang | **24.3** | 24.3 |
| Others | **5.7** | 5.7 |
| | **402.7** | 480.1 |

***Winsway Holdings (Hong Kong: 1733)***

The Company is interested in approximately 146.5 million shares in Winsway Enterprises Holdings Limited (formerly known as Winsway Coking Coal Holdings Limited), ("Winsway Holdings"). Based on the closing price of HK$0.40 per share as at 30 June 2014, the carrying value of the Winsway Holdings shares amounted to approximately HK$58.6 million with an impairment loss of approximately HK$5.9 million. Compared with the balance as at 31 December 2013, the decrease in the carrying amount was due to the decrease in the market value of the Winsway Holdings shares.

***SINOMA (Hong Kong: 1893)***

Due to the fact that the share prices of SINOMA A share are significantly lower than the carrying value of the Group for a prolonged period of time, the Group recognised an impairment loss of approximately HK$6.6 million in respect of SINOMA during the period. Compared with the balance as at 31 December 2013, the decrease in the carrying amount was due to the recognition of the aforesaid impairment loss.

***KW***

During the period, the Group advanced a proportionate shareholder loan in the amount of Euro 912,000 (equivalent to approximately HK$9.7 million) to KW to meet its working capitals requirement. The loan has a right of conversion convertible into shares of KW under certain conditions. Therefore, the Group accounted for the loan as a loan receivable with embedded derivative.

***Bai Nian De Cheng***

During the period, Bai Nian De Cheng redeemed all the fund units held by the Group at a total consideration of RMB50.0 million in aggregate (equivalent to approximately HK$63.9 million). A profit of RMB5.0 million (equivalent to approximately HK$6.4 million) was therefore recognised by the Group.

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

## GROWTH STRATEGIES & PROSPECT

Apart from its existing businesses, the Group will shift its focus to the investment in power and petrochemical products production in the future. For investment in the power sector, the Group will emphasis on new and clean energy projects and is currently evaluating the investment potential of certain clean energy investment proposals. For petrochemical products production, the Board is considering various proposals to enhance the synergetic effect of the Group's investments in TZ United East and Zhong Hai You Qi.

## 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 2014, the Group's total borrowings amounted to approximately HK$2,694.2 million in aggregate. The composition of borrowings is summarized below:

| | *HK$'m* | *Percentage* |
|---|---|---|
| Short term borrowings | 851.0 | 32% |
| Long term borrowings | 1,843.2 | 68% |
| Total | 2,694.2 | 100% |

Interests for all borrowings were charged at floating rates ranging from 2.17% to 8.84% per annum.

As at 30 June 2014, the Group's cash and bank balances was approximately HK$934.7 million in aggregate. The Group had net borrowing of approximately HK$1,759.5 million. The Group had net current assets of approximately HK$1,387.7 million (excluding short term borrowings amounting to HK$2,238.7 million). Based on the foregoing, the Board is confident that the Group has adequate working capital to meet daily operations and the Group's financial position is still at a good level. Besides, the Board expects that the restructuring of Yangquan Tiantai will eventually generate significant cash to the Group upon crystallization.

As at 30 June 2014, the Gearing Ratio (calculated as total borrowing over equity attributable to owners of the Company) and Current Ratio (calculated as current assets over current liabilities) of the Group were 36.7% (2013: 30.0%) and 1.8x (2013: 1.5x) respectively.

**Changes in Items on Consolidated Statement of Financial Position**

***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 Holdings and SINOMA amounting to approximately HK$19.8 million in aggregate and the full redemption of the Bai Nian De Cheng units with carrying amount of HK$57.5 million.

*Loan Receivables*

| | **Unaudited At 30 June 2014** ***HK$'000*** | Audited At 31 December 2013 *HK$'000* |
|---|---|---|
| Carrying balances under non-current assets | **127,877** | 127,877 |
| Carrying balances under current assets | **930,233** | 843,340 |
| Total | **1,058,110** | 971,217 |

These were loans 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 mainly due to various working capital loans advanced to an third party during the current period.

*Held-for-trading Investments*

Increase was a result of the increase in securities trading activities during the period and has resulted in a larger amount of trading securities held at the end of the reporting period.

*Deposit, Prepayments and Other Receivables*

| | **Unaudited At 30 June 2014** ***HK$'000*** | Audited At 31 December 2013 *HK$'000* |
|---|---|---|
| Carrying balances under non-current assets | — | 91,722 |
| Carrying balances under current assets | **390,385** | 467,838 |
| Total | **390,385** | 559,560 |

Decrease in carrying balances was mainly due to the advance of RMB80.0 million (equivalent to approximately HK$102.3 million) working capital to a third party by the year end of 2013 which was fully repaid in March 2014. In addition, the deposit of approximately HK$91.7 million paid for the acquisition of property, plant and equipment was subsequently utilized in the settlement for acquisition of property, plant and equipment.

### *Borrowings*

| | **Unaudited At 30 June 2014** *HK$'000* | Audited At 31 December 2013 *HK$'000* |
|---|---|---|
| Carrying balances under non-current liabilities | **1,843,223** | 1,179,897 |
| Carrying balances under current liabilities | **850,995** | 808,728 |
| Total | **2,694,218** | 1,988,625 |

Increase in total borrowings was mainly due to building loans raised by TZ United East in the construction of its Binjiang Project and the advancement of a loan amounting to HK$240.0 million from a shareholder during the period.

### *Bank Balances and Cash*

Increase in bank balances and cash was mainly due to the advancement of a loan from a shareholder amounting to HK$240.0 million during the current period.

## Capital Structure

As at 30 June 2014, the shareholders' fund of the Group was approximately HK$7,333.9 million and is approximately HK$64.6 million less than that as at 31 December 2013. The decrease was mainly due to payment of 2013 final dividends amounting to approximately HK$115.2 million during the period which is larger than the profit for the period.

## Human Resources

There is no material change in the number of employees during the first half year of 2014. 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$61.0 million (2013: HK$60.0 million).

## 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 results announcement:

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 was out of town and is unable to attend the annual general meeting of the Company held on 23 May 2014. 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 2014 were unaudited but has been reviewed and approved by the Audit Committee on 25 August 2014.

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

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

## CHANGE IN PROFILE OF DIRECTORS

Change in director's biographical details since the date of annual report 2013 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:

### Hung Muk Ming

With effect from 13 June 2014, Mr. Hung Muk Ming was appointed independent non-executive director of Century Sage Scientific Holdings Limited (Stock code: 1450), which shares are listed on the Stock Exchange.

### Zhang Lu

With effect from 1 January 2014, Mr. Zhang Lu ceased to act as the General Manager of CITIC Central Tanshi Money Brokering Company Limited.

## CHANGE SINCE 31 DECEMBER 2013

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 2013.

## INTERIM FINANCIAL REPORT

The Interim Financial Report 2014 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, 25 August 2014

*As at the date of this announcement, the Board 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. Liang Qing, Mr. Zhang Lu and Mr. Hung Muk Ming as independent non-executive directors.*