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 2015

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 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015 (Unaudited)

		Six months ended 30 June	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
Property management fee income	*3*	**103,959**	87,968
Rental income	*3*	**38,847**	34,197
Sales of petrochemical products	*3*	**8,318**	82,066
		151,124	204,231
Cost of sales and services		**(83,435)**	(145,099)
		67,689	59,132
Dividend income from listed and unlisted securities	*3*	**2,228**	27
Other income, gains and losses	*4*	**79,774**	101,422
Change in fair value of held-for-trading investments		**19,345**	2,044
Administrative expenses		**(102,227)**	(101,651)
Other expenses	*7*	**(39,901)**	(14,251)
Gain on disposal of available-for-sale investments		**758**	6,394
Impairment loss recognised on available-for-sale investments		**—**	(12,493)
Change in fair value of investment properties		**2,000**	32,079
Change in fair value of loan receivable with embedded derivative		**41,821**	42,823
Finance costs	*5*	**(16,360)**	(19,172)
Change in fair value of structured finance securities		**2**	274
Share of results of associates		**(15,115)**	(40,497)
Profit before taxation		**40,014**	56,131
Taxation	*6*	**(1,832)**	(5,903)
Profit for the period	*7*	**38,182**	50,228
Profit for the period attributable to:			
Owners of the Company		**63,030**	50,519
Non-controlling interests		**(24,848)**	(291)
		38,182	50,228
Earnings per share (in HK dollar)			
— Basic	*8*	**0.027**	0.022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015 (Unaudited)

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Profit for the period	**38,182**	50,228
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Gain arising on revaluation of leasehold properties	**10,038**	5,997
Exchange differences arising on translation	**—**	3,357
Income tax related to items that will not be reclassified	**(1,185)**	(356)
	8,853	8,998
Items that may be reclassified subsequently to profit or loss:		
Fair value gain (loss) arising on revaluation of available-for-sale investments	**4,157**	(7,326)
Share of other comprehensive income of associates	**—**	877
	4,157	(6,449)
Other comprehensive income for the period (net of tax)	**13,010**	2,549
Total comprehensive income for the period	**51,192**	52,777
Total comprehensive income attributable to:		
Owners of the Company	**76,040**	50,625
Non-controlling interests	**(24,848)**	2,152
	51,192	52,777

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	**Unaudited At 30 June 2015 HK$'000**	Audited At 31 December 2014 HK$'000
ASSETS			
Non-current assets			
Investment properties		**2,550,864**	2,479,864
Property, plant and equipment		**3,529,749**	3,468,227
Land use rights		**214,034**	216,309
Goodwill		**46,463**	46,463
Interests in associates		**587,525**	562,375
Structured finance securities		**6,657**	6,655
Available-for-sale investments		**269,552**	352,258
Loan receivables		**—**	570,342
Loan receivable with embedded derivative		**736,865**	733,844
Deposit paid for acquisition of available-for-sale investments		**73,511**	—
		8,015,220	8,436,337
Current assets			
Inventories		**688,746**	20,979
Held-for-trading investments		**174,299**	—
Trade receivables	*10*	**14,945**	12,776
Deposits, prepayments and other receivables		**502,509**	275,286
Amounts due from associates		**966,385**	900,572
Loan receivables		**743,980**	228,137
Pledged bank deposits		**31,812**	33,762
Bank balances and cash		**896,184**	1,685,638
		4,018,860	3,157,150
Assets classified as held-for-sale		**233,229**	337,560
		4,252,089	3,494,710
TOTAL ASSETS		**12,267,309**	11,931,047

	Notes	Unaudited At 30 June 2015 HK$'000	Audited At 31 December 2014 HK$'000
EQUITY			
Capital and reserves			
Share capital		**3,626,781**	3,626,781
Reserves		**3,808,179**	3,732,139
Equity attributable to owners of the Company		**7,434,960**	7,358,920
Non-controlling interests		**433,954**	458,802
TOTAL EQUITY		**7,868,914**	7,817,722
LIABILITIES			
Non-current liabilities			
Borrowings		**1,163,650**	1,471,787
Deferred tax liabilities		**187,074**	185,889
		1,350,724	1,657,676
Current liabilities			
Trade payables	*11*	**154,262**	114,257
Accrued charges, rental deposits and other payables		**1,078,634**	1,007,006
Borrowings		**1,564,814**	1,100,618
Taxation payable		**20,139**	27,268
		2,817,849	2,249,149
Liabilities associated with assets classified as held-for-sale		**229,822**	206,500
		3,047,671	2,455,649
TOTAL LIABILITIES		**4,398,395**	4,113,325
TOTAL EQUITY AND LIABILITIES		**12,267,309**	11,931,047
Net current assets		**1,204,418**	1,039,061
Total assets less current liabilities		**9,219,638**	9,475,398

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 2014.

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 2014.

The Group has applied the following revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA for the first time in the current period:

Amendments to HKFRS	Annual improvements to HKFRSs 2010-2012 cycle
Amendments to HKFRS	Annual improvements to HKFRSs 2011-2013 cycle
Amendments to HKAS 19	Defined benefit plans: Employee contributions

The application of the 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 from major products, investments and services is analysed as follows:

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$000*
Property management fee income	**103,959**	87,968
Rental income	**38,847**	34,197
Dividend income from listed and unlisted securities	**2,228**	27
Sales of petrochemical products	**8,318**	82,066
	153,352	204,258

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 2015						
	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	**—**	**2,228**	**—**	**38,847**	**103,959**	**8,318**	**153,352**
Segment profit (loss)	**—**	**94,104**	**(3)**	**10,940**	**2,929**	**(68,932)**	**39,038**
Other unallocated income, gains and losses							**57,185**
Corporate expenses							**(24,734)**
Finance costs							**(16,360)**
Share of results of associates							**(15,115)**
Profit before taxation							**40,014**

	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
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

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Interest income		
— bank deposits	**14,605**	3,981
— amount due from an associate	**42,576**	42,957
— loan receivables	**31,818**	46,678
— others	**4,102**	3,415
Commission income	**855**	1,390
Net foreign exchange (loss) gain	**(1,404)**	2,756
Net loss on disposal of property, plant and equipment	**(72)**	(146)
Loss on sales of petrochemical products during testing period of production	**(14,092)**	—
Others	**1,386**	391
	79,774	101,422

5. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**68,127**	60,109
Interest on other loans wholly repayable within five years	**13,293**	10,803
Total	**81,420**	70,912
Less: Amounts capitalised in the cost of qualifying assets	**(65,060)**	(51,740)
	16,360	19,172

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

6. TAXATION

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Tax charge comprises:		
PRC Enterprise Income Tax — current tax	**(1,097)**	(643)
PRC Enterprise Income Tax — underprovision in prior periods	**(735)**	(1,321)
	(1,832)	(1,964)
Deferred taxation:		
— current period	**—**	(3,939)
Tax charge attributable to the Company and its subsidiaries	**(1,832)**	(5,903)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both periods. 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	
	2015	2014
	HK$'000	*HK$'000*
Auditor's remuneration	**1,400**	2,030
Cost of inventories recognised as an expense	**7,108**	79,091
Depreciation for property, plant and equipment	**20,228**	21,699
Release of land use rights	**2,275**	2,295
Operating lease rentals in respect of land and buildings	**29**	87
Staff costs including directors' and chief executive's remuneration	**96,409**	60,969
Rental income under operating leases for investment properties, less outgoings of HK$3,379,000 (2014: HK$1,302,000)	**(35,468)**	(32,895)

OTHER EXPENSES

Starting from the second half of year ended 31 December 2013, the Group's subsidiary Tai Zhou United East Petrochemical Company Limited ("TZ United East") voluntarily suspended production due to shortage of raw materials. Direct costs, such as wages, depreciation expenses, consumables and other direct attributable costs incurred by TZ United East during those suspended periods was recognised to profit or loss as other expenses for both period ended 30 June 2015 and 2014.

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	
	2015	2014
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**63,030**	50,519

	2015	2014
	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 2015 and 2014.

9. DIVIDEND

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Dividend recognised as distribution during the period:		
Final dividend of 2014, payable HK$0.05 (2014: Final dividend of 2013, 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 2015 (2014: 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 2015	At 31 December 2014
	HK$'000	*HK$'000*
0 to 30 days	**3,098**	3,454
31 to 90 days	**4,662**	3,251
91 to 180 days	**5,746**	3,218
181 to 360 days	**1,439**	2,853
	14,945	12,776

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 2015	At 31 December 2014
	HK$'000	*HK$'000*
0 to 30 days	**48,869**	30,931
31 to 90 days	**21,823**	15,122
91 to 180 days	**9,947**	8,438
181 to 360 days	**18,694**	9,253
Over 360 days	**54,929**	50,513
	154,262	114,257

12. CAPITAL COMMITMENTS

	At 30 June 2015 *HK$'000*	At 31 December 2014 *HK$'000*
Capital commitments in respect of the acquisition of property, plant and equipment		
— contracted for but not provided in the consolidated financial statements	**—**	47,402
— authorised but not contracted for	**150,837**	150,837
Capital commitment in respect of the acquisition of available-for-sale investments		
— contracted for but not provided in the consolidated financial statements	**73,511**	—
	224,348	198,239

REVIEW OF RESULTS

Profit for the period attributable to owners of the Company increased by approximately HK$12.5 million to approximately HK$63.0 million (2014: HK$50.5 million), representing an increment of approximately 25%. Basic earnings per share also increased by approximately 23% to approximately HK$0.027 (2014: HK$0.022).

Increase in profit was mainly attributable to the significant decrease in share of loss from associates amounting to approximately HK$25.4 million. The Group completed the disposal of the entire equity interest in a material associate, Yang Quan Coal Industry (Group) Tiantai Investment Limited ("Yangquan Tiantai") by the end of year 2014. Yangquan Tiantai had been incurring significant losses in the past accounting years/periods and had a huge pressure on the Group's results. The Group has to share a loss of approximately HK$36.9 million from Yangquan Tiantai in the previous period.

Moreover, other profit or loss items having prominent changes include decrease in the fair value change of investment properties amounting to approximately HK$30.1 million together with increase in other expenses amounting to approximately HK$25.7 million, both reduced profit of approximately HK$55.8 million in aggregate. On the other hand, the increase in the fair value change of held-for-trading investments amounting to approximately HK$17.3 million together with the decrease in impairment loss recognised on available-for-sale investments amounting to approximately HK$12.5 million, both raised profit of approximately HK$29.8 million in aggregate. All these four items have a net effect of reducing profit of approximately HK$26.0 million and restricted the increment of current period profit.

Sales of Petrochemical Products/Cost of Sales and Services

The significant decrease in sales of petrochemical products and cost of sales and services were mainly attributable to TZ United East. TZ United East was basically under the situation of suspended production for both periods, and there were no real production and sales of products. In the previous period, sales of petrochemical products and the related costs of sales represented the sales of previously contracted raw materials at a thin margin. In the current period, sales of petrochemical products represented the sales of the remaining small amount of raw materials and the related production cost.

Share of Results of Associates

Share of losses of associates decreased significantly was mainly due to the disposal of the entire equity interest in Yangquan Tiantai by the end of year 2014 thereby removed the loss burden from Yangquan Tiantai.

BUSINESS REVIEW & PROSPECTS

Property Investments, Development and Management

Rental income for the current period amounted to approximately HK$38.8 million (2014: HK$34.2 million), increased by approximately 13%. Increase in rental income was mainly due to continuous improvement in occupation rate and increase in rental rate upon renewal of tenancies following the completion of the renovation works in East Gate Plaza. The occupation rate of East Gate Plaza in the current period was approximately 90% (2014: approximately 80%). The property leasing segment recorded a profit of approximately HK$10.9 million (2014: HK$35.1 million) for the current period. Decrease in segment profit was mainly due to revaluation of investment properties had generated a gain of approximately HK$32.1 million in the previous period whereas there was only a revaluation gain of approximately HK$2.0 million recognised in the current period.

Property management fee income for the current period amounted to approximately HK$104.0 million (2014: HK$88.0 million), increased by approximately 18%. Increase in management fee income was mainly due to Beijing Yinda Property Management Limited ("Yinda") has solicited a large scale management project of a bank in the mid-year of 2014 which has management fee income contribution only in the current period. Segment profit was approximately HK$2.9 million (2014: loss of approximately HK$1.7 million). The main reason for incurring a segment loss in the previous period was the startup costs incurred in respect of the management contract of the canteen of a bank. At the end of the reporting period, there were 28 projects (2014: 26 projects) under the management of Yinda with managed gross floor area in excess of 4,000,000 square meters (2014: 4,000,000 square meters).

Petrochemical Products

TZ United East

The operating results of TZ United East are summarized below:

	2015	2014	Changes
	Tons	*Tons*	*%*
Raw materials processed	—	—	N/A
Raw materials sold	**5,000**	10,100	(50%)

			Changes
	HK$'m	*HK$'m*	*%*
Revenue	**8.3**	82.1	(90%)
Net loss	**(69.5)**	(18.4)	278%

TZ United East completed the construction of the 1,000,000 tons per year heavy oil production facility (named the "Binjiang Project") in the second quarter during the period and subsequently commenced a three-month test production period from June to August for the purpose of an overall testing of the full range of production devices and carrying out any fine tuning as necessary. As a result, there was no formal production activities during the period leading to only limited raw materials processed and products sales during the period.

Revenue for the previous period represented revenue received from the direct selling of the raw materials acquired through previously contracted supply contracts. As the revenue from sale of raw materials is minimal which is not capable of covering all the operating expenses during the period. Therefore, TZ United East incurred a net loss during the period. Moreover, as the construction of the Binjiang Project was completed, the cessation of capitalising certain direct costs has further increased the magnitude of losses of TZ United East.

After evaluating the results of the test production, the management will concentrate on soliciting the supply of the principal raw material crude oil. The Board is currently investigating various proposals for the purpose of securing adequate and stable crude oil supply for TZ United East to satisfy production needs and further enhance the operating capabilities of TZ United East.

Zhong Hai You Qi

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

	2015	2014	Changes
	Tons	*Tons*	*%*
Annual production capacity	**1,500,000**	1,500,000	N/A
Crude oil processed	**784,300**	545,800	44%
			Changes
	HK$'m	*HK$'m*	*%*
Revenue	**2,636.8**	2,824.3	(7%)
Net (loss) profit	**(6.9)**	59.6	(112%)
Net (loss) profit contribution (after deducting non-controlling interests)	**(1.6)**	13.7	(112%)

International crude oil prices were trading at the range of US$50-70 per barrel during the period. Although crude oil prices were lower than the price range of US$91-107 per barrel in the previous period, the crude oil prices in the previous period were relatively stable. Crude oil prices were very volatile during the period and has seriously affected the production stability and profitability of Zhong Hai You Qi. In addition, the slowdown in economic activities in the mainland market had caused a sharp decrease in the prices of petrochemical products. The decrease in retail prices of petrochemical products was larger than the decrease in crude oil prices or even to lower price level. As a result, Zhong Hai You Qi inevitably incurred operating loss during the period.

Financial Investments

The carrying values of the Group's strategic investments as at 30 June 2015 amounted to approximately HK$269.6 million in aggregate (31 December 2014: HK$352.3 million) with individual allocation detailed below:

	Unaudited At 30 June 2015 *HK$'m*	Audited At 31 December 2014 *HK$'m*
JC International	**124.6**	124.6
CUP	**57.1**	57.1
SINOMA	**58.2**	54.0
Winsway Holdings	—	24.6
West King	—	62.2
Kema Yinxiang	**24.1**	24.1
Others	**5.6**	5.7
	269.6	352.3

Winsway Holdings (Hong Kong: 1733)

The Group disposed all its shares in Winsway Enterprises Holdings Limited ("Winsway Holdings") during the period. Cash amounting to approximately HK$25.4 million was realised and a minimal gain amounting to approximately HK$0.8 million was recognised at the same time.

West King

The Group disposed all its equity interests in West King (Hong Kong) Investment Limited ("West King") during the period. Cash amounting to approximately HK$56.3 million was realised and a loss amounting to approximately HK$5.9 million was recognised at the same time.

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 power and petrochemical products remain the growth strategy of the Group.

Power aspect

As Mainland China is increasingly concerns about environmental issues, the use of replaceable clean energy will become more popular. In April 2015, the Group entered into an agreement to invest RMB116.0 million (equivalent to approximately HK$145.0 million) to Beijing TeraSolar Photothermal Technologies Co., Ltd. ("Beijing TeraSolar") for an equity interest of 8.29%. As at 30 June 2015, in accordance with the agreement, the Group has paid RMB58.0 million as deposit (equivalent to approximately HK$73.5 million). The remaining balance will be payable on or before the end of year 2015.

Beijing TeraSolar is a high-tech enterprise providing complete solution for solar thermal electric system specialising in research and development, manufacture and marketing services of solar mirrors, concentrating collectors, thermal storage systems, solar tracking devices and supporting structures. It is further supported by a strong technical team of experienced experts, with doctors and masters degrees who have been focusing on the research and development of concentrating solar thermal ("CST") technologies and products for over 6 years. In the PRC, it has been granted with 48 patents in total, including 11 invention patents and 37 utility model patents. It also has 25 patents pending for application in total, including 20 invention patents and 5 utility model patents. On the other hand, Beijing TeraSolar devotes itself to comprehensive utilisation and development of renewable energy. With its advanced technologies, rich experience, foreseeing idea and continuous technical innovation, Beijing TeraSolar is well positioned to play an important role in new product's development, quality assurance and service system, and promote the CST industry in the PRC and the world.

In 2014, the General Office of the State Council of the PRC published the "the Strategic Action Plan for Energy Development (2014-2020)", which promoted the implementation of solar thermal electric generation engineering projects at a steady pace, and included solar thermal electricity generation as one of the 20 focuses as to the direction on the innovation in energy technology development in the PRC. According to "the Notice on the 13th Five-Year Work Plan of the PRC on Enhancing the Solar Energy Development by the Comprehensive Department of the National Energy Administration" issued by the National Energy Administration of the PRC on 24 December 2014, solar thermal electricity generation was emphasised in the contents of such notice, which illustrates that solar thermal power generation will be an important industry development focus during the period of the 13th Five-Year Work Plan of the PRC.

Since solar thermal electricity generation has the characteristics of power storage capability and better compatibility to power grid compared with that of the other renewable energy for electricity generation such as wind power and photovoltaics, it can facilitate the application of electricity control and distribution. Moreover, solar thermal electricity generation is not reliant on other raw materials and has an environmentally friendly electricity production process. As a result, it will be one of the major sources of renewable and clean energy in the near future and will provide far greater social and economic benefits than the other renewable energy such as wind power and photovoltaics. In this connection, the Board considers that Beijing TeraSolar is equipped with self-developed core technology in solar thermal electric generation system and a complete set of intellectual property rights throughout the whole industry value chain, which covers product manufacturing technology, engineering and installation technology, system integration technology and technology for operation and maintenance. As such, by investing in Beijing TeraSolar will allow the Group to enter into the business of solar thermal electricity generation industry and to diversify its revenue stream, which will in turn increase the Shareholders' value and benefit the Company and the Shareholders as a whole.

Petrochemical products aspect

The Integration Project undergone by Zhong Hai You Qi is progressing to the final and completion stage. The Integration Project is a renovation project aiming at expanding production capacity and extending products line. The renovation project composing a portfolio of 9 principal production devices, a storage and transportation system and the related supporting public engineering system, amongst which the major production devices include an oil refinery device with a 3,000,000 tons per year capacity, a fuel oil device with a 1,700,000 tons per year capacity, a hydrocracking device with a 1,500,000 tons per year capacity and a lubricant oil device with a 600,000 tons per year capacity. The construction works of the Integration Project was commenced in mid-year 2013 and is expected to be completed in mid-year 2016. The Integration Project will enable Zhong Hai You Qi to produce a full range of petrochemical products including liquid gas, lubricant oil, fuel oil (diesel) and solvent oil, covering over 90% of the products output with an output volume of approximately 4,000,000 tons per year.

Zhong Hai You Qi has been utilising its internal resources and bank financing for the construction of the Integration Project in the early stages of construction. To satisfy the funding need for the next stages of construction of the Integration Project in 2015, the Group has advanced, on a pro rata basis, RMB279.1 million (equivalent to approximately HK$348.9 million) to Tai Zhou Dong Tai Petrochemical Company Limited ("TZ Dong Tai") in April 2015. TZ Dong Tai will then injected RMB200.0 million (equivalent to approximately HK$250.0 million) as capital to Zhong Hai You Qi to meet the funding need of the Integration Project.

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 given that the RMB to HKD exchange rate is maintained at a relatively stable range. In addition, the Board does not anticipate that there is any material exchange exposure in respect of other currencies.

In the opinion of the Board, the one-time small degree of depreciation of the RMB exchange rate in early August 2015 does not have material adverse effect on the financial position of the Group. However, the Board will closely monitor the future development of the RMB exchange rate and will take appropriate correction actions as necessary.

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 2015, the Group's total borrowings amounted to approximately HK$2,728.5 million in aggregate. The composition of borrowings is summarized below:

	HK$' m	*%*
Short term borrowings	1,564.8	57%
Long term borrowings	1,163.7	43%
Total	2,728.5	100%

Interests for all borrowings were charged at fixed and floating rates ranging from 2.24% per annum to 8.84 % per annum.

As at 30 June 2015, the Group's cash and bank balances was approximately HK$928.0 million in aggregate. The Group had net borrowing of approximately HK$1,800.5 million. The Group had net current assets of approximately HK$1,204.4 million (excluding short term borrowings amounting to HK$2,769.2 million). Based on the foregoing, the Board is confident that the Group has adequate working capital to meet daily operations and to finance future expansion.

As at 30 June 2015, the Gearing Ratio (calculated as total borrowings over equity attributable to owners of the Company) and Current Ratio (calculated as current assets over current liabilities) of the Group were 36.7% (2014: 36.7%) and 1.4x (2014: 1.8x) respectively.

Changes in Items on Consolidated Statement of Financial Position

Investment Properties

Increase was due to changing the usage purpose of a leasehold property formerly used as director's quarters to investment property for rental purpose during the 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 disposal of the entire investments in West King and Winsway Holdings during the period.

Loan Receivables

	Unaudited At 30 June 2015 ***HK$'000***	Audited At 31 December 2014 *HK$'000*
Carrying balances under non-current assets	—	570,342
Carrying balances under current assets	**743,980**	228,137
Total	**743,980**	798,479

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.

Inventories

Huge increase in inventories was due to TZ United East commenced its three-month test production in June 2015 which resulted in the large amount of finished goods.

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 2015	Audited At 31 December 2014
	HK$'000	*HK$'000*
Carrying balances under non-current assets	**73,511**	—
Carrying balances under current assets	**502,509**	275,286
Total	**576,020**	275,286

The carrying amount under non-current assets represented the partial investment payment paid as deposit in accordance with the agreement in respect of the Group's investment in solar thermal electricity generation project of Beijing TeraSolar during the period. The remaining investment amount will be payable on or before the end of year 2015.

Increase in the carrying amount under current assets was mainly due the significant increase in the deductible input VAT to approximately HK$264.9 million of TZ United East following the commencement of the test production.

Borrowings

	Unaudited At 30 June 2015	Audited At 31 December 2014
	HK$'000	*HK$'000*
Carrying balances under non-current liabilities	**1,163,650**	1,471,787
Carrying balances under current liabilities	**1,564,814**	1,100,618
Total	**2,728,464**	2,572,405

Increase in total borrowings was mainly due to utilisation of banking facilities to finance the payment of the final dividend of 2014. Total dividend amounting to approximately HK$115.2 million was paid on 3 July 2015.

Bank Balances and Cash

Decrease in bank balances and cash was mainly due to TZ United East utilised its funds to acquire crude oil for the test production during the period.

Capital Structure

As at 30 June 2015, the shareholders' fund of the Group was approximately HK$7,434.9 million and is approximately HK$76.0 million more than that as at 31 December 2014. The increase was mainly due to retained profit for the period of approximately HK$63.0 million.

Human Resources

There is no material change in the number of employees during the first half year of 2015. 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$96.4 million (2014: HK$61.0 million). Increase in staff costs by approximately 58% was mainly attributable to the effect of annual salary increment and the fact that in the second half year of 2014, TZ United East had hired more staff to satisfy the headcount need of the Binjiang Project.

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 was out of town and is unable to attend the annual general meeting of the Company held on 22 May 2015. 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 2015 were unaudited but has been reviewed and approved by the Audit Committee on 24 August 2015.

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

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

CHANGE SINCE 31 DECEMBER 2014

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 2014.

INTERIM FINANCIAL REPORT

The Interim Financial Report 2015 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 2015

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.