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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 171)

2017 INTERIM RESULTS ANNOUNCEMENT

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 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017 (Unaudited)

		Six months ended 30 June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
			Restated
Rental income	*4*	**47,139**	56,222
Sales of petrochemical products	*4*	**152,859**	11,152
		199,998	67,374
Cost of sales and services		**(159,402)**	(16,408)
		40,596	50,966
Dividend income from listed and unlisted securities	*4*	**21,756**	3,305
Other income, gains and losses	*5*	**38,451**	43,738
Change in fair value of held-for-trading investments		**6,434**	(10,887)
Administrative expenses		**(105,358)**	(93,850)
Other expenses	*8*	**—**	(39,652)
Change in fair value of investment properties		**26,496**	32,497
Loss on disposal of subsidiaries	*3*	**(1,113)**	—
Change in fair value of loan receivable with embedded derivative		**—**	75,778
Finance costs	*6*	**(27,065)**	(39,010)
Change in fair value of structured finance securities		**194**	416
Share of results of associates		**157,189**	(8,987)
Profit before taxation		**157,580**	14,314
Taxation	*7*	**(8,087)**	(8,136)
Profit for the period from continuing operations		**149,493**	6,178
Profit for the period from discontinued operation	*3*	**1,761**	2,515
Profit for the period	*8*	**151,254**	8,693

		Six months ended 30 June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
			Restated
Profit for the period attributable to:			
Owners of the Company:			
Continuing operations		**111,578**	44,692
Discontinued operation		**1,480**	2,242
		113,058	46,934
Non-controlling interests:			
Continuing operations		**37,915**	(38,514)
Discontinued operation		**281**	273
		38,196	(38,241)
		151,254	8,693
Earnings per share (in HK dollar)			
— Basic	*9*		
Continuing operations		**0.048**	0.019
Discontinued operation		**0.001**	0.001
		0.049	0.020

Note: The comparative figures for the six months ended 30 June 2016 has been restated to reflect the discontinued operation.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017 (Unaudited)

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Profit for the period	**151,254**	8,693
Other comprehensive (expenses) income		
Items that will not be reclassified to profit or loss:		
Disposal of subsidiaries	**(4,676)**	—
Gain (loss) arising on revaluation of leasehold properties	**22,785**	(230)
Income tax related to items that will not be reclassified	**(3,371)**	638
	14,738	408
Items that may be reclassified subsequently to profit or loss:		
Fair value gain arising on revaluation of available-for-sale investments	—	4,388
Other comprehensive income for the period (net of tax)	**14,738**	4,796
Total comprehensive income for the period	**165,992**	13,489
Total comprehensive income (expenses) attributable to:		
Owners of the Company	**130,696**	51,730
Non-controlling interests	**35,296**	(38,241)
	165,992	13,489

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	**Unaudited At 30 June 2017** *HK$'000*	Audited At 31 December 2016 *HK$'000*
ASSETS			
Non-current assets			
Investment properties		**2,382,115**	2,355,619
Property, plant and equipment		**3,657,103**	3,744,918
Land use rights		**180,461**	182,465
Goodwill		**39,463**	46,463
Interests in associates		**1,044,324**	865,037
Structured finance securities		**7,025**	6,831
Available-for-sale investments		**288,903**	288,903
		7,599,394	7,490,236
Current assets			
Inventories		**57,749**	98,928
Held-for-trading investments		**153,102**	146,668
Trade receivables	*11*	**5,698**	18,886
Deposits, prepayments and other receivables		**789,592**	697,014
Amounts due from associates		**1,422,914**	1,140,253
Loan receivables		**463,486**	407,682
Pledged bank deposits		**790**	1,730
Bank balances and cash		**203,347**	734,988
		3,096,678	3,246,149
TOTAL ASSETS		**10,696,072**	10,736,385

	Note	Unaudited At 30 June 2017 HK$'000	Audited At 31 December 2016 HK$'000
EQUITY			
Capital and reserves			
Share capital		**3,626,781**	3,626,781
Reserves		**2,861,009**	2,730,313
Equity attributable to owners of the Company		**6,487,790**	6,357,094
Non-controlling interests		**343,760**	233,711
TOTAL EQUITY		**6,831,550**	6,590,805
LIABILITIES			
Non-current liabilities			
Borrowings		**1,203,693**	1,487,075
Deferred tax liabilities		**223,782**	214,412
		1,427,475	1,701,487
Current liabilities			
Trade and bills payables	*12*	**6,891**	76,571
Accrued charges, rental deposits and other payables		**502,349**	717,056
Borrowings		**1,905,630**	1,621,026
Taxation payable		**22,177**	29,440
		2,437,047	2,444,093
TOTAL LIABILITIES		**3,864,522**	4,145,580
TOTAL EQUITY AND LIABILITIES		**10,696,072**	10,736,385
Net current assets		**659,631**	802,056
Total assets less current liabilities		**8,259,025**	8,292,292

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 2016.

The financial information relating to the year ended 31 December 2016 that is included in this results announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows: The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

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 2016.

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

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealized losses
Amendments to HKFRS 12	Disclosure of interest in other entities

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. DISCONTINUED OPERATION

On 30 June 2017, the Company completed the disposal of its entire interest in Straight View Investment Limited ("Straight View") at a cash consideration of HK$31.7 million in aggregate. Straight View is an investment vehicle of the Company for holding the Group's 90% interest in Beijing Yinda Property Management Limited ("Yinda"). Yinda is a company established in the PRC whose principal business is provision of property management services in Beijing. The consolidated results of Straight View and Yinda are presented in this condensed consolidated financial statement as a discontinued operation.

The results of the discontinued operation during the current and proceeding interim periods are set out below:

	Unaudited	Unaudited
	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Property management fee income	**103,245**	95,107
Cost of sales and services	**(69,538)**	(63,545)
Other income	**2,048**	2,176
Administrative expenses	**(32,275)**	(31,157)
Profit before taxation	**3,480**	2,581
Taxation	**(1,719)**	(66)
Profit for the period	**1,761**	2,515
Attributable to:		
Owners of the Company	**1,480**	2,242
Non-controlling interests	**281**	273
Profit for the period	**1,761**	2,515

The net assets of the subsidiaries disposed of were as follows:

	HK$'000
Non-current assets	12,279
Current assets	74,815
Bank balances and cash	111,550
Current liabilities	(168,155)
Non-current liabilities	(8,521)
Net assets disposed of	21,968
Non-controlling interests	(2,900)
Assignment of loans to purchasers	8,521
Attributable goodwill	7,000
Translation reserve realised	(1,776)
Loss on disposal	(1,113)
Cash consideration	31,700
Net cash outflow arising on disposal:	
Cash consideration	31,700
Assignment of loans to purchasers	(8,521)
Bank balances and cash disposed of	(111,550)
	(88,371)

During the current period, the Board also decided to cease investing in distressed assets business and sales of properties business as there is no actual operating activity for the last five years in respect of these two business segments.

As there were no actual operating activity for these two business segments, no financial information relating to these two segments are presented.

4. REVENUE AND SEGMENT INFORMATION

Revenue from major products, investments and services from continuing operations is analysed as follows:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
		Restated
Rental income	**47,139**	56,222
Dividend income from listed and unlisted securities	**21,756**	3,305
Sales of petrochemical products	**152,859**	11,152
	221,754	70,679

The Group is currently organised into three operating divisions: investments (including the results from held-for-trading investments, available-for-sale investments, structured finance securities, loan receivable with embedded derivative and loan receivables), property leasing 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 revenues and results from continuing operations:

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

	Segment revenue Six months ended 30 June		**Segment profit (loss) Six months ended 30 June**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		Restated		Restated
Investments	**21,756**	3,305	**61,300**	76,032
Property leasing	**47,139**	56,222	**47,630**	69,736
Production and trading of petrochemical products	**152,859**	11,152	**(54,404)**	(86,349)
	221,754	70,679	**54,526**	59,419
Other unallocated income, gains and losses			**4,726**	33,464
Corporate expenses			**(30,683)**	(30,572)
Finance costs			**(27,065)**	(39,010)
Loss on disposal of subsidiaries			**(1,113)**	—
Share of results of associates			**157,189**	(8,987)
Profit before taxation			**157,580**	14,314

5. OTHER INCOME, GAINS AND LOSSES

Continuing operations:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
		Restated
Interest income		
— bank deposits	**507**	4,173
— amount due from an associate	**24,690**	31,751
— loan receivables	**8,228**	7,422
— others	**3,459**	—
Net foreign exchange gain (loss)	**619**	(2,476)
Net loss on disposal of property, plant and equipment	**(88)**	—
Government grant	**807**	2,851
Others	**229**	17
	38,451	43,738

6. FINANCE COSTS

Continuing operations:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**20,597**	67,760
Interest on other loans wholly repayable within five years	**6,468**	12,243
Total	**27,065**	80,003
Less: Amounts capitalised in the cost of qualifying assets	**—**	(40,993)
	27,065	39,010

Borrowing costs capitalised for the period ended 30 June 2016 was specifically related to expenditure on qualifying assets.

7. TAXATION

Continuing operations:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
		Restated
Tax charge comprises:		
PRC Enterprise Income Tax — current tax	**1,786**	—
PRC Enterprise Income Tax — underprovision in prior periods	**302**	12
	2,088	12
Deferred taxation:		
— current period	**5,999**	8,124
Tax charge attributable to the Company and its subsidiaries	**8,087**	8,136

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 both periods.

The taxation charge of the PRC Enterprise Income Tax for both periods has 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.

The withholding tax arising from dividend income received from PRC investment is calculated at 10%.

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.

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
		Restated
Auditor's remuneration	**1,400**	1,400
Cost of inventories recognised as an expense	**154,677**	13,237
Depreciation for property, plant and equipment	**16,415**	17,597
Release of land use rights	**—**	2,144
Operating lease rentals in respect of land and buildings	**19**	—
Staff costs including directors' and chief executive's remuneration	**26,118**	54,673
Rental income under operating leases for investment properties, less outgoings of HK$4,726,000 (2016: HK$3,172,000)	**(42,413)**	(53,050)

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 up to the period ended 30 June 2016.

9. EARNINGS PER SHARE

From continuing and discontinued operations:

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	
	2017	2016
	HK$'000	*HK$'000*
		Restated
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company):		
From continuing operations	**111,578**	44,692
From discontinued operation	**1,480**	2,242
	113,058	46,934

	2017	2016
	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 2017 and 2016.

10. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2017, nor has any dividend proposed since the end of the reporting period of 2017 (2016: nil).

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2017 (2016: nil).

11. 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 periods, which approximated the respective revenue recognition dates:

	Unaudited At 30 June 2017 *HK$'000*	Audited At 31 December 2016 *HK$'000*
0 to 30 days	**5,698**	12,074
31 to 90 days	**—**	2,432
91 to 180 days	**—**	1,412
181 to 360 days	**—**	1,403
Over 360 days	**—**	1,565
	5,698	18,886

12. TRADE AND BILLS PAYABLES

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

	Unaudited At 30 June 2017 *HK$'000*	Audited At 31 December 2016 *HK$'000*
0 to 30 days	**2,880**	23,998
31 to 90 days	**—**	13,424
91 to 180 days	**—**	2,772
181 to 360 days	**4,011**	2,816
Over 360 days	**—**	33,561
	6,891	76,571

13. CAPITAL COMMITMENTS

	Unaudited At 30 June 2017 *HK$'000*	Audited At 31 December 2016 *HK$'000*
Capital commitments in respect of property, plant and equipment:		
— contracted for but not provided in the consolidated financial statements	**69,998**	20,409
Capital commitments in respect of unlisted equity securities:		
— contracted for but not provided in the consolidated financial statements	**232,143**	232,143
Capital commitments in respect of an associate	**22,321**	22,321

REVIEW OF RESULTS

Profit for the period attributable to owners of the Company increased by approximately HK$66.1 million to approximately HK$113.1 million (2016: HK$46.9 million), representing an increment of 141%. Basic earnings per share also increased proportionately by 145% to approximately HK$0.049 (2016: HK$0.020).

Increase in profit was mainly attributable to the significant improvement in operating results achieved by the subsidiary TZ United East and the associate Zhong Hai You Qi (Taizhou) Petrochemical Company Limited ("Zhong Hai You Qi") during the current period.

In the first half of 2017, the global economy recovered moderately. The global crude oil supply gradually tends to be balanced, the international crude oil price increased prominently as compared with the corresponding period of last year. As a result, the overall selling prices of petrochemical products in Mainland China recorded a moderate increase. In additions, as production efficiency and effectiveness was enhanced under the joint production arrangements, the operating results of TZ United East and Zhong Hai You Qi during the current period have recorded significant improvement. The net loss of TZ United East reduced significantly by HK$39.3 million to approximately HK$50.1 million in the current period (2016: HK$89.4 million). Share of results of associates from Zhong Hai You Qi improved significantly from loss of approximately HK$0.9 million in the previous period to profit of approximately HK$164.6 million in the current period. Profit contribution from the petrochemical products businesses, having taken into account the effect of the one-off gain on early redemption of loan receivable with embedded derivative of approximately HK$75.8 million in the previous period, has made great contribution to the improvement and increase in the net profit in the current period.

Changes in Consolidated Statement of Profit or Loss Items:

Rental income

The decrease was mainly due to the recognition of under accrued rental income in previous years amounting to approximately HK$12.4 million in the previous period following an extensive review by the Group carried on rental operations to cope with the replacement of business tax by value-added tax which was effective from 1 May 2016.

Sales of petrochemical products/Cost of sales and services

Increase in both items are mainly attributable to the increase in direct selling of raw materials by TZ United East in the current period. The raw materials were those acquired through previously contracted supply contracts.

Administrative expenses and other expenses

Comparing the aggregated amount of the two categories of expenses, the decrease was mainly due to most of the administrative expenses of TZ United East was absorbed by the associate, Zhong Hai You Qi under the joint production arrangements in the current period.

Change in fair value of loan receivable with embedded derivative

Loan receivable with embedded derivative represent the exchangeable bond issued by China Uranium Development Company Limited ("CUDC") to the Company on 1 June 2012 with a term of five years and coupon interest at 5% per annum and is exchangeable into certain quantities of the listed shares of CGN Mining Company Limited (Stock code: 1164) upon fulfillment of certain conditions (the "Bond"). CUDC early redeemed all the principal amount outstanding under the Bond on 6 May 2016 in cash. Accordingly, a one-off gain was recognised upon the redemption of the Bond in the previous period only.

Finance costs

Decrease was mainly due to most of the finance costs of TZ United East was absorbed by the associate, Zhong Hai You Qi under the joint production arrangements in the current period.

Share of results of associates

The amount in the current period principally represent the share of profits of Zhong Hai You Qi amounting to approximately HK$164.6 million. The increase was also attributable to the significant improvement in the operation results of Zhong Hai You Qi.

Non-controlling interests

The amount in the current period mainly represent the minority interests' share of the profit of Tai Zhou Dong Thai Petrochemical Company Limited ("TZ Dong Thai") whereas the amount in the previous period mainly represent the minority interests' share of the loss of TZ United East. TZ Dong Thai is the immediate holding company of Zhong Hai You Qi and thus benefited from the significant improvement in operating results of the same.

BUSINESS REVIEW & PROSPECTS

Properties leasing

Rental income for the current period amounted to approximately HK$47.1 million (2016: HK$56.2 million), decreased by approximately 16%. Decrease in rental income was mainly due to the recognition of under accrued rental income in previous years amounting to approximately HK$12.4 million in the previous period following an extensive review carried on rental operations to cope with the replacement of business tax by value-added tax which was effective from 1 May 2016.

The occupation rates of the commercial portion and the residential portion of East Gate Plaza in the current period was approximately 96% and 92% respectively (2016: 91% and 97% respectively). The property leasing segment recorded a profit of approximately HK$47.6 million (2016: HK$69.7 million) for the current period. Segment profit decreased further was a direct result of the decrease in fair value gain upon revaluation of investment properties. Fair value gain for the current period was approximately HK$26.5 million (2016: HK$32.5 million).

On 30 June 2017, the Company completed the disposal of its entire interest in Straight View at a cash consideration of HK$31.7 million in aggregate. Straight View is an investment vehicle of the Company to hold the Group's 90% interest in Yinda. Yinda is a company established in the PRC whose principal business is the provision of property management services in Beijing. Even though the property management business of Yinda remained stable in terms of number of projects and gross floor area managed for the last five years, the results recorded by Yinda in the property management segment in the corresponding period could not keep up with the growing trend in its total revenue. In anticipation of continuing growth in labour cost in the PRC whilst it is doubtful as to whether Yinda could secure new projects or could increase management fees to keep up with the increasing labour cost, the Board expects that the operating results of the property management segment will continue to be volatile and is likely to incur loss in the foreseeable future.

Having considered that the property management business operated by Yinda is not able to contribute a stable profit to the Group, is a labour intensive business and will not be able to solicit any significant business opportunities in the foreseeable future, the Board is of the view that the property management business simply cannot meet the Board's expectation and thus decided to cease investing in such business segment.

While executing the business plans and strategy of the Group for 2017 and onward, the Board has also decided to cease investing in distressed assets business and sales of properties business as there is no actual operating activity for the last five years in respect of these two business segments.

Petrochemical Products

In light of the fact that there are complementary advantages in the raw materials structure, the manufacturing processes and the common engineering systems employed in production by TZ United East and Zhong Hai You Qi, TZ United East and Zhong Hai You Qi has reached a joint production arrangements in 2017 for the purpose of enhancing production effectiveness and efficiency of each other. Under the joint production arrangements, Zhong Hai You Qi will provide the critical raw material including crude oil and fuel oil and appoint TZ United East to carry out the production processes as a subcontractor. Consequently, Zhong Hai You Qi will oversee sales on a group basis. Through joint production arrangements, the purpose of centralizing the processing of resources, reducing logistic costs, consolidating complimentary advantages and enhancing the economics of scale and synergy effect is achieved.

TZ United East

The operating results of TZ United East are summarized below:

	2017	2016	Changes
	Tons	*Tons*	*%*
Raw materials processed	**562,800**	—	N/A
Raw materials sold	**22,618**	6,032	275%
			Changes
	HK$’m	*HK$’m*	*%*
Revenue	**152.9**	11.2	1,265%
Net loss	**50.1**	89.4	(44%)

Revenue for both periods 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 limited which is not capable of covering all the operating expenses during the period. Therefore, TZ United East incurred a net loss for both periods. However, net loss for the current period reduced significantly as a result of the joint production arrangements which benefited TZ United East by way of recovering certain direct production costs like direct labour costs, consumables, interest expenses and depreciation, etc.

Zhong Hai You Qi

The operating results of Zhong Hai You Qi are summarized below:

	2017	2016	Changes
	Tons	*Tons*	*%*
Annual production capacity	**4,500,000**	1,500,000	200%
Crude oil processed	**2,245,800**	498,500	351%
			Changes
	HK$'m	*HK$'m*	*%*
Revenue	**9,862.6**	1,183.9	733%
Net profit (loss)	**498.9**	(2.8)	17,918%

After the completion of the Integration Project in September 2016, the annual production capacity of Zhong Hai You Qi was increased to 4,500,000 tons.

In the first half of 2017, the global economy recovered moderately. The global crude oil supply gradually tends to be balanced, the international crude oil price increased prominently as compared with the corresponding period of last year. As a result, the overall selling prices of petrochemical products in Mainland China recorded a moderate increase. In additions, as production efficiency and effectiveness was enhanced under the joint production arrangements, the operating results of Zhong Hai You Qi during the current period have recorded significant improvement and contributed profit of approximately HK$164.6 million (2016: loss of approximately HK$0.9 million) to the Group.

Financial Investments

The carrying values of the Group's strategic investments as at 30 June 2017 amounted to approximately HK$288.9 million in aggregate (31 December 2016: HK$288.9 million) with individual allocation detailed below:

	Unaudited At 30 June 2017 *HK$'m*	Audited At 31 December 2016 *HK$'m*
JC International	**124.6**	124.6
Beijing TeraSolar	**64.7**	64.7
CUP	**50.3**	50.3
Kema Yinxiang	**21.2**	21.2
Hejing Zhongdao	**22.5**	22.5
Others	**5.6**	5.6
	288.9	288.9

There is no change in the Group's strategic investments during the period.

GROWTH STRATEGIES & PROSPECT

To expand its existing investments in power and petrochemical products production remain the growth strategy of the Group. The Group is also actively searching and identifying investment and/or merger and acquisition opportunities which is capable of generating enormous profit and ample cash flows to the Group. The Board remains to focus on executing its business plan and strategy in 2017. The Board believes that these growth strategies will eventually result in extending the sources of recurring income and expanding the magnitude of recurring income.

The joint production arrangements carried out by TZ United East and Zhong Hai You Qi have indicated that profitability of both companies were enhanced and improved interim operating results as a whole. The Board anticipates that full year results of the petrochemical products businesses will also mark significant improvement under the joint production arrangements.

Nevertheless, the Board is currently investigating the feasibility of a collective capital restructure of the Group's petrochemical investments located in Tai Zhou for the purpose of achieving a more efficient and effective operation model in the long run.

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 additions, the Board does not anticipate that there is any material exchange exposure in respect of other currencies.

In the opinion of the Board, RMB will remain a regulated currency in the foreseeable future. Although the market is generally anticipating a wider RMB exchange rate fluctuation limits, the Board does not anticipate any 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 2017, the Group's total borrowings amounted to approximately HK$3,109.3 million in aggregate. The composition of borrowings is summarized below:

	HK$'m	*Percentage*
Short term borrowings	1,905.6	61%
Long term borrowings	1,203.7	39%
Total	3,109.3	100%

Interests for all borrowings were charged at fixed and floating rates ranging from 2.3% per annum to 7.2% per annum.

As at 30 June 2017, the Group's cash and bank balances was approximately HK$204.1 million in aggregate. The Group had net borrowing of approximately HK$2,905.2 million. The Group had net current assets of approximately HK$659.6 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 2017, 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 47.9% (2016: 47.7%) and 1.3x (2016: 1.7x) respectively.

PLEDGE OF ASSETS

As at 30 June 2017, the Group pledged certain investment properties, leasehold land and buildings, land use right and factory, plant and machinery with an aggregate carrying value at the end of the reporting period of approximately HK$2,228.8 million (31 December 2016: HK$2,205.2 million), HK$217.5 million (31 December 2016: HK$200.5 million), HK$180.5 million (31 December 2016: HK$182.5 million) and HK$702.7 million (31 December 2016: HK$719.8 million) respectively to secure general banking facilities granted to the Group, other loans and other payable to an independent third party.

As at 30 June 2017, the Group also pledged approximately HK$0.8 million (31 December 2016: HK$1.7 million) bank deposits to secure settlements for certain of Group's purchase of raw materials.

Changes in Items on Consolidated Statement of Financial Position:

Goodwill

Decrease was due to derecognition of the goodwill associated with the discontinued operation.

Interests in associates

Increase was mainly attributable to the share of results of associates for the current period amounting to approximately HK$157.2 million.

Amount due from associates

Increase was mainly attributable to the direct manufacturing expenses amounting to approximately HK$278.2 million incurred by TZ United East during the current period, which will be recovered from the associate, Zhong Hai You Qi under the joint production arrangements.

Bank balances and cash

Decrease was mainly due to use of funds to finance the operations of TZ United East and the exclusion of the corresponding balances of Yinda with a carrying balance amounting to approximately HK$163.1 million in aggregate as at 31 December 2016.

Deposits, prepayments and other receivables

Increase was mainly due to the cash consideration receivable from the disposal of Straight View and Yinda amounting to HK$31.7 million and the dividend receivables from Straight View and JC International amounting to approximately HK$25.6 million and approximately HK$17.9 million respectively.

Trade and bills payables

Decrease was mainly attributable to due to the cessation of the property management business which has a carrying balance amounting to approximately HK$65.1 million as at 31 December 2016.

Accrued charges, rental deposits and other payables

Decrease was mainly attributable to the cessation of the property management business which has carrying balance amounting to approximately HK$79.8 million as at 31 December 2016 and the recognition of sales deposit received to sales in respect of the products sold in the current period amounting to approximately HK$84.2 million.

Borrowings

	Unaudited At 30 June 2017 *HK$'000*	Audited At 31 December 2016 *HK$'000*
Carrying balances under non-current liabilities	**1,203,693**	1,487,075
Carrying balances under current liabilities	**1,905,630**	1,621,026
Total	**3,109,323**	3,108,101

There is no material change in total borrowings since 31 December 2016 except the re-allocation between non-current liabilities and current liabilities in accordance with the maturity dates of individual bank loans.

CAPITAL STRUCTURE

As at 30 June 2017, the shareholders' fund of the Group was approximately HK$6,487.8 million and is approximately HK$130.7 million more than that as at 31 December 2016. The increase was mainly attributable to the retained profit of the period amounting to approximately HK$113.1 million.

HUMAN RESOURCES

As at 30 June 2017, the Group employed 543 (31 December 2016: 1,453) employees in Hong Kong and in the PRC. The total number of employees decreased significantly was due to the cessation of the property management business which is a labour intensive business and hired 909 employees as at 31 December 2016. 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 from continuing operations for the current period was approximately HK$26.1 million (2016: HK$54.7 million). The decrease was mainly due to absorption of most of the staff costs of TZ United East by the associate, Zhong Hai You Qi under the joint production arrangements during the period.

INTERIM DIVIDEND

The Board has resolved not declare an interim dividend for the six months ended 30 June 2017 (2016: nil).

CORPORATE GOVERNANCE

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

The Company has adopted codes of conduct regarding securities transactions by directors and by relevant employees (as defined in the 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 2017 were unaudited but has been reviewed and approved by the Audit Committee on 28 August 2017.

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

CHANGE IN BOARD MEMBERS

Mr. Chen Xiaozhou ("Mr. Chen") resigned as a non-executive director of the Company and the chairman of the Board of the Company with effect from 20 January 2017 in order to pursue more commitments on the strategic development of China Cinda Asset Management Co., Ltd. ("China Cinda").

Mr. Gu Jianguo ("Mr. Gu") resigned as an executive director of the Company with effect from 20 January 2017 due to his change in employment and ceased to be employed by China Cinda.

Mr. Wu Songyun ("Mr. Wu") was appointed as a non-executive director of the Company and elected chairman of the Board of the Company with effect from 20 January 2017. Mr. Wu subsequently resigned as a non-executive director of the Company and the chairman of the Board of the Company with effect from 28 August 2017 due to his change in employment and ceased to be employed by China Cinda.

Mr. Ma Yilin ("Mr. Ma") was appointed as an executive director of the Company with effect from 20 January 2017.

Mr. Luo Zhenhong ("Mr. Luo") was appointed as a non-executive director of the Company and elected chairman of the Board of the Company with effect from 28 August 2017.

CHANGE IN DIRECTORS' INFORMATION

Subsequent to the approval date of the Annual Report 2016, there was no change in information of directors of the Company required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rule.

CHANGE SINCE 31 DECEMBER 2016

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 2016.

INTERIM FINANCIAL REPORT

The Interim Financial Report 2017 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.

On behalf of the Board, I would take to express my appreciation and gratitude to Mr. Chen, Mr. Gu and Mr. Wu for their contributions and services to the Group during their tenure. The Board also give its warmest welcome to Mr. Luo and Mr. Ma in joining the Company.

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

Hong Kong, 28 August 2017

As at the date of this announcement, the Board comprises Mr. Gao Jian Min (Managing Director), Mr. Liu Tianni (Deputy Managing Director) and Mr. Ma Yilin as executive directors; Mr. Luo Zhenhong (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.