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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)

2018 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 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Unaudited	Unaudited
		Six months ended 30 June	
		2018	2017
	Notes	HK\$'000	HK\$'000
Continuing operations			
Rental income	3	57,817	47,139
Sales of petrochemical products	3	—	87,237
Sub-contracting income	3	247,073	302,421
		<u>304,890</u>	436,797
Cost of sales and services		<u>(215,822)</u>	<u>(340,723)</u>
		89,068	96,074
Dividend income from listed and unlisted securities	3	103	21,756
Other income, gains and losses	5	28,543	38,451
Change in fair value of held-for-trading investments		—	6,434
Change in fair value of financial assets at fair value through profit or loss		106,072	—
Reversal of impairment loss		15,000	—
Administrative expenses		(94,790)	(119,932)
Other expenses	8	(71,169)	—
Change in fair value of investment properties		44,927	26,496
Finance costs	6	(92,648)	(67,969)
Change in fair value of structured finance securities		—	194
Share of results of associates		<u>125,997</u>	<u>157,189</u>
Profit before taxation		151,103	158,693
Taxation	7	<u>(25,412)</u>	<u>(8,087)</u>
Profit for the period from continuing operations	8	125,691	150,606
Discontinued operation			
Profit for the period from discontinued operation	4	<u>—</u>	<u>648</u>
Profit for the period		<u><u>125,691</u></u>	<u><u>151,254</u></u>

		Unaudited	Unaudited
		Six months ended 30 June	Restated
		2018	2017
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to owners of the Company:			
— from continuing operations		143,165	112,691
— from discontinued operation		<u>—</u>	<u>367</u>
		<u>143,165</u>	<u>113,058</u>
(Loss) profit attributable to non-controlling interests:			
— from continuing operations		(17,474)	37,915
— from discontinued operation		<u>—</u>	<u>281</u>
		<u>(17,474)</u>	<u>38,196</u>
		<u><u>125,691</u></u>	<u><u>151,254</u></u>
Earnings per share (in HK cents)			
From continuing and discontinued operations			
— Basic	<i>9</i>	<u><u>6.21</u></u>	<u><u>4.91</u></u>
From continuing operations			
— Basic	<i>9</i>	<u><u>6.21</u></u>	<u><u>4.89</u></u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Unaudited Six months ended 30 June 2018 <i>HK\$'000</i>	Unaudited Restated 2017 <i>HK\$'000</i>
Profit for the period	<u>125,691</u>	<u>151,254</u>
<i>Other comprehensive income (expense)</i>		
Items that will not be reclassified to profit or loss:		
Gain arising on revaluation of leasehold properties	21,533	22,785
Exchange differences arising on translation to presentation currency	(82,776)	142,627
Income tax related to items that will not be reclassified	(3,119)	(3,371)
Reclassification adjustments relating to foreign operation disposed of during the period	—	(1,776)
	<u>(64,362)</u>	<u>160,265</u>
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive (expense) income of associates	<u>(10,086)</u>	<u>7,326</u>
	<u>(10,086)</u>	<u>7,326</u>
Other comprehensive (expense) income for the period (net of tax)	<u>(74,448)</u>	<u>167,591</u>
Total comprehensive income for the period	<u>51,243</u>	<u>318,845</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	73,174	273,295
Non-controlling interests	<u>(21,931)</u>	<u>45,550</u>
	<u>51,243</u>	<u>318,845</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Unaudited	Audited
	At	At
	30 June	31 December
	2018	2017
Note	HK\$'000	HK\$'000
ASSETS		
Non-current assets		
Investment properties	2,598,445	2,583,770
Property, plant and equipment	3,859,678	3,918,338
Land use rights	187,549	191,955
Goodwill	39,462	39,462
Interests in associates	1,449,458	1,334,651
Structured finance securities	—	6,999
Available-for-sale investments	—	300,655
Financial assets at fair value through profit or loss	228,684	—
Loan receivables	221,132	223,044
	<u>8,584,408</u>	<u>8,598,874</u>
Current assets		
Inventories	106,406	102,425
Available-for-sale investment	—	606,242
Held-for-trading investments	—	100,526
Trade receivables	11 10,032	70,350
Deposits, prepayments and other receivables	369,514	311,364
Amounts due from an associate	663,574	671,372
Loan receivables	118,624	—
Financial assets at fair value through profit or loss	1,429,575	—
Pledged bank deposits	—	844
Structured bank deposits	—	1,182,473
Bank balances and cash	650,797	301,850
	<u>3,348,522</u>	<u>3,347,446</u>
TOTAL ASSETS	<u>11,932,930</u>	<u>11,946,320</u>

		Unaudited	Audited
		At	At
		30 June	31 December
		2018	2017
	<i>Note</i>	HK\$'000	HK\$'000
EQUITY			
Capital and reserves			
Share capital		3,626,781	3,626,781
Reserves		<u>3,559,248</u>	<u>3,476,619</u>
Equity attributable to owners of the Company		7,186,029	7,103,400
Non-controlling interests		<u>363,162</u>	<u>385,093</u>
TOTAL EQUITY		<u>7,549,191</u>	<u>7,488,493</u>
LIABILITIES			
Non-current liabilities			
Borrowings		1,500,849	989,915
Deferred tax liabilities		<u>244,971</u>	<u>232,383</u>
		<u>1,745,820</u>	<u>1,222,298</u>
Current liabilities			
Trade and bills payables	12	15,268	7,886
Accrued charges, rental deposits and other payables		599,359	948,746
Borrowings		1,978,047	2,241,205
Taxation payable		<u>45,245</u>	<u>37,692</u>
		<u>2,637,919</u>	<u>3,235,529</u>
TOTAL LIABILITIES		<u>4,383,739</u>	<u>4,457,827</u>
TOTAL EQUITY AND LIABILITIES		<u>11,932,930</u>	<u>11,946,320</u>
Net current assets		<u>710,603</u>	<u>111,917</u>
Total assets less current liabilities		<u>9,295,011</u>	<u>8,710,791</u>

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with 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”).

The financial information relating to the year ended 31 December 2017 that is included in these condensed consolidated financial statements 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 is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures.

3. REVENUE AND SEGMENT INFORMATION

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

Continuing operations:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
		Restated
Rental income	57,817	47,139
Sales of petrochemical products	—	87,237
Sub-contracting income related to production of petrochemical products	247,073	302,421
	304,890	436,797
Dividend income from listed and unlisted securities	103	21,756
	304,993	458,553

The Group is currently organised into three operating divisions: i) investments (including the results from held-for-trading investments, available-for-sale investments, structured finance securities, loan receivables and financial assets at FVTPL); ii) property leasing; and iii) production and trading of petrochemical products and provision of sub-contracting service. 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 identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

During the six months ended 30 June 2017, the Group disposed of its entire interest in Straight View Limited (“Straight View”) and its subsidiary, which engaged in the Group’s property management operation (the “Property Management Operation”). Property Management Operation was reclassified as discontinued operation during the six months ended 30 June 2017 as described in note 4.

Besides, the Group’s distressed assets operation and sales of properties operation were not presented in segment information, as the executive directors of the Company considered the financial information related to these operations are inactive during both periods.

No segment assets or liabilities are presented as the chief operating decision maker does not regularly review segment assets and liabilities.

Segment revenue and results

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

	Investments <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Production and trading of petrochemical products and provision of sub- contracting service <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Continuing operations:				
Six months ended 30 June 2018				
Revenue	<u>103</u>	<u>57,817</u>	<u>247,073</u>	<u>304,993</u>
Segment profit (loss)	143,025	86,163	(90,719)	138,469
Other unallocated income, gains and losses				2,795
Corporate expenses				(23,510)
Finance costs				(92,648)
Share of results of associates				<u>125,997</u>
Profit before taxation				<u>151,103</u>
Six months ended 30 June 2017 (Restated)				
Revenue	<u>21,756</u>	<u>47,139</u>	<u>389,658</u>	<u>458,553</u>
Segment profit (loss)	61,300	47,630	(13,500)	95,430
Other unallocated income, gains and losses				4,726
Corporate expenses				(30,683)
Finance costs				(67,969)
Share of results of associates				<u>157,189</u>
Profit before taxation				<u>158,693</u>

Segment profit (loss) represents the results of each segment without allocation of items which are not actively reviewed by the chief operating decision maker, including other unallocated income, gains and losses, comprising interest income other than those from loan receivables, net foreign exchange (loss) gain, net gain (loss) on disposal of corporate property, plant and equipment and certain miscellaneous unallocated income. The unallocated corporate expenses, finance costs and share of results of associates are not allocated into individual segment as they are under central management. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Geographical information

The Group's operations are located in the People's Republic of China ("PRC") and Hong Kong. The Group's revenue from external customers is based on the location of the Group's operations to derive the revenue by geographical location are detailed below:

Continuing operations:

	Revenue	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
		Restated
Hong Kong	763	4,063
PRC	<u>304,230</u>	<u>454,490</u>
	<u><u>304,993</u></u>	<u><u>458,553</u></u>

4. DISCONTINUED OPERATION

On 28 April 2017, the Group entered into a sale and purchase agreement to dispose of a subsidiary, Straight View, and its non-wholly owned subsidiary, Beijing Yinda Property Management Limited ("Yinda"), which carried out the Group's Property Management Operation. The sale and purchase agreement was entered between the Group and the two directors of Yinda (the "Purchasers") and the total consideration for this disposal was HK\$31.7 million. The disposal was completed on 30 June 2017, on which date control of Straight View passed to the Purchasers and Straight View and its subsidiary ceased to be subsidiaries of the Company.

The profit for the period ended 30 June 2017 from the Property Management Operation is set out below.

The result of the discontinued operation which had been included in the condensed consolidated statement of profit or loss, was as follows:

	Six months ended 30 June 2017 HK\$'000
Revenue	103,245
Cost of sales and services	(69,538)
Other income, gains or losses	2,048
Administrative expenses	<u>(32,275)</u>
Profit before taxation	3,480
Taxation	<u>(1,719)</u>
Profit for the period	1,761
Loss on disposal of subsidiaries (<i>see note 13</i>)	<u>(1,113)</u>
Profit for the period from discontinued operation	<u><u>648</u></u>
Profit from discontinued operation attributable to:	
— Owners of the Company	367
— Non-controlling interests	<u>281</u>
	<u><u>648</u></u>

Profit for the period from discontinued operation includes the following:

	Six months ended 30 June 2017 HK\$'000
Auditor's remuneration	—
Depreciation for property, plant and equipment	(1,695)
Operating lease rentals in respect of land and building	(1,007)
Staff cost	(47,197)
Interest income — bank deposits	217
Interest income — others	826
Commission income	999
Loss on disposal of property, plant and equipment	(23)
Other income	<u>29</u>
Cash flows from discontinued operation:	
Net cash outflow used in operating activities	<u><u>(46,951)</u></u>
Net cash outflow used in investing activities	<u><u>(1,505)</u></u>
Net cash outflow used in financing activities	<u><u>(3,121)</u></u>

The carrying amounts of the assets and liabilities of Straight View and its subsidiary at the date of disposal are disclosed in note 13.

5. OTHER INCOME, GAINS AND LOSSES

Continuing operations:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
		Restated
Interest income		
— bank deposits	2,097	507
— amounts due from an associate	13,043	24,690
— loan receivables	9,205	8,228
— others	—	3,460
Net foreign exchange (loss) gain	(103)	619
Net gain (loss) on disposal of property, plant and equipment	14	(88)
Government grant	—	807
Forfeiture of unclaimed dividends for over six years	706	—
Gain on disposal of scrap materials	1,304	—
Others	2,277	228
	<u>28,543</u>	<u>38,451</u>

6. FINANCE COSTS

Continuing operations:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
		Restated
Interest on bank loans wholly repayable within five years	54,314	54,025
Interest on other loans wholly repayable within five years	38,334	13,944
	<u>92,648</u>	<u>67,969</u>

7. TAXATION

Continuing operations:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
		Restated
Tax charge comprises:		
PRC Enterprise Income Tax — current	46,012	1,786
PRC Enterprise Income Tax — underprovision in prior periods	12,023	302
	<u>58,035</u>	<u>2,088</u>
Deferred taxation:		
— current period	<u>(32,623)</u>	<u>5,999</u>
	<u>25,412</u>	<u>8,087</u>

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.

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 subsidiaries is calculated at 5%.

Under the Law of the PRC 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 has been arrived at after charging (crediting):

Continuing operations:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
		Restated
Auditor's remuneration	1,400	1,400
Cost of inventories recognised as an expense	—	89,055
Depreciation for property, plant and equipment	127,216	114,111
Release of land use rights	2,202	2,003
Operating lease rentals in respect of land and buildings	7	19
Staff costs including directors' and chief executive's remuneration	60,150	49,305
Rental income under operating leases for investment properties, less outgoings of HK\$3,741,000 (2017: HK\$4,726,000)	<u>(54,076)</u>	<u>(42,413)</u>

Other expenses

Amount represents the direct costs, such as wages, depreciation expenses, consumables and other direct attributable costs incurred by a subsidiary, Tai Zhou United East Petrochemical Company Limited during its voluntary suspension of production for inspection and maintenance of production plant.

9. EARNINGS PER SHARE

From continuing operations:

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

	Six months ended 30 June	
	2018	2017
	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)	143,165	113,058
Less: Profit for the period from discontinued operation attributable to owners of the Company	<u>—</u>	<u>367</u>
Earnings for the purpose of basic earnings per share from continuing operations	<u>143,165</u>	<u>112,691</u>

At 30 June	
2018	2017
<i>In thousand</i>	<i>In thousand</i>

Number of shares:

Weighted average number of ordinary shares for the purpose of basic earnings per share

2,304,850	2,304,850
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From continuing and discontinued operations:

The calculation of the basic and diluted earnings per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

Six months ended 30 June	
2018	2017
<i>HK\$'000</i>	<i>HK\$'000</i>
	Restated

Earnings:

Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)

143,165	113,058
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The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operation:

Basic and diluted earnings per share for the discontinued operation is HK0.02 cent per share, based on the profit for the six months ended 30 June 2017 attributable to owners of the Company from the discontinued operation of HK\$367,000.

No diluted earnings per share for the periods ended 30 June 2018 and 2017 were presented as the Company has no potential ordinary shares for the six months ended 30 June 2018 and 2017.

10. DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2018 (2017: 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 period, which approximated the respective revenue recognition dates:

	At 30 June 2018 <i>HK\$'000</i>	At 31 December 2017 <i>HK\$'000</i>
0 to 30 days	<u>10,032</u>	<u>70,350</u>

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 period:

	At 30 June 2018 <i>HK\$'000</i>	At 31 December 2017 <i>HK\$'000</i>
0 to 30 days	7,503	7,886
31 to 90 days	6,399	—
91 to 180 days	888	—
181 to 360 days	<u>478</u>	—
	<u>15,268</u>	<u>7,886</u>

13. DISPOSAL OF SUBSIDIARIES

As referred to note 4, the Group discontinued the Property Management Operation at the time of disposal of Straight View and its subsidiary. The consolidated net assets of Straight View and its subsidiary at the date of disposal were as follow:

	<i>HK\$'000</i>
Consideration received:	
Cash received	<u>31,700</u>

HK\$'000

Analysis of assets and liabilities over which control was lost:

Property, plant and equipment	12,279
Goodwill	7,001
Inventories	768
Trade and other receivables	74,047
Bank balances and cash	111,550
Trade and other payables	(158,893)
Tax payable	(9,263)
	<u>37,489</u>
Net assets disposed of	<u>37,489</u>

HK\$'000

Loss on disposal of subsidiaries:

Consideration received	31,700
Net assets disposed of	(37,489)
Non-controlling interests	2,900
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiaries	1,776
	<u>(1,113)</u>
Loss on disposal	<u>(1,113)</u>

HK\$'000

Net cash outflow arising on disposal:

Cash consideration	31,700
Less: Bank balances and cash disposed of	(111,550)
	<u>(79,850)</u>

The impact of Straight View and its subsidiary on the Group's results and cash flows in the current and prior periods is disclosed in note 4.

14. CAPITAL COMMITMENTS

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Capital commitments in respect of property, plant and equipment: — contracted for but not provided in the consolidated financial statements	31,197	69,624
Capital commitments in respect of unlisted equity securities: — contracted for but not provided in the consolidated financial statements (notes a & b)	177,936	249,700

Notes:

- (a) During the year ended 31 December 2015, the Group entered into a shareholders' agreement with several parties to incorporate a joint venture, namely Zhongxin Zhangbei Solar Energy Thermal Power Generation Co., Ltd. ("Solar Energy Thermal Power") to invest in a solar energy project. Total capital of Solar Energy Thermal Power would be RMB1,000,000,000 and the Group has committed to inject RMB150,000,000 (equivalent to HK\$177,936,000) (31 December 2017: RMB150,000,000 (equivalent to HK\$180,072,000)) which represents 15% equity interest of Solar Energy Thermal Power. As at 30 June 2018, the Group has not yet paid its committed amount.
- (b) During the year ended 31 December 2015, the Group entered into a capital injection agreement with Beijing TeraSolar Photothermal Technologies Co., Ltd. ("Beijing TeraSolar"), which is principally engaged in construction, management and technical consultancy of concentrated solar power projects, pursuant to which, the Group agreed to subscribe 8% of the enlarged share capital of Beijing TeraSolar for a total consideration of RMB116,000,000 (equivalent to HK\$137,604,000) (31 December 2017: RMB116,000,000 (equivalent to HK\$139,256,000)). As at 30 June 2018 and 31 December 2017, the Group has paid HK\$69,628,000 and subscribed 4% of the enlarged capital of Beijing TeraSolar.

As at 30 June 2018 and 31 December 2017, the Group is entitled to 4% of benefits of Beijing TeraSolar.

During the six months ended 30 June 2018, the Group received an offer letter from Beijing TeraSolar to purchase back the Group's 4% interest in it for RMB58,000,000 in Year 2018.

15. PRIOR PERIOD ADJUSTMENTS

During the preparation of the interim results for the six months ended 30 June 2018, the directors of the Company have identified the following errors in respect of the interim results for the six months ended 30 June 2017:

- (i) The Group did not gross up the subcontracting income and respective costs of service.
- (ii) The Group did not use appropriate exchange rate to translate its assets and liabilities denominated in RMB into HKD as at 30 June 2017.
- (iii) The Group did not include the loss on disposal of subsidiaries in the profit for the period from discontinued operation.

Accordingly, certain prior period adjustments have been made.

The effects of the prior period adjustments described above on the results and other comprehensive income of the Group for the six months ended 30 June 2017 by line items are summarised as follows:

	For the six months ended	Adjustments			For the six months ended
	30 June 2017 <i>HK\$'000</i> as originally stated	(i) <i>HK\$'000</i>	(ii) <i>HK\$'000</i>	(iii) <i>HK\$'000</i>	30 June 2017 <i>HK\$'000</i> as restated
Continuing operations					
Sales of petrochemical products	152,859	(65,622)	—	—	87,237
Sub-contracting income	—	302,421	—	—	302,421
Cost of sales and services	(159,402)	(181,321)	—	—	(340,723)
Administrative expenses	(105,358)	(14,574)	—	—	(119,932)
Loss on disposal of subsidiaries	(1,113)	—	—	1,113	—
Finance costs	(27,065)	(40,904)	—	—	(67,969)
Total effect on profit for the period from continuing operations		—	—	1,113	
Discontinued operation					
Profit for the period from discontinued operation	1,761	—	—	(1,113)	648
Total effect on profit for the period		—	—	—	
Profit attributable to owners of the Company:					
— from continuing operations	111,578	—	—	1,113	112,691
— from discontinued operation	1,480	—	—	(1,113)	367
Total effect on profit attributable to owners of the Company		—	—	—	

	For the six months ended 30 June 2017	Adjustments			For the six months ended 30 June 2017
		(i)	(ii)	(iii)	
Earnings per share (in HK cents)					
From continuing and discontinued operations					
— Basic	4.91	—	—	—	4.91
From continuing operations					
— Basic	4.84	—	—	0.05	4.89

	For the six months ended 30 June 2017 <i>HK\$'000</i> as originally stated	Adjustments			For the six months ended 30 June 2017 <i>HK\$'000</i> as restated
		(i) <i>HK\$'000</i>	(ii) <i>HK\$'000</i>	(iii) <i>HK\$'000</i>	
<i>Other comprehensive income (expense)</i>					
Items that will not be reclassified to profit or loss:					
Exchange differences arising on translation to presentation currency	—	—	142,627	—	142,627
Reclassification adjustments relating to foreign operation disposed of during the period	(4,676)	—	2,900	—	(1,776)
		—	145,527	—	
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive income of associates		—	7,326	—	7,326
Total effect on other comprehensive income for the period (net of tax)		—	152,853	—	
Total effect on total comprehensive income for the period		—	152,853	—	

The cumulative effect of the above adjustments on the condensed consolidated financial position of the Group as at 30 June 2017 is HK\$152,853,000.

REVIEW OF RESULTS

Profit for the period attributable to owners of the Company increased by approximately HK\$30.1 million to approximately HK\$143.2 million (2017: HK\$113.1 million), representing an increment of 27%. Basic earnings per share also increased proportionately by 26% to approximately 6.21 HK cents (2017: 4.91 HK cents).

The increase in profit was attributable to the positive impact of fair value gain of financial assets at fair value through profit or loss amounting to approximately HK\$106.1 million and fair value gain of investment properties amounting to approximately HK\$18.4 million and reversal of impairment loss amounting to HK\$15.0 million which has compensated the negative impact of increase in net loss of Tai Zhou United East Petrochemical Company Limited (“TZ United East”) amounting to approximately HK\$97.4 million and decrease in the share of results of a major associate, Zhong Hai You Qi (Tai Zhou) Petrochemical Company Limited (“Zhong Hai You Qi”) amounting to approximately HK\$43.1 million. In the current period, TZ United East voluntarily suspended its productions in May and June 2018 for the purpose of carrying out a biennial major overhaul on its production facilities resulting in the increment of net loss of TZ United East.

Changes in Consolidated Statement of Profit or Loss Items:

Sales of petrochemical products

The amount in 2017 represented the direct selling of raw materials acquired through previously contracted supply contracts by TZ United East. No similar sales was recorded in the current period.

Sub-contracting income/Cost of sales and services

Decrease was mainly attributable to lack of sub-contracting income during the two months’ period of suspended productions of TZ United East in the current period.

Change in fair value of financial asset through profit or loss

Amounts in the current period mainly represent increase in fair value of financial assets amounting to approximately HK\$56.5 million in aggregate and the profit realized from disposal of financial assets amounting to approximately HK\$40.7 million in aggregate and fair value change of structured bank deposits amounting to approximately HK\$9.2 million in aggregate.

Administrative expenses

The decrease was mainly due to certain expenses incurred by TZ United East during the period of suspended production was reclassified to other expenses.

Other expenses

The amount represents the direct costs, such as wages, depreciation expenses, consumables and other direct attributable costs incurred by TZ United East during voluntary suspension of production for inspection and maintenance of production plant.

Finance costs

Increase in finance costs was mainly attributable to the increase in average borrowings and interest rates during the current period.

Share of results of associates

The decrease was mainly attributable to the decrease in the share of results of Zhong Hai You Qi amounting to approximately HK\$43.1 million. The production of Zhong Hai You Qi was affected to a certain extent by the two months' suspension in productions of TZ United East during the period.

Non-controlling interests

The amount in the current period mainly represent the minority interests' share of loss of TZ United East amounting to approximately HK\$47.9 million which was partly compensated by the minority interests' share of profit of Tai Zhou Dong Thai Petrochemical Company Limited ("TZ Dong Thai") amounting to approximately HK\$30.4 million. TZ Dong Thai is the immediate holding company of Zhong Hai You Qi which consolidates the result of Zhong Hai You Qi. The amount in the previous period mainly represent the minority interests' share of profit of TZ Dong Thai.

BUSINESS REVIEW & PROSPECTS

Properties leasing

Rental income for the current period amounted to approximately HK\$57.8 million (2017: HK\$47.1 million), increased by approximately 23%. Increase in rental income was mainly due to the increase in rental rate upon renewal of tenancy agreement and improvement in occupancy rates.

The occupation rates of the commercial portion and the residential portion of East Gate Plaza in the current period was approximately 96% and 96% respectively (2017: 96% and 92% respectively). The property leasing segment recorded a profit of approximately HK\$86.2 million (2017: HK\$47.6 million) for the current period. Segment profit increased further was a direct result of the increase in fair value gain upon revaluation of investment properties. Fair value gain for the current period was approximately HK\$44.9 million (2017: HK\$26.5 million).

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 arrangement in 2017 for the purpose of enhancing production effectiveness and efficiency of each other. Under the joint production arrangement, 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 arrangement, 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:

	For the six months ended 30 June		
	2018 <i>Tons</i>	2017 <i>Tons</i>	Changes %
Raw materials processed	<u>359,152</u>	<u>562,800</u>	<u>(36%)</u>
Raw materials sold	<u>—</u>	<u>22,618</u>	<u>N/A</u>
	<i>HK\$'m</i>	<i>HK\$'m</i> Restated	Changes %
Revenue – sales of raw materials	—	87.2	N/A
Revenue – sub-contracting income	<u>247.1</u>	<u>302.4</u>	<u>(18%)</u>
	<u>247.1</u>	<u>389.6</u>	<u>(37%)</u>
Net loss	<u>147.5</u>	<u>50.1</u>	<u>194%</u>

Revenue from sales of raw materials in the previous period represented revenue received from the direct selling of the raw materials acquired through previously contracted supply contracts. No such sales was recorded in the current period.

Decrease in revenue – sub-contracting income was due to TZ United East had suspended its productions for two months in May and June 2018 for the purpose of carrying out a biennial major overhaul of its production facilities. As a result, TZ United East recorded significant increase in net loss in the current period in the absence of sub-contracting income during the period of suspended productions but still have to incur overhead costs such as direct labor costs, depreciation and interest expenses.

Zhong Hai You Qi

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

	2018 <i>Tons</i>	2017 <i>Tons</i>	Changes %
Annual production capacity	<u>4,500,000</u>	<u>4,500,000</u>	<u>N/A</u>
Crude oil processed	<u>2,086,700</u>	<u>2,245,800</u>	<u>(7%)</u>
	<i>HK\$'m</i>	<i>HK\$'m</i> (Restated)	Changes %
Revenue	<u>10,847.4</u>	<u>9,862.6</u>	<u>10%</u>
Net profit	<u>368.3</u>	<u>498.9</u>	<u>(26%)</u>

Despite Zhong Hai You Qi have recorded a growth in revenue, there was a prominent decrease in net profit. The main reason was due to the two months' suspended productions of TZ United East. During the period of TZ United East's suspended operations, Zhong Hai You Qi have to change its production method to produce and sell petrochemical products with much lower profit margin.

Profit contribution from Zhong Hai You Qi in the current period was approximately HK\$121.5 million (2017: HK\$164.6 million).

Financial Assets

The carrying balances of the Group's financial assets at fair value through profit or loss analysed by individual balances are detailed below:

	Unaudited	Audited
	At	At
	30 June	31 December
	2018	2017
	HK\$'m	HK\$'m
Non-current assets		
JC International	115.6	124.6
Beijing TeraSolar	66.7	69.7
CUP	—	54.0
Hejing Zhongdao	11.4	24.2
CITIC International Trading	22.6	22.6
Others	5.6	5.6
Structured finance securities	6.8	7.0
	<u>228.7</u>	<u>307.7</u>
Current assets		
National Trust	599.1	606.2
Structured bank deposits	826.8	1,182.5
Listed securities	3.7	100.5
	<u>1,429.6</u>	<u>1,889.2</u>
	<u>1,658.3</u>	<u>2,196.9</u>

Decrease in the total carrying amount was mainly due to the effect of the disposal of the CUP with a book value of approximately HK\$54.0 million, the disposal of trading listed securities of approximately HK\$96.8 million and the decrease in high-yield bank deposits of approximately HK\$355.7 million from HK\$1,182.5 million at 31 December 2017 to HK\$826.8 million at 30 June 2018 which balance was grouped under financial asset at fair value through profit or loss.

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 2018. 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 Board is currently considering a proposal regarding 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.

On 29 June 2018, each of Silver Grant Group Limited ("SG Group") and CGNPC International Limited ("CGNPC"), both are substantial shareholder of the Company, separately entered into a conditional share transfer agreement with Zhuguang Holdings Group Company Limited ("Zhuguang Holdings"). Pursuant to the share transfer agreements and upon completion, Zhuguang Holdings will acquire a total of 655,360,022 shares as to 291,220,022 shares from SG Group and 364,140,000 shares from CGNPC respectively. Zhuguang Holdings will become a substantial shareholder and also the single largest shareholder of the Company holding an equity interest of approximately 28.44%. Zhuguang Holdings have intention to further diversify the Group's business into provision of financial services.

FINANCIAL REVIEW

Exchange Exposure

The Group's principal assets, liabilities, revenue and payments are denominated in HKD and RMB. 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.

In additions, 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 2018, the Group's total borrowings amounted to approximately HK\$3,478.8 million in aggregate. The composition of borrowings is summarized below:

	<i>HK\$m</i>	<i>Percentage</i>
Short term borrowings	1,978.0	57%
Long term borrowings	<u>1,500.8</u>	<u>43%</u>
Total	<u><u>3,478.8</u></u>	<u><u>100%</u></u>

Interests for all borrowings were charged at fixed and floating rates ranging from 2.3% per annum to 7.5% per annum.

As at 30 June 2018, the Group's cash and bank balances was approximately HK\$1,477.6 million (including high-yield bank deposits amounting to approximately HK\$826.8 million grouped under the carrying balance of financial assets at fair value through profit or loss) in aggregate. The Group had net borrowing of approximately HK\$2,001.2 million. The Group had net current assets of approximately HK\$710.6 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 2018, 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 48.4% (31 December 2017: 45.5%) and 1.3x (31 December 2017: 1.0x) respectively.

PLEDGE OF ASSETS

As at 30 June 2018, the Group pledged certain investment properties, leasehold land and buildings, land use right and property, plant and equipment with an aggregate carrying value at the end of the reporting period of approximately HK\$2,432.0 million (31 December 2017: HK\$2,424.7 million), HK\$244.2 million (31 December 2017: HK\$228.3 million), HK\$128.8 million (31 December 2017: HK\$131.8 million) and HK\$783.6 million (31 December 2017: 737.5 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 2018, the Group pledged nil (31 December 2017: HK\$0.8 million) bank deposits to secure settlements for certain of Group's purchase of raw materials.

Changes in Items on Consolidated Statement of Financial Position:

Interests in associates

Increase was mainly attributable to the share of results of associates for the current period amounting to approximately HK\$126.0 million.

Structured finance securities/Available-for-sale investments/Financial assets at fair value through profit or loss/Held-for-trading investments/Structured bank deposits

As a result of change in accounting policy upon adoption of HKFRS 9, structured finance securities, available-for-sale investments, held-for-trading investments and structured bank deposits are all reclassified as financial asset at fair value through profit or loss. The carrying balances at each period end date is summarized below:

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Non-current assets		
Structured finance securities	—	6,999
Available-for-sale investments	—	300,655
Financial assets at fair value through profit or loss	228,684	—
Current assets		
Available-for-sale investments	—	606,242
Held-for-trading investments	—	100,526
Financial assets at fair value through profit or loss	1,429,575	—
Structured bank deposits	—	1,182,473
	<u>1,658,259</u>	<u>2,196,895</u>

Decrease in the total carrying amount was mainly due to the effect of the disposal of the CUP with a book value of approximately HK\$54.0 million, the disposal of trading listed securities of approximately HK\$96.8 million and the decrease in high-yield bank deposits of approximately HK\$355.7 million from HK\$1,182.5 million at 31 December 2017 to HK\$826.8 million at 30 June 2018 which balance was grouped under financial asset at fair value through profit or loss.

Loan receivables

	Unaudited	Audited
	At	At
	30 June	31 December
	2018	2017
	HK\$'000	HK\$'000
Carrying balances under non-current liabilities	221,132	223,044
Carrying balances under current liabilities	118,624	—
	<hr/>	<hr/>
Total	339,756	223,044
	<hr/> <hr/>	<hr/> <hr/>

Increase was mainly due to advance of new loan to a third party for higher returns.

Trade receivables

Decrease was mainly due to the fact that included in the closing balances at 31 December 2017 was a sub-contracting fee amounting to approximately HK\$62.6 million receivables from Zhong Hai You Qi and which was settled during the six months ended 30 June 2018. There was no sub-contracting fee receivable as at the period end date in light of the suspension of productions by TZ United East in May and June 2018.

Bank balances and cash

At 30 June 2018, high-yield bank deposits amounting to approximately HK\$826.8 million in aggregate was grouped under financial assets at fair value through profit or loss. Taking into account the high-yield deposits, bank balances and cash and cash equivalents amounting to approximately HK\$1,477.6 million in aggregate and is approximate to the aggregated amount of structured bank deposits and bank balance and cash amounting to approximately HK\$1,484.3 million at 31 December 2017.

Accrued charges, rental deposits and other payables

Decrease was mainly attributable to the repayment of the proceed received on behalf of a company controlled by a director of the Company during the period.

Borrowings

	Unaudited	Audited
	At	At
	30 June	31 December
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying balances under non-current liabilities	1,500,849	989,915
Carrying balances under current liabilities	1,978,047	2,241,205
Total	<u>3,478,896</u>	<u>3,231,120</u>

Total borrowings increased slightly as compared to that as at 31 December 2017. The increase was mainly attributable to the utilization of working capital loan by TZ United East.

CAPITAL STRUCTURE

As at 30 June 2018, the shareholders' fund of the Group was approximately HK\$7,186.0 million and is approximately HK\$82.6 million more than that as at 31 December 2017. The increase was mainly attributable to the retained profit of the period amounting to approximately HK\$143.2 million and increase in revaluation of leasehold properties amounted to HK\$18.4 million, which were greater than the decrease in translation reserve amounting to HK\$88.4 million. Due to the depreciation of RMB by 6.0% in current period, translation of the books of PRC subsidiaries resulted in exchange loss charged to translation reserve.

HUMAN RESOURCES

As at 30 June 2018, the Group employed 563 employees (31 December 2017: 559) in Hong Kong and in the PRC. 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\$60.2 million (2017: HK\$49.3 million). Increase was mainly attributable to increase in the staff cost of TZ United East. TZ United suspended its production for two months to carry out a major overhaul of production facilities. As a result, a portion of the staff costs of TZ United East was not absorbed by the associate, Zhong Hai You Qi under the joint production arrangement during the period.

INTERIM DIVIDEND

The Board has resolved not declare an interim dividend for the six months ended 30 June 2018 (2017: nil).

CORPORATE GOVERNANCE

Except for the deviation specified below, the Company has complied with all code mandatory provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the period ended 30 June 2018.

Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Mr. Luo Zhenhong, the Chairman of the Board was out of town and is unable to attend the annual general meeting of the Company held on 28 May 2018. 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.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018 has been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants, by the Company’s external auditors, Deloitte Touche Tohmatsu, whose review report is included in the interim financial report to be sent to shareholders.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018 has also been reviewed by the Audit Committee of the Company.

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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

CHANGE IN DIRECTORS’ INFORMATION

Subsequent to the approval date of the Annual Report 2017, 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 2017

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 2017.

INTERIM FINANCIAL REPORT

The Interim Financial Report 2018 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
Executive Director and Managing Director

Hong Kong, 30 August 2018

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.