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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in SHK Hong Kong Industries Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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SHK 新工投資有限公司
Hong Kong Industries Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 666)

**CONTINUING CONNECTED TRANSACTIONS
CONTINUED APPOINTMENT OF
YU MING INVESTMENT MANAGEMENT LIMITED
AS INVESTMENT MANAGER**

**Independent financial adviser to the Independent Board Committee and
the Independent Shareholders**



CENTURION CORPORATE FINANCE LIMITED

A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on page 13 of this circular. A letter from Centurion, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 29 of this circular.

A notice convening an extraordinary general meeting of SHK Hong Kong Industries Limited to be held at 10:00 a.m. on 28th December, 2012 at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong is set out on page 44 of this circular. Whether or not you intend to be present at the meeting, you are recommended to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to Tricor Secretaries Limited, the share registrar of the Company, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the extraordinary general meeting or any adjourned meeting. The completion and return of the proxy form will not preclude you from attending and voting in person should you so wish.

10th December, 2012

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“associates”	shall have the same meaning as is provided in the Listing Rules
“Board”	the board of Directors
“Centurion”	Centurion Corporate Finance Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Management Agreement and the annual caps thereunder
“Company”	SHK Hong Kong Industries Limited, a company incorporated in Hong Kong with limited liability and whose Shares are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Distribution”	any declaration, distribution or payment of dividend or return of capital to Shareholders by the Company other than scrip issue or bonus issue of shares or securities
“EGM”	an extraordinary general meeting of the Company to be convened to approve the Management Agreement and the annual caps thereunder
“Executive Committee”	the executive committee established by the Board, comprising Mr. Warren Lee Wa Lun and Mr. Mark Wong Tai Chun, or such individuals as approved by the Board from time to time, being the executive Directors of the Company which has been authorised to make investment decisions on behalf of the Group and operate normal course of business of the Group

DEFINITIONS

“Financial Year”	the financial year of the Company during the Management Period, being the period of twelve months from 1st January to 31st December, or as otherwise determined by the Board
“Gross NAV”	the consolidated Net Asset Value at the relevant date, without deduction of Management Fees attributable to the relevant quarter
“Group”	the Company and its subsidiaries
“High Watermark”	during the term of the Management Agreement, (a) if a Performance Fee has been paid during the Management Period or in accordance with the Previous Agreement, the audited Net Asset Value as at 31st December of the latest Financial Year in which YMIM was entitled to a Performance Fee; or (b) if no Performance Fee has been paid during the term of the Management Agreement or in accordance with the Previous Agreement entered into between the same parties on 30th October, 2009 during that term, the Net Asset Value on the Renewal Date
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising Dr. Ambrose So Shu Fai, Mr. Albert Ho and Mr. Louie Chun Kit (all being independent non-executive Directors) to advise the Independent Shareholders in respect of the Management Agreement and the annual caps thereunder
“Independent Shareholders”	the Shareholders other than Allied Group Limited and its associates
“JPY”	Japanese Yen, the lawful currency of Japan
“Latest Practicable Date”	7th December, 2012, the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Agreement”	the investment management agreement entered into between the Company and YMIM on 19th November, 2012, in relation to the provision of the Services with effect from the Renewal Date, the terms of which shall be subject to approval by the Independent Shareholders
“Management Fee”	the fee payable to YMIM in respect of the management of the Company pursuant to the Management Agreement
“Management Period”	the period from the Renewal Date to 31st December, 2015
“Net Asset Value”	the consolidated net asset value of the Group attributable to the owners of the Company
“New Issue”	any issue of Shares or other securities (other than securities constituting liabilities) by the Company by way of rights, subscription, exercise of rights, conversion or otherwise
“Performance Fee”	the fee payable to YMIM in respect of the performance of the Company pursuant to the Management Agreement
“Previous Agreement”	the investment management agreement made between the Company and YMIM dated 30th October, 2009
“Renewal Date”	1st January, 2013
“Services”	the services to be provided by YMIM to the Company pursuant to the Management Agreement (including certain investment management services and administrative services)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	shareholders of the Company

DEFINITIONS

“Shares”	ordinary shares in the issued share capital of the Company from time to time, of a nominal value of HK\$0.10 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency in the United States of America
“YMIM”	Yu Ming Investment Management Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO permitted to carry out regulated activities of Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management)
“%”	per cent.

LETTER FROM THE BOARD

SHK 新工投資有限公司
Hong Kong Industries Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 666)

Executive Directors:

Mr. Warren Lee Wa Lun
Mr. Mark Wong Tai Chun

Non-Executive Directors:

Mr. Arthur George Dew
Mr. Peter Lee Yip Wah

Independent Non-Executive Directors:

Dr. Ambrose So Shu Fai
Mr. Albert Ho
Mr. Louie Chun Kit

Registered Office:

Room 1801, 18th Floor
Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

10th December, 2012

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
CONTINUED APPOINTMENT OF
YU MING INVESTMENT MANAGEMENT LIMITED
AS INVESTMENT MANAGER**

INTRODUCTION

On 19th November 2012, the Board announced that the Company entered into the Management Agreement with YMIM in relation to the appointment of YMIM as the Company's investment manager for the Management Period. The Management Agreement is conditional upon approval of Independent Shareholders and shall, if approved in the EGM, commence on the Renewal Date.

The purpose of this circular is to provide you with (i) further details of the Management Agreement; (ii) the recommendation of the Independent Board Committee; (iii) the advice of Centurion, the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the EGM, at which ordinary resolution will be proposed to consider and, if thought fit, approve the Management Agreement and the annual caps thereunder.

LETTER FROM THE BOARD

MANAGEMENT AGREEMENT

Principal terms

The principal terms of the Management Agreement are on the same bases as the Previous Agreement. They include:

- Duration: The Management Period (3 years)
- Services: YMIM shall provide non-exclusive investment management services and administrative services to the Company, including:
- (a) identifying and carrying out analysis or investigation of investment opportunities; and
 - (b) advising on acquisitions and realizations of investments and submitting relevant proposals to the Board for approval.
- Remuneration: Management fee:
- 0.375% of the Gross NAV for each quarter, calculated as the arithmetical average of the published Gross NAV on the last day of each calendar month during each relevant quarter, and payable quarterly in arrears by the Company to YMIM.
- Performance fee:
- 20% of the amount by which the audited Net Asset Value of each year ended 31st December exceeds the High Watermark as at the relevant Financial Year, and payable annually in arrears by the Company to YMIM.

Annual caps

The maximum annual remuneration payable by the Company to YMIM under the Management Agreement is proposed to be as follows:

Financial Year	2013 <i>HK\$</i>	2014 <i>HK\$</i>	2015 <i>HK\$</i>
Management Fee	20,000,000	25,000,000	30,000,000
Performance Fee	<u>55,000,000</u>	<u>100,000,000</u>	<u>125,000,000</u>
Total proposed annual caps	<u>75,000,000</u>	<u>125,000,000</u>	<u>155,000,000</u>

LETTER FROM THE BOARD

The computation basis of the proposed annual caps is the same as the Previous Agreement, which assumes that the Company will achieve approximately 35% annual increase in Net Asset Value before accrual of the Performance Fee for the year 2012. For convenience, the annual caps are rounded down to the nearest HK\$5 million. It is determined after taking into account of: (i) the latest Net Asset Value of approximately HK\$1.16 billion as at 31st October, 2012 and the Net Asset Value appreciation of the Group during the latest 10 months ended 31st October, 2012 by approximately 10.1% as compared to 31st December, 2011; (ii) the historical transaction amounts for the period under the Previous Agreement as disclosed in the paragraph headed “Transaction amounts and the current annual caps” below; (iii) the anticipation of an improved liquidity in the Hong Kong stock market as a result of the quantitative economical policies of the United States of America; and (iv) an expected increase in volatility of the Hang Seng Index (“HSI”) for the coming years as compared to the previous 3 years period.

The following table summarise the annual rate of return, average daily trading volume and volatility of HSI for the period from 2002 to 2011 and the year-to-date return for the 10 months ended 31st October 2012:

Year	Annual rate of return of HSI (%)	Average daily trading volume (HK\$ million)	Volatility of HSI (%)
2002	(18.2)	6,474	3.7
2003	34.9	10,265	2.8
2004	13.2	15,857	2.7
2005	4.5	18,211	1.3
2006	34.2	33,735	2.0
2007	39.3	87,424	6.8
2008	(48.3)	71,840	25.8
2009	52.0	62,006	10.6
2010	5.3	68,580	3.2
2011	(20.0)	69,476	6.4
10 months ended 31st October, 2012	17.4	52,941	2.4
<i>Average</i>	10.4	45,164	6.2
<i>Highest</i>	52.0	87,424	25.8
<i>Lowest</i>	(48.3)	6,474	1.3

Source: Bloomberg

From the above table, it is noted that the annual rate of return of HSI during the above period ranged from (48.3)% to 52.0% and the volatility ranged from 1.3% to 25.8%.

It is also observed from the above information that for the period after the first and second round of quantitative economical policies were announced by the Federal Reserve of the United States of America (the “Federal Reserve”) on 25th November, 2008 and 3rd November, 2010, the liquidity and volatility of HSI were on the high end as compared to the past. From 2009 to 2011, the average daily trading volume and the volatility of HSI were approximately HK\$66.7 billion and 6.7% respectively, which are higher than the average from 2002 to 2008 of approximately HK\$34.8 billion and 6.4%.

LETTER FROM THE BOARD

On 13th September, 2012, the Federal Reserve has further announced the third round of quantitative economical policies with no specific end date. Having considered the historical annual rate of return, trading volume, volatility range and the continuing of the quantitative economical policies by the Federal Reserve, it is reasonable to anticipate that the potential increase in the HSI volatility and liquidity of the Hong Kong stock market will be on the high side.

In addition, the estimated growth rate of the Net Asset Value of 35% from 2013 to 2015 is within the range of the annual return of HSI from 2009 to 2011 ranging from (20.0)% to 52.0%.

The growth rates of the Net Asset Value were estimated with reference to the historical performance of the HSI as described above and is merely assumed for the purpose of determining the annual caps and shall not be taken as any indication directly or indirectly as to the performance of the Company on the profitability or the Net Asset Value.

Based on the above, the Board considers the anticipated annual increase of 35% in the Net Asset Value is fair and reasonable.

Transaction amounts and the current annual caps

The following is a summary of the transaction amounts under the Previous Agreement commencing from 1st January, 2010 and up to 31st December, 2012 and the current annual caps for each of the three years ending 31st December, 2012:

Financial Year	2010 <i>HK\$</i>	2011 <i>HK\$</i>	2012 <i>HK\$</i>
Management Fee (<i>Note 1</i>)	17,722,000	17,672,000	17,500,000
Performance Fee (<i>Note 2</i>)	<u>12,291,000</u>	<u>–</u>	<u>To be computed</u>
Total transaction amounts	<u>30,013,000</u>	<u>17,672,000</u>	<u>To be computed</u>
Current annual caps	<u>50,000,000</u>	<u>110,000,000</u>	<u>139,000,000</u>

Notes:

- (1) The amount of the Management Fee for the Financial Year 2012 comprises the actual Management Fee accrued up to 31st October, 2012 of approximately HK\$14,594,000 and the estimated Management Fee for the two months of November and December, 2012 calculated by reference to the published Net Asset Value as at 31st October, 2012.
- (2) The Company will not make an estimate of the amount of the Performance Fee for the Financial Year 2012 (which is calculated by reference to the audited Net Asset Value as at the financial year end of 2012) as it may be inaccurate and misleading.

LETTER FROM THE BOARD

- (3) For the purpose of calculating the Performance Fee in each Financial Year, the effect of any New Issue and/or Distribution on the Net Asset Value attributable to the period from the end of the latest Financial Year in which YMIM was entitled to a Performance Fee to the end of the relevant Financial Year in relation to which the Performance Fee is being determined in accordance with the Management Agreement shall be disregarded.

During the Financial Year 2010, the Company rewarded YMIM a Performance Fee of approximately HK\$12,291,000, being 20% of the incremental amount from the audited Net Asset Value as at 31st December, 2007 of approximately HK\$991,771,000 (being the previous High Watermark) to the audited Net Asset Value as at 31st December, 2010 of approximately HK\$1,053,225,000 (isolating the effect of issue of new shares).

The Company has not paid any Performance Fee since Financial Year 2010, hence the High Watermark level is the audited Net Asset Value as at 31st December, 2010.

Condition of the Management Agreement

The Management Agreement is conditional upon the approval of the Independent Shareholders at the EGM. If the condition is not satisfied on or before 31st December, 2012, the Management Agreement shall lapse and none of the parties thereto shall have any obligations and liabilities thereunder.

Reasons for entering into the Management Agreement

YMIM has provided investment management services to the Company since 5th March, 1997. The Group mainly invests in securities listed on the Stock Exchange. The following table set out the comparison between the year-on-year percentage change in the Net Asset Value and HSI since Financial Year 2008:

Financial Year	2008	2009	2010	2011
	%	%	%	%
<i>Year-on-year percentage</i>				
<i>(decrease)/increase of:</i>				
Net Asset Value	(39.7)	60.2 ^(note)	10.3	(16.1)
HSI	(48.3)	52.0	5.3	(20.0)

Note: The percentage isolated the net rights issue proceeds received during the year.

The Group's investment has outperformed the HSI for the four consecutive years, the Board is of the view that continued investment management services by YMIM is in the best interest of the Company and its Shareholders.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

YMIM, as the investment manager of the Company and an associate of the Company's substantial Shareholder, is a connected person of the Company pursuant to Rule 21.13 of the Listing Rules. Accordingly, the transactions contemplated by the Management Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the proposed annual caps are more than HK\$10 million on an annual basis, the transaction contemplated under the Management Agreement is subject to reporting, announcement, Independent Shareholders' approval and annual review requirement under Chapter 14A of the Listing Rules.

VOTING ABSTENTION

YMIM is a wholly-owned subsidiary of Allied Group Limited, a substantial Shareholder holding 2,975,829,606 Shares representing approximately 72.37% of the entire issued share capital of the Company as at the Latest Practicable Date. Therefore, Allied Group Limited and its associates have material interests in the transactions contemplated under the Management Agreement and shall abstain from voting at the EGM.

To the best knowledge of the Directors, other than Allied Group Limited and its respective associates, no Shareholder is required to abstain from voting at the EGM.

VIEWS OF DIRECTORS

The Directors (excluding Mr. Warren Lee Wa Lun, Mr. Arthur George Dew and Mr. Mark Wong Tai Chun, who are deemed interested in the Management Agreement and therefore abstained from voting at the Board meeting regarding the Management Agreement and the annual caps thereunder) are of the view that the transactions contemplated by the Management Agreement are (a) fair and reasonable and in the interests of the Company and the Shareholders as a whole; (b) in the ordinary and usual course of business of the Company; and (c) on normal commercial terms which have been negotiated on an arm's length basis.

Mr. Warren Lee Wa Lun is the chairman of the Company and a director of YMIM. Mr. Arthur George Dew is a non-executive director of each of the Company and Allied Group Limited. Mr. Mark Wong Tai Chun is an executive director of the Company and a director of investment and senior management of Allied Group Limited. To avoid any possible conflict of interest, Mr. Warren Lee Wa Lun, Mr. Arthur George Dew and Mr. Mark Wong Tai Chun will not express their views on the Management Agreement and the annual caps thereunder.

LETTER FROM THE BOARD

INFORMATION IN RESPECT OF THE COMPANY AND YMIM

The Company is an investment company listed under Chapter 21 of the Listing Rules. The Company principally invests in listed and unlisted financial instruments.

YMIM is a licensed corporation permitted to carry out Types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO. YMIM provides investment management services and corporate finance services in relation to listing matters to the Company.

GENERAL

An independent board committee comprising Dr. Ambrose So Shu Fai, Mr. Albert Ho and Mr. Louie Chun Kit has been formed to advise the Independent Shareholders in respect of the Management Agreement and the annual caps thereunder. Centurion has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Management Agreement and the annual caps thereunder.

EGM

A notice of EGM to be held at 10:00 a.m. on 28th December, 2012 at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong for the purposes of considering and, if thought fit, approving the Management Agreement and the annual caps thereunder, is set out on page 44 of this circular. Shareholders are encouraged to attend the EGM.

A proxy form for use at the EGM is enclosed. Whether or not you intend to present at the meeting, you are recommended to complete the proxy form in accordance with the instructions printed thereon and return the same to Tricor Secretaries Limited, the share registrar of the Company, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM or any adjourned meeting. The completion and return of the proxy form will not preclude you from attending and voting in person should you so wish.

Pursuant to the Listing Rules, any vote of Shareholders taken at the EGM to approve the above resolution proposed must be taken by poll.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letters from the Independent Board Committee and Centurion set out on page 13 and pages 14 to 29 of this circular. As set out in the letter from the Independent Board Committee, members of the Independent Board Committee, having taken into account the advice of Centurion, consider that the terms of the Management Agreement and the annual caps thereunder are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the entering into of the Management Agreement is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Directors (excluding Mr. Warren Lee Wa Lun, Mr. Arthur George Dew and Mr. Mark Wong Tai Chun, who are deemed interested in the Management Agreement and therefore abstained from voting at the board meeting regarding the Management Agreement and the annual caps thereunder) recommend that all Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the EGM to approve the Management Agreement and the annual caps thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully
For and on behalf of the Board
SHK Hong Kong Industries Limited
Warren Lee Wa Lun
Chairman

SHK 新工投資有限公司
Hong Kong Industries Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 666)

10th December, 2012

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
CONTINUED APPOINTMENT OF
YU MING INVESTMENT MANAGEMENT LIMITED
AS INVESTMENT MANAGER**

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Management Agreement and the annual caps thereunder, details of which are set out in the letter from the Board in the circular dated 10th December, 2012 (the "Circular") to the Shareholders. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Centurion has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Management Agreement and the annual caps thereunder.

Your attention is drawn to the "Letter from the Board" set out on pages 5 to 12 of the Circular which contains, inter alia, information about the terms of the Management Agreement and the annual caps thereunder and the "Letter from Centurion" set out on pages 14 to 29 of the Circular which contains its advice in respect of the terms of the Management Agreement and the annual caps thereunder.

Having considered the fact that (i) YMIM has been providing investment management services to the Company since 1997; (ii) the performance of YMIM during the service period up to date; and (iii) the factors and reasons considered by, and the opinion of, Centurion in arriving at its recommendation to vote in favor of the resolution approving the Management Agreement, we consider that entering into the Management Agreement is on normal commercial terms and in ordinary and usual course of business of the Company. We also consider that the terms of the Management Agreement and the annual caps thereunder are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the entering into of the Management Agreement is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Management Agreement and the annual caps thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee of
SHK Hong Kong Industries Limited

Ambrose So Shu Fai

Albert Ho

Louie Chun Kit

LETTER FROM CENTURION

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Centurion dated 10th December, 2012 for incorporation in this circular:



CENTURION CORPORATE FINANCE LIMITED 盛百利財務顧問有限公司

7th Floor, Duke Wellington House
14 - 24 Wellington Street
Central, Hong Kong

香港中環
威靈頓街14-24號
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: (852) 2525 6026
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10th December, 2012

*To the Independent Board Committee and
the Independent Shareholders of SHK Hong Kong Industries Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS CONTINUED APPOINTMENT OF YU MING INVESTMENT MANAGEMENT LIMITED AS INVESTMENT MANAGER

INTRODUCTION

We have been engaged to advise the Independent Board Committee and the Independent Shareholders with respect to the terms and conditions of the Management Agreement in relation to the appointment of YMIM as the Company's investment manager for the Management Period, details of which are outlined in the "Letter From The Board" set out from pages 5 to 12 of the circular dated 10th December, 2012 to the Shareholders ("Circular") of which this letter forms a part.

We have been appointed to give an opinion as to whether the terms and conditions of the Management Agreement and the transactions contemplated thereunder including the annual caps are of normal commercial terms, are in the ordinary and usual business of the Company and are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

The Company announced on 19th November, 2012 the entering into of the Management Agreement in relation to the appointment of YMIM as the Company's investment manager. YMIM, an associate of the Company's substantial shareholder, is a connected person of the Company pursuant to Rule 21.13 of the Listing Rules and the transactions contemplated by the Management Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the proposed annual caps are more than HK\$10 million on an annual basis, the transaction contemplated under the Management Agreement is subject to reporting, announcement, Independent Shareholders' approval and annual review requirement under Chapter 14A of the Listing Rules.

LETTER FROM CENTURION

In light of the above, the Management Agreement is subject to the approval of the Independent Shareholders by way of poll at the EGM. For the reasons set out in the “Letter From The Board”, Allied Group Limited and its associates have material interests in the transactions contemplated under the Management Agreement and shall abstain from voting at the EGM. To the best knowledge of the Directors, other than Allied Group Limited and its respective associates, no Shareholder is required to abstain from voting at the EGM. Your attention is also drawn to the section headed “EGM” in the “Letter From The Board”.

Mr. Warren Lee Wa Lun is the chairman of the Company and a director of YMIM. Mr. Arthur George Dew is a non-executive director of each of the Company and Allied Group Limited. Mr. Mark Wong Tai Chun is an executive director of the Company and a director of investment and senior management of Allied Group Limited. To avoid any possible conflict of interest, Mr. Warren Lee Wa Lun, Mr. Arthur George Dew and Mr. Mark Wong Tai Chun will not express their views on the Management Agreement and the annual caps thereunder.

The Independent Board Committee comprising Dr. Ambrose So Shu Fai, Mr. Albert Ho and Mr. Louie Chun Kit, being all independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the terms and conditions of the Management Agreement and the annual caps thereunder.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the accuracy of the information, opinions and representation contained in the Circular and other documents (including but not limited to the Management Agreement) which have been provided to us by the Directors and for which they take full responsibility. We have also assumed that all statements, information, opinions and representations made or referred to in the Circular were true at the time they were made and continued to be true at the date of this Circular. We have also assumed that all statements of beliefs, opinions and intentions made by the Directors in the Circular are reasonably made after due and careful enquiry.

In respect of the financial information of the Group, we have relied principally on its audited and/or unaudited financial statements, all prepared by the Company and for which the Directors take full responsibility. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and/or referred to in the Circular.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We consider that we have reviewed sufficient financial information to enable us to reach an informed view and to justify reliance on the accuracy of the financial information of the Group as contained in the Circular. We have not, however, conducted any form of independent or in-depth investigation into the businesses and affairs of the prospects of the Group, YMIM, or any of their respective subsidiaries or associates, nor have we independently verified any of the information supplied to us.

LETTER FROM CENTURION

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background to and Reason for the Management Agreement

The Company is a close-end investment company listed under Chapter 21 of the Listing Rules (shares in close-end investment companies are readily transferrable and are bought and sold like other listed shares). The Company principally invests in listed and unlisted financial instruments.

YMIM is a licensed corporation permitted to carry out Types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO. YMIM provides investment management services and corporate finance services in relation to listing matters to the Company.

YMIM is responsible for advising the Executive Committee on investments, carrying out research on investment ideas and executions of investment decisions approved by the Executive Committee in accordance with the Management Agreement and the investment policies of the Company. Investment team in YMIM carries out research and market study and originates investment ideas. The portfolio manager, the head of investment team of YMIM will then present the investment ideas by a written recommendation to the Executive Committee for approval. The Executive Committee is responsible for making final investment decisions, setting and modifying investment strategies and policies of the Company. YMIM will execute all the final investment decisions approved by the Executive Committee. For further details on the information on, and the role of, YMIM, please refer to Appendix I.

The Directors (excluding Mr. Warren Lee Wa Lun, Mr. Arthur George Dew and Mr. Mark Wong Tai Chun, who are deemed interested in the Management Agreement and therefore abstained from voting at the Board meeting regarding the Management Agreement and the annual caps thereunder) are of the view that the transactions contemplated by the Management Agreement are (a) fair and reasonable and in the interests of the Company and the Shareholders as a whole; (b) in the ordinary and usual course of business of the Company; and (c) on normal commercial terms which have been negotiated on an arm's length basis.

As set out in the "Letter From The Board", YMIM has been providing investment management services to the Company since 5th March, 1997. The Group mainly invests in securities listed on the Stock Exchange. The Group's investment has outperformed the Hang Seng Index ("HSI") for the four consecutive years and the table as set out therein is a comparison between the year-on-year percentage change in Net Asset Value and HSI since Financial Year 2008. The Board is therefore of the view that continued investment management services by YMIM is in the best interest of the Company and its Shareholders.

LETTER FROM CENTURION

Our views

In so far as the aforesaid Group's investment has outperformed the HSI is concerned, we have reviewed the annual reports of the Company for each of the last four consecutive years since 2008 and the following summary as extracted from such annual reports is set out for Independent Shareholders' noting:

As set out in 2011 annual report	As at 31st December, 2011, the Group's net assets attributable to the Shareholders decreased by 16.1% to approximately HK\$1,055.2 million. For comparison, Hang Seng Index dropped by 20.0%.
As set out in 2010 annual report	As at 31st December, 2010, the Group's net assets attributable to the Shareholders increased by 10.3% to approximately HK\$1,257.9 million (or 7.2% excluding effects of HK\$35.5 million for the exercise of warrants into shares of the Company). For comparison, Hang Seng Index rose by 5.3%.
As set out in 2009 annual report	As at 31st December, 2009, the Group's net assets rose by 90.7% or 60.2% (isolating net rights issue proceeds received) to HK\$1,140.6 million. For comparison, Hang Seng Index rose 52.0%.
As set out in 2008 annual report	As at 31st December, 2008, the Group's net assets fell by approximately 40.0% to HK\$598.2 million. For comparison, Hang Seng Index fell 48.0%.

Based on the above, we concur with the Board's views that (i) the Group's investment has outperformed the HSI for the four consecutive years since 1st January, 2008; and (ii) for the reasons set out in the section immediately below, continued investment management services by YMIM is in the best interest of the Company and its Shareholders.

LETTER FROM CENTURION

2. Management Agreement

Principal terms

As set out in the “Letter From The Board”, the principal terms of the Management Agreement are on the same bases as the Previous Agreement. They include:

Duration

The Management Period (3 years)

Services

YMIM shall provide non-exclusive investment management services and administrative services to the Company, including:

- (a) identifying and carrying out analysis or investigation of investment opportunities; and
- (b) advising on acquisitions and realizations of investments and submit relevant proposals to the Board for approval.

Remuneration

Management Fee: 0.375% of the Gross NAV for each quarter (equivalent to 1.5% per annum), calculated as the arithmetical average of the published Gross NAV on the last day of each calendar month during each relevant quarter, and payable quarterly in arrears by the Company to YMIM.

Performance Fee: 20% of the amount by which the audited Net Asset Value of each year ended 31st December exceeds the High Watermark as at the relevant Financial Year, and payable annually in arrears by the Company to YMIM.

Condition

The Management Agreement is conditional upon the approval of the Independent Shareholders at the EGM. If the condition is not satisfied on or before 31st December, 2012, the Management Agreement shall lapse and none of the parties thereto shall have any obligations and liabilities thereunder.

LETTER FROM CENTURION

Our views

Pursuant to the Management Agreement, in addition to the aforesaid investment management and administrative services, other services to be provided by YMIM include:

- other investment management services include, but not limited to, monitoring the performance of the investments made; keeping proper books and records as may be required by law or other regulatory requirements of being the investment manager to the Company; and
- other administrative services include, but not limited to, caused to be submitted all annual, interim reports and accounts; filing statutory and regulatory returns such as monthly returns (to the Stock Exchange), annual tax returns, preparation of minutes and notices of meetings of the Board etc.

Having reviewed the Management Agreement, we are of the view that its terms, conditions and arrangements are generally in line with market practices and are therefore on normal commercial terms. In view of the above day-to-day investment monitoring, administrative and operating needs of the Company, we concur with the Board that continuity in investment management services provided by YMIM is in the best interest of the Company and its Shareholders.

Annual caps

The maximum annual remuneration payable by the Company to YMIM under the Management Agreement is proposed to be as follows:

Financial Year	2013	2014	2015
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Management Fee	20,000,000	25,000,000	30,000,000
Performance Fee	<u>55,000,000</u>	<u>100,000,000</u>	<u>125,000,000</u>
Total proposed annual caps	<u>75,000,000</u>	<u>125,000,000</u>	<u>155,000,000</u>

Please refer to sections 3 and 4 below for further analyses on the Management Fee and Performance Fee.

LETTER FROM CENTURION

Basis for annual caps

The computation basis of the proposed annual caps is the same as the Previous Agreement, which assumes that the Company will achieve approximately 35% annual increase in Net Asset Value before accrual of the Performance Fee for the year 2012. For convenience, the annual caps are rounded down to the nearest HK\$5 million. The Board cited the following bases for determining the annual caps:

- (i) the latest Net Asset Value of approximately HK\$1.16 billion as at 31st October, 2012 and the Net Asset Value appreciation of the Group during the latest 10 months ended 31st October, 2012 by approximately 10.1% as compared to 31st December, 2011;
- (ii) the historical transaction amounts for the period under the Previous Agreement as disclosed in the paragraph headed "Transaction Amounts and the Current Annual Caps" below;
- (iii) the anticipation of an improved liquidity in the Hong Kong stock market as a result of the quantitative economical policies of the United States of America ("U.S."); and
- (iv) an expected increase in volatility of the HSI for the coming years as compared to the previous 3 years period.

The following table summarises the annual rate of return, average daily trading volume and volatility of HSI for the period from 2002 to 2011 and the year-to-date return for the 10 months ended 31st October, 2012:

Year	Annual rate of return of HSI (%)	Average daily trading volume (HK\$ million)	Volatility of HSI (%)
2002	(18.2)	6,474	3.7
2003	34.9	10,265	2.8
2004	13.2	15,857	2.7
2005	4.5	18,211	1.3
2006	34.2	33,735	2.0
2007	39.3	87,424	6.8
2008	(48.3)	71,840	25.8
2009	52.0	62,006	10.6
2010	5.3	68,580	3.2
2011	(20.0)	69,476	6.4
10 months ended 31st October, 2012	17.4	52,941	2.4
<i>Average</i>	10.4	45,164	6.2
<i>Highest</i>	52.0	87,424	25.8
<i>Lowest</i>	(48.3)	6,474	1.3

(Source: Bloomberg)

LETTER FROM CENTURION

From the above table, it is noted that the annual rate of return of HSI during the above period ranged from (48.3)% to 52.0% and the volatility ranged from 1.3% to 25.8%.

It is also observed from the above information that for the period after the first and second round of quantitative economical policies were announced by the Federal Reserve of the U.S. (the "Federal Reserve") on 25th November, 2008 and 3rd November, 2010, the liquidity and volatility of HSI were on the high end as compared to the past. From 2009 to 2011, the average daily trading volume and the volatility of HSI were approximately HK\$66.7 billion and 6.7% respectively, which are higher than the average from 2002 to 2008 of approximately HK\$34.8 billion and 6.4%.

On 13th September, 2012 the Federal Reserve has further announced the third round of quantitative economical policies with no specific end date. Having considered the historical annual rate of return, trading volume, volatility range and the continuing of the quantitative economical policies by the Federal Reserve, it is reasonable to anticipate that the potential increase in the HSI volatility and liquidity of the Hong Kong stock market will be on the high side.

In addition, the estimated growth rate of the Net Asset Value of 35% from 2013 to 2015 is within the range of the annual return of HSI from 2009 to 2011 ranging from (20.0)% to 52.0%.

The growth rates of the Net Asset Value were estimated with reference to the historical performance of the HSI as described above and is merely assumed for the purpose of determining the annual caps and shall not be taken as any indication directly or indirectly as to the performance of the Company on its profitability or the Net Asset Value.

Based on the above, the Board considers the anticipated annual increase of 35% in the Net Asset Value is fair and reasonable.

Our views

Given the nature of the Performance Fee, i.e. no performance, no fee, we are of the view that the aforesaid assumption of achieving approximately 35% annual increase in Net Asset Value in determining the annual caps is fair and reasonable, as a smaller cap amounts would not be in the interests of the Independent Shareholders. This is because hypothetically, the higher the Net Asset Value, the more return would be accrued to the Independent Shareholders in the form of higher Share price. A 35% annual increase in Net Asset Value is also a reasonable basis, in the light of the above analysis of HSI and the current market condition set out below. We are also of the view that such 35% annual increase in Net Asset Value assumption could be construed as the expectation of the investment manager as to its performance possibly under a very best case scenario assumption.

LETTER FROM CENTURION

Independent Shareholders should note that as a result of the global financial turmoil after the collapse of Lehman Brothers in the U.S., HSI closed at the record low of 11,015 on 27th October, 2008. The aforesaid subsequent quantitative easing economical policies of the Federal Reserve, the so called fiscal cliff (a looming expiry of major tax reductions and implementation of government spending cuts) currently faced by the U.S. and the on-going Euro-zone debt crisis as well as faltering growth in some emerging markets have all been perceived to contribute to drastic fluctuations in asset prices, including possible upward price movements.

For illustration purpose only, as reported by the press recently (source: SCMP Business section dated 20th November, 2012), the Hong Kong's Exchange Fund turned around earlier losses to return to a gain of HK\$41.2 billion in the third quarter of this year (HK\$23.7 billion of such gain was from local and global stocks), as global stocks performed better in the third quarter. This speaks volumes about asset price volatility on a global basis. This is because over the last few years, each time there was a major "dip" in global equity market, as a result of unfavourable fiscal or economic news, the rebound in equity prices on a number of occasions could also be viewed as significant. This market volatility supports the underlying assumption for the proposed annual caps.

Whilst the aforesaid performance of the Hong Kong's Exchange Fund is to illustrate the effect of a change in equity market condition to such fund, we have noted that similar to the Exchange Fund, the Group's investment portfolio as set out in Appendix I to the Circular also consists of investments in listed equities and thus such investments are likely to experience the impact of market volatility from both local and global stock markets, including possible future upward movement in prices.

In view of the aforesaid, we concur with the bases cited by the Board for determining the annual caps, which have included the possibility of substantial upward price movements in the Company's investments. Having discussed with management of the Company about these annual caps, we are of the opinion that the aforesaid bases on which the annual caps for the three years ending 31st December, 2015 are arrived at are fair and reasonable.

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3. Transaction Amounts and the Current Annual Caps

The following is a summary of the transaction amounts under the Previous Agreement commencing from 1st January, 2010 to 31st December, 2012 and the current annual caps for each of the three years ending 31st December, 2012:

Financial Year	2010 <i>HK\$</i>	2011 <i>HK\$</i>	2012 <i>HK\$</i>
Management Fee (<i>note 1</i>)	17,722,000	17,672,000	17,500,000
Performance Fee (<i>note 2</i>)	12,291,000	–	<i>To be computed</i>
Total transaction amounts	30,013,000	17,672,000	<i>To be computed</i>
Current annual caps	50,000,000	110,000,000	139,000,000

Notes:

- (1) The amount of the Management Fee for the Financial Year 2012 comprises the actual Management Fee accrued up to 31st October, 2012 of approximately HK\$14,594,000 and the estimated Management Fee for the two months of November and December, 2012 calculated by reference to the published Net Asset Value as at 31st October, 2012.
- (2) The Company will not make an estimate of the amount of the Performance Fee for the Financial Year 2012 (which is calculated by reference to the audited Net Asset Value as at the financial year end of 2012) as it may be inaccurate and misleading.
- (3) For the purpose of calculating the Performance Fee in each Financial Year, the effect of any New Issue and/or Distribution on the Net Asset Value attributable to the period from the end of the latest Financial Year in which YMIM was entitled to a Performance Fee to the end of the relevant Financial Year in relation to which the Performance Fee is being determined in accordance with the Management Agreement shall be disregarded.

During the Financial Year 2010, the Company rewarded YMIM a Performance Fee of approximately HK\$12,291,000, being 20% of the incremental amount from the audited Net Asset Value as at 31st December, 2007 of approximately HK\$991,771,000 (being the previous High Watermark) to the audited Net Asset Value as at 31st December, 2010 of approximately HK\$1,053,225,000 (isolating the effect of issue of new shares).

The Company has not paid any Performance Fee since Financial Year 2010, hence the High Watermark level is the audited Net Asset Value as at 31st December, 2010. Under the terms of the Management Agreement, the Performance Fee will therefore be payable during the Management Period if the Net Asset Value exceeds the audited Net Asset Value as at 31st December, 2010 (i.e. the High Watermark). We are of the view that such basis for determining the Performance Fee is fair and reasonable as the underlying principle under the High Watermark permits a reasonably equitable recognition of an investment manager's performance insofar as an investment company and its other stakeholders are concerned. We are of the opinion that an investment manager also needs to be properly motivated to perform in rendering its investment management services and if the "hurdle" to earn a performance bonus is perceived to be insurmountable, it may not necessarily be in

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the interests of an investment company and its shareholders. After all, a performance fee is only payable after a performance is achieved and as a result, the relevant investors or shareholders would have been benefited. Please refer to section 4 below for further information on other comparable investment companies using similar “high watermark” method.

4. Market Comparables

To determine whether or not the proposed terms of the Management Agreement are comparable to those remuneration packages charged by other investment companies whose shares are listed on the Stock Exchange, we have reviewed the following remuneration packages of the listed investment companies principally engaged in investment activities and whose remuneration packages are in our view, reasonably similar or comparable to that of the Company. In this regard, we have included all such investment companies regardless of their net asset value or nature of investments and our selection base is solely on the comparability of their remuneration packages, that is, such packages must consist of a management fee and a performance fee structure. These comparable investment companies are listed on the Stock Exchange under Chapter 21 of the Listing Rules and are in our view, exhaustive. Our findings are summarised as follows:

Company	Management fee (Note)	Incentive/ Performance fee (Note)
1 China Assets (Holdings) Limited (Stock code 170)	(i) 2.75% per annum on the aggregate cost to the company of the investments; and (ii) 1% per annum on the value of uninvested net assets of the company	Nil on the first 10% return on net assets of the company On the next 10%: 15% x (net profit after tax minus 10% of net assets of the company) On the excess over 20%: 20% x (net profit after tax minus 20% of net assets of the company) 20% of the net capital gain if the net asset value of the company as at the quarter day would be equal to or greater than 100% of the aggregate of the original subscription price of all outstanding shares in the company
2 China Financial International Investments Limited (Stock code 721)	0.75% per annum of the market value of the portfolio on the last business day of each calendar month	5% of the appreciation in the market value of the portfolio above a 10% hurdle rate per annum

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Company	Management fee <i>(Note)</i>	Incentive/ Performance fee <i>(Note)</i>
3 China Merchants China Direct Investments Limited (Stock code 133)	<p>(A) On the invested portion of the assets of the company represented by unlisted securities or interests: 2.25% of the book value (net of taxes);</p> <p>(B) On the invested portion of the assets of the company represented by securities listed on a recognized stock exchange:</p> <p style="padding-left: 20px;">(i) during the lockup period following listing: 2.25% of the book value (net of taxes);</p> <p style="padding-left: 20px;">(ii) for the one year after the lockup period lapses: 1.75% of the book value (net of taxes);</p> <p style="padding-left: 20px;">(iii) thereafter: 1.50% of the book value (net of taxes); and</p> <p style="padding-left: 20px;">(iv) in respect of listed securities purchased from the secondary market: 1.50% of the book value (net of taxes); and</p> <p>(C) On the un-invested portion of the assets of the company: 0.75% of the book value, in each case as at the last day of the relevant quarter.</p>	<p>8% of the amount by which the net asset value (“NAV”) of the company as at the end of the relevant financial year exceeds the high watermark, conditional upon the NAV as at the end of each financial year exceeding the higher of:</p> <p style="padding-left: 20px;">(a) the NAV for the reference year, being the year ended 31 December 2009; or</p> <p style="padding-left: 20px;">(b) the NAV of the most recent financial year after the reference year and in which a performance fee was paid</p>

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Company	Management fee (Note)	Incentive/ Performance fee (Note)
4 China New Economy Fund Limited (Stock code 80)	At the annual rate of 2% of the net asset value of the company on each valuation date and payable monthly in arrears	20% of any net appreciation (after deduction of the management fees for the relevant period, but prior to deduction of the performance fee) in the net asset value per share on the immediately preceding valuation date, above the previous highest net asset value per share on any preceding valuation date in respect of which a performance fee was last paid multiplied by the number of shares in issue at the time of calculating the performance fee
5 Harmony Asset Limited (Stock code 428)	1.5% per annum on the net asset value as per the management account of the company in the preceding month and payable by the company monthly in advance. The management fee shall be calculated on the actual number of days elapsed in the month during which investment management services are provided	In respect of each financial year, 10% of the audited net profit of the company in the financial year before accrual of the incentive fee
6 OP Financial Investments Limited (Stock code 1140)	1.5% per annum of the net asset value of the company as at the immediate preceding valuation date	10% of the increase in the net asset value per share as at valuation date. This “net asset value” per share is calculated with reference to a “base net asset value” per share which shall be the greater of the net asset value per share at the commencement date and the value for the said “net asset value” per share as at the immediately preceding “relevant performance period” in relation to which a performance fee was calculated and paid

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Company	Management fee <i>(Note)</i>	Incentive/ Performance fee <i>(Note)</i>
7 Shanghai International Shanghai Growth Investment Limited (Stock code 770)	0.5% per quarter of the net asset value of the company as at each quarter date (equivalent to 2% per annum)	20% of the amount above that portion of the net asset value of the company as at 31st December of the relevant year exceeding 108% of that portion of the net asset value of the immediately preceding year, after deducting or adjusting for special dividends and/or new capital from such net asset value
8 UBA Investments Limited (Stock code 768)	1.5% per annum of the net asset value of the company as at the immediately preceding valuation date	20% of net profit of the company before taxation and before deduction of the management fee payable
The Company	0.375% of the Gross NAV for each quarter (equivalent to 1.5% per annum), calculated as the arithmetical average of the published Gross NAV on the last day of each calendar month	20% of the amount by which the audited Net Asset Value of each year ended 31st December exceeds the High Watermark as at the relevant Financial Year

(Note: based on latest published announcements, annual reports and/or circulars)

Our views

We are of the view that the above comparable investment companies present a good general overview on the structuring and payment of management fee and performance fee as sought by professional investment managers based in Hong Kong. On the basis of the above findings, in particular, the annual 1.5% Management Fee and the 20% Performance Fee are comparable to some of the investment companies set out in the above table. Whilst the 20% Performance Fee would appear to be at the higher end of the above industry comparables, it is nevertheless within the industry range. Further, given that an investment portfolio of an investment company or a fund may vary from one to another in terms of risk profile and other factors, we take the view that whether or not a particular performance fee is at the higher end is less important than say, the overall performance of the investment manager in achieving a superior return for its investment portfolio on a consistent and recurrent basis.

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We have also noted that the way in which the Performance Fee is determined based on Net Asset Value exceeding the High Watermark level has also been adopted by some of the above comparable investment companies, albeit with minor modifications or slightly different applications. We are therefore of the view that such “high watermark” approach is also within the industry practice.

Therefore, we are of the view that the proposed Management Fee and Performance Fee are broadly in line with market practice and as such, they are on normal commercial terms, are in the ordinary and usual course of business of the Company and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Listing Rules Requirement

Under the Listing Rules, for each financial year of the Company over the Management Period, the transactions contemplated by the Management Agreement which constitute continuing connected transactions of the Company shall also be subject to the requirements of Rules 14A.37 and 14A.38 of the Listing Rules. Under Rule 14A.37, the independent non-executive Directors must review these continuing connected transactions and confirm in the annual report of the Company that such continuing connected transactions have been entered into:

- in the ordinary and usual course of business of the Company;
- either on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and
- in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Under Rule 14A.38 of the Listing Rules, each year the auditors of the Company must provide a letter to the Board (with a copy to the Exchange) confirming that such continuing connected transactions:

- have received the approval of the Board;
- are in accordance with the pricing policy of the Company if the transactions involve provision of goods or services by the Company;
- have been entered into in accordance with the Management Agreement governing the transactions; and
- have not exceeded the annual caps as disclosed in previous announcement(s).

LETTER FROM CENTURION

In view of the above requirements, we are of the view that there exist adequate measures to ensure that the continuing connected transactions as contemplated under the Management Agreement will be conducted within the parameters of the Listing Rules.

RECOMMENDATION

Having considered the principal factors and reasons set out above, we consider that the terms and conditions of the Management Agreement, the continuing connected transactions contemplated thereunder and their annual caps are on normal commercial terms, are in the ordinary and usual course of business of the Company and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore, advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Management Agreement, the continuing connected transactions contemplated thereunder and their annual caps at the EGM.

Yours faithfully,
for and on behalf of
Centurion Corporate Finance Limited
Baldwin LEE
Managing Director

1. ADDITIONAL INFORMATION ON YMIM**YMIM**

YMIM, a company incorporated in Hong Kong with limited liability and a licensed corporation permitted to carry out Types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO.

Role of YMIM

YMIM is responsible for advising the Executive Committee on investments, carrying out research on investment ideas and executions of investment decisions approved by the Executive Committee in accordance with the Management Agreement and the investment policies of the Company. Investment team in YMIM carries out research and market study and originates investment ideas. Portfolio manager, the head of investment team of YMIM will then present the investment ideas by a written recommendation to the Executive Committee for approval.

The Executive Committee will evaluate the contents and analysis in the recommendations from YMIM including the investee company's business background information, financial position, the investment return and risk involved before deciding on whether to proceed with the investment. In evaluating the recommendations by YMIM, the Executive Committee will also take into account the composition of the current investment portfolio, the spread of investments, the Company's financial conditions and the overall market conditions.

The Executive Committee is responsible for making final investment decisions, setting and modifying investment strategies and policies of the Company. YMIM will execute all the final investment decisions approved by the Executive Committee.

Potential conflict of interest between the Company and YMIM*Overlapping director*

Mr. Warren Lee Wa Lun ("Mr. Lee") is an executive Director of the Company and a director of YMIM and he is involved in the day-to-day operations of each of the Company and YMIM.

All major decisions of the Company will be made by the Board as a whole and not at the discretion of Mr. Lee. Final investment decisions will be made by the Executive Committee, which will approve investment recommendations proposed by YMIM if it thought fit. Executive Committee comprises Mr. Lee and Mr. Mark Wong Tai Chun, both are executive Directors. As the overall interests of the Company and YMIM are aligned, the Board is of the view that Mr. Lee will be able to act in the best interests of the Company and its Shareholders.

Furthermore, in accordance with Rule 13.44 of the Listing Rules, any Director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which the Director or his associate(s) has or have a material interest.

Allocation of investments

Potential conflict of interest may occur when YMIM provides investment management service to the Company as well as to the other parties at the same time. YMIM confirmed to the Company that it only provides investment management service to the Company as at the Latest Practicable Date.

Pursuant to the Management Agreement, YMIM shall ensure a fair allocation of investment opportunities to the Company in relation to other parties to which it provides investment management services, as it reasonably considers appropriate on a case by case basis having regard to:

- (i) the nature of the relevant transactions and the investment objectives of the Company and the other parties to which YMIM provides investment management services; and
- (ii) the net asset value and liquidity of the Company from time to time.

Biographical details of directors and portfolio manager of YMIM

Directors

Mr. Warren Lee Wa Lun (“Mr. Lee”), was appointed as a director of YMIM in August, 1996 and a responsible officer for Types 1, 4, 6 and 9 regulated activities under the SFO. He became a director of Company in 2004 and he was appointed the chairman of the Board and ceased to act as the managing director of YMIM in March, 2009.

Mr. Lee is an executive director of Viva China Holdings Limited, a company listed on the growth enterprise market of the Stock Exchange. He is also a non-executive chairman of Rotol Singapore Limited (“Rotol”) since November, 2007. Rotol was listed on the main board of the Singapore Exchange Limited and delisted in August, 2011. Mr. Lee is also an executive director of First Natural Foods Holdings Limited (“FNF”) from December, 2008 to September, 2012 and since September, 2012, he was re-designated as a non-executive director. FNF is listed on the Main Board of the Stock Exchange. From December, 2006 to May, 2007, Mr. Lee was the chief executive officer of Nam Tai Electronics, Inc., an electronics manufacturing services provider listed on the New York Stock Exchange. From March, 2004 to February, 2006, he was an independent non-executive director of Nam Tai Electronic & Electrical Products Limited (“NTEEP”), and from February, 2006 to April, 2007, he was re-designated as a non-executive director. From January, 2007 to April, 2007, he was also a non-executive director of J.I.C. Technology Company Limited (“JIC”). Both of NTEEP and JIC were listed on the Main Board of

the Stock Exchange and subsidiaries of Nam Tai Electronics, Inc.. Mr. Lee graduated with a Bachelor of Science Degree from the University of East Anglia in England in 1986 and obtained a distinction in Master of Science Degree from the City University Business School in London in 1988.

Mr. Li Chi Kong (“Mr. Li”), was appointed as a director of YMIM in May, 2008. He joined Allied Group Limited (“AGL”) in January 1996 and is the group financial controller of AGL. Mr. Li is also director of certain subsidiaries of AGL. He is a member of the Institute of Chartered Accountants of Scotland and a fellow of the Hong Kong Institute of Certified Public Accountants. He has broad experience in the finance and accounting field, having worked in two major audit firms and as group financial controller for several sizeable listed companies in Hong Kong. He is also the financial controller and an executive director of Allied Properties (H.K.) Limited (“APL”). Mr. Li was appointed a director of Allied Cement Holdings Limited (“ACHL”) in March, 2011 and re-designated as an executive director of ACHL in December 2011. He was previously an executive director of Tian An China Investments Company Limited (“Tian An”). All of AGL, APL, ACHL and Tian An are listed on the Main Board of the Stock Exchange. Mr. Li graduated from the University of Edinburgh in Scotland with a Bachelor’s Degree of Science and obtained a Post-graduate Diploma in Accounting from Heriot-Watt University in Edinburgh.

Portfolio manager of YMIM

Mr. Lam Chi Shing (“Mr. Lam”) is an associated director and the portfolio manager of YMIM. He is a responsible officer for Types 1, 4, 6 and 9 regulated activities under the SFO. Mr. Lam joined YMIM in July, 2005 after two years at corporate lending and syndication department with the Bank of East Asia, Limited, the largest independent local bank in Hong Kong. At present, he is responsible for formulating investment ideas, identifying different investment opportunities both in listed and private equities and execution of investment decisions. He is also involved in the business of restructuring, corporate finance transactions as well as takeovers being carried out by YMIM. Mr. Lam graduated from the Chinese University of Hong Kong with a Bachelor of Business Administration.

2. ADDITIONAL INFORMATION ON THE COMPANY'S INVESTMENTS

Investment portfolio

- (i) Set out below are the top ten investments held by the Group as at 31st December, 2010 and 2011, and 30th June, 2012:

As at 31st December, 2010

Name of investment	Cost as at 31st December, 2010 HK\$'000	Market value/fair value as at 31st December, 2010 HK\$'000	Dividend received during the year HK\$'000
(i) Mulpha International Bhd – 2012 Zero Coupon Notes	161,054	169,309	–
(ii) Agricultural Bank of China Limited – H Shares	39,876	41,623	–
(iii) Hutchison Whampoa Limited	32,637	38,448	86
(iv) HSBC Holdings plc	39,571	37,977	1,177
(v) PetroChina Company Limited – H Shares	33,438	34,340	1,513
(vi) Industrial and Commercial Bank of China Limited – H Shares	31,355	32,319	1,530
(vii) Sino Land Company Limited	33,420	30,040	269
(viii) China Properties Group Limited – 2014 Notes	22,296	29,607	–
(ix) DutaLand Berhad	60,203	29,284	–
(x) Barclays Bank Perpetual Bond	27,111	28,985	–

As at 31st December, 2011

Name of investment	Cost as at	Market	Dividend received during the year
	31st December, 2011	value/fair value as at 31st December, 2011	
	HK\$'000	HK\$'000	HK\$'000
(i) Mulpha International Bhd – 2012 Zero Coupon Notes	223,916	252,054	–
(ii) China Life Insurance Company Limited – H Shares	58,899	44,777	529
(iii) Kaisa Group Holdings Limited – 2015 Notes	40,122	40,679	–
(iv) Evergrande Real Estate Group Limited – 2015 Notes	39,421	39,793	–
(v) DutaLand Berhad	60,203	28,531	–
(vi) First Steamship Company Limited	29,662	26,743	202
(vii) China Properties Group Limited – 2014 Notes	24,777	26,735	–
(viii) Modern Media Holdings Limited	20,850	25,687	–
(ix) Hong Kong Exchanges and Clearing Limited	26,349	22,693	1,028
(x) Industrial and Commercial Bank of China Limited – H Shares	24,813	21,344	1,331

As at 30th June, 2012

Name of investment		Cost as at	Market	Dividend
		30th June, 2012 <i>HK\$'000</i>	value/fair value as at 30th June, 2012 <i>HK\$'000</i>	received during the six months period <i>HK\$'000</i>
(i)	SunCore Holdings Limited	90,879	81,008	–
(ii)	Chief Key Limited – 2014 Bond	48,000	46,746	–
(iii)	First Steamship Company Limited	59,540	46,287	–
(iv)	Asia Alliance Holdings Co., Ltd.	25,173	35,220	–
(v)	China Properties Group Limited – 2014 Notes	24,777	31,734	–
(vi)	DutaLand Berhad	60,203	24,141	–
(vii)	Kaisa Group Holdings Limited – 2015 Notes	19,106	22,349	–
(viii)	Sinopec Kantons Holdings Limited	16,536	22,120	–
(ix)	NewOcean Energy Holdings Limited	22,230	21,060	299
(x)	ASM Term Trust I	18,786	17,884	–

- (ii) Set out below are the top three investments purchased by the Group for the financial year ended 31st December, 2010 and 2011 and the six months period ended 30th June, 2012:

For the financial year ended 31st December, 2010

Name of investment	Principal amount/ number of shares purchased	Share price	Total consideration HK\$'000
<i>Listed debt securities – Labuan</i>			
<i>International Financial Exchange Inc</i>			
(i) Mulpha International Bhd – 2012 Zero Coupon Notes	US\$25,000,000	n.a.	161,054
<i>Listed equity securities</i>			
<i>– Hong Kong</i>			
(ii) Sun Hung Kai Properties Limited	926,593 shares	HK\$112.46	104,206
(iii) Anhui Conch Cement Company Limited	2,096,000 shares	HK\$29.11	61,008

For the financial year ended 31st December, 2011

Name of investment	Principal amount/ number of shares purchased	Share price	Total consideration HK\$'000
<i>Listed debt securities – Labuan</i>			
<i>International Financial Exchange Inc</i>			
(i) Mulpha International Bhd – 2012 Zero Coupon Notes	US\$8,815,940	n.a.	62,862
<i>Listed equity securities</i>			
<i>– Hong Kong</i>			
(ii) China Life Insurance Company Limited	2,382,070 shares	HK\$25.57	60,904
(iii) Industrial and Commercial Bank of China Limited	9,630,000 shares	HK\$5.56	53,580

For the six months period ended 30th June, 2012

Name of investment	Number of shares purchased	Share price	Total consideration HK\$'000
<i>Unlisted equity securities</i>			
(i) SunCore Holdings Limited	1	HK\$90.8 million	90,879
<i>Listed equity securities – Japan</i>			
(ii) Asia Alliance Holdings Co., Ltd	20,825,000	JPY27.55	55,299
<i>Listed equity securities – Hong Kong</i>			
(iii) Wynn Macau, Limited	2,440,000	HK\$21.50	52,454
(iii) Set out below are the top three realized gain investment of the Group for the financial year ended 31st December, 2010 and 2011 and the six months period ended 30th June, 2012:			

For the financial year ended 31st December, 2010

Name of Investment	Realised gain HK\$'000
<i>Listed equity securities – Hong Kong</i>	
(i) Dan Form Holdings Company Limited	24,060
(ii) Viva China Holdings Limited	14,132
<i>Listed debt securities – Singapore</i>	
(iii) New World Development Company Limited – 2014 Convertible Bond	7,693

For the financial year ended 31st December, 2011

Name of Investment	Realised gain HK\$'000
<i>Listed equity securities – Hong Kong</i>	
(i) China Overseas Grand Oceans Group Limited	27,802
(ii) GCL-Poly Energy Holdings Limited	8,851
<i>Listed debt securities – Singapore</i>	
(iii) New World Development Company Limited – 2014 Convertible Bond	7,254

For the six months period ended 30th June, 2012

Name of Investment	Realised gain <i>HK\$'000</i>
<i>Listed debt securities – Singapore</i>	
(i) Evergrande Real Estate Group Limited – 2015 Notes	7,980
<i>Listed equity securities – Hong Kong</i>	
(ii) China Life Insurance Company Limited	7,653
(iii) China Taiping Insurance Holdings Company Limited	6,066
(iv) Set out below are the top three realized loss investment of the Group for the financial year ended 31st December, 2010 and 2011 and the six months period ended 30th June, 2012:	

For the financial year ended 31st December, 2010

Name of Investment	Realised loss <i>HK\$'000</i>
<i>Unlisted derivative</i>	
(i) Put option premium realized loss	13,225
<i>Listed equity securities – Hong Kong</i>	
(ii) Hong Kong Exchanges and Clearing Limited	5,358
(iii) China Coal Energy Company Limited	3,744

For the financial year ended 31st December, 2011

Name of Investment	Realised loss <i>HK\$'000</i>
<i>Listed equity securities – Hong Kong</i>	
(i) Hong Kong Exchanges and Clearing Limited	10,970
(ii) Jiangxi Copper Company Limited	10,410
(iii) ERA Mining Machinery Limited	9,977

For the six months period ended 30th June, 2012

Name of Investment	Realised loss <i>HK\$'000</i>
<i>Listed equity securities – Hong Kong</i>	
(i) Modern Media Holdings Limited	4,396
(ii) China Telecom Corporation Limited	2,098
(iii) Zhaojin Mining Industry Company Limited	1,997
(v) An impairment loss of HK\$8,699,000 was provided for Learning Ark Holdings Limited, an unlisted equity security for the year ended 31st December, 2011. No impairment loss was provided for the year ended 31st December, 2010 and for the six months ended 30th June, 2012.	

1. RESPONSIBILITY STATEMENT

This circular, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and the short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

(a) Interests in the Shares and underlying Shares of the Company

Name of Directors	Nature of interests	Number of Shares held	% of total Issued Shares
Peter Lee Yip Wah	Personal	3,410,000	0.08%
Albert Ho	Personal	2,296,000	0.06%

(b) Interests in shares and underlying shares of associated corporations

Name of Director	Name of associated corporation	Nature of interests	Number of shares/ underlying shares held	% of the total relevant issued shares of the associated corporation
Mark Wong Tai Chun	Allied Overseas Limited ("AOL")	Personal	143,043 (Note)	0.06%

Note: the total number of shares/underlying shares include the holding of (i) 119,203 shares in AOL and (ii) 23,840 warrants of AOL which give rise to an interest of 23,840 underlying shares in AOL.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

3. SUBSTANTIAL SHAREHOLDERS

So far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons, other than a Director or chief executive of the Company, had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholders	Nature of interest	Number of Shares held	% of issued Shares
Allied Group Limited (“AGL”) (Note)	Interest of controlled corporation	2,975,829,606	72.37%
Lee and Lee Trust (Note)	Interest of controlled corporation	2,975,829,606	72.37%

Note: AGL is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. Mr. Lee Seng Hui and Ms. Lee Su Hwei, directors of AGL, together with Mr. Lee Seng Huang, are the trustees of Lee and Lee Trust, being a discretionary trust. They together own 64.99% equity interest in AGL (inclusive of Lee Seng Hui’s personal interest) as at the Latest Practicable Date.

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any party who, as at the Latest Practicable Date, had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' INTERESTS IN CONTRACTS

On 19th November, 2012, the Management Agreement was entered into by the Company and YMIM. As at the Latest Practicable Date, (i) AGL held 72.37% interests in the Shares; (ii) Mr. Warren Lee Wa Lun is the chairman of the Company and a director of YMIM. Mr. Arthur George Dew is a non-executive director of each of the Company and Allied Group Limited. Mr. Mark Wong Tai Chun is an executive director of the Company and a director of investment and senior management of Allied Group Limited. Under the Management Agreement, YMIM shall provide non-exclusive investment management service and administrative services to the Company from 1st January, 2013 up to 31st December, 2015. YMIM was entitled to a Management Fee equal to 1.5% per annum of the Net Asset Value, calculated and payable in arrears on a quarterly basis by reference to the arithmetical average of the published Gross NAV on the last day of each calendar month during each relevant quarter; and a Performance Fee equal to 20% of the amount by which the audited Net Asset Value of each year ended 31st December, exceeds the High Watermark as at the relevant Financial Year, and payable annually in arrears by the Company to YMIM.

Save as disclosed above, the Directors confirm that there is no other contract or arrangement subsisting as at the Latest Practicable Date in which any Director is materially interested and which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN ASSETS

The Directors confirm that none of the Directors has any interests, direct or indirect, in any assets which have, since 31st December, 2011, being the date the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

7. COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed herein none of the Directors nor their respective associates had any interests, directly or indirectly, in a business which competes or is likely to compete with the business of the Group.

8. MATERIAL CONTRACTS

Save for the Management Agreement, none of the member of the Group entered into any material contracts, not being contracts entered into in the ordinary course of business, during the two years preceding the Latest Practicable Date.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2011 (being the date to which the latest published audited accounts of the Group were made up).

10. LITIGATION

As at the Latest Practicable Date, so far as was known to the Directors, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

11. EXPERT'S DISCLOSURE OF INTEREST AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Centurion	a licensed corporation permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO.

As at the Latest Practicable Date, Centurion:

- (a) did not have any direct or indirect interests in any assets which have been, since 31st December, 2011 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Centurion has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears in this circular.

12. MISCELLANEOUS

- (a) The Company's registered office is at Room 1801, 18th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- (b) Allied Group Limited's registered office is at 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Mr. Lo Tai On.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (public holidays excepted) at the registered office of the Company at Room 1801, 18th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong up to and including 28th December, 2012 and at the EGM:

- (a) the Management Agreement; and
- (b) the opinion letter and consent letter from Centurion.

NOTICE OF EGM

SHK 新工投資有限公司 Hong Kong Industries Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 666)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of SHK Hong Kong Industries Limited (the "Company") will be held at 10:00 a.m. on 28th December, 2012 at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong for the purposes of considering and, if thought fit, passing (with or without amendments) the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"THAT:

- (a) the Management Agreement (as defined in the circular dated 10th December, 2012 (the "Circular") despatched to the shareholders of the Company together with this notice of extraordinary general meeting), a copy of which has been produced to the meeting marked "A" and signed by the chairman of the meeting for identification purpose, and the transactions contemplated therein be and are hereby generally and unconditionally approved and confirmed and the directors of the Company be and are hereby authorized to do such acts and things and deliver all documents under the common seal of the Company, if necessary, as they may consider necessary, desirable or expedient in connection with the transactions contemplated under the Management Agreement; and
- (b) the annual caps for the remuneration payable by the Company to Yu Ming Investment Management Limited under the Management Agreement are proposed to be as follows:

Financial Year	2013 HK\$	2014 HK\$	2015 HK\$
Management Fee	20,000,000	25,000,000	30,000,000
Performance Fee	55,000,000	100,000,000	125,000,000
Total proposed annual caps	75,000,000	125,000,000	155,000,000"

By Order of the Board
SHK Hong Kong Industries Limited
Lo Tai On
Company Secretary

Hong Kong, 10th December, 2012

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at Tricor Secretaries Limited, the share registrar of the Company, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.