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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  
APPOINTMENT OF YU MING INVESTMENT MANAGEMENT LIMITED AS  
INVESTMENT MANAGER**

On 30<sup>th</sup> October, 2009, the Company entered into the Management Agreement with YMIM in relation to continuing the appointment of YMIM as the Company's investment manager for the Management Period. The Management Agreement is conditional upon approval by the Independent Shareholders.

YMIM is a connected person of the Company and the transactions contemplated by the Management Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratio will exceed 25% in respect of each of the proposed annual caps, such transactions are subject to the reporting and announcement requirements and Independent Shareholders' approval by way of a poll at an EGM.

An independent board committee comprising Mr. Ambrose So Shu Fai, Mr. Albert Ho and Ms. Lam Tak Yee has been formed to advise the Independent Shareholders in respect of the Management Agreement and the annual caps thereunder. The Independent Financial Adviser will be 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.

A circular containing, among others, further details of the Management Agreement, the recommendation of the Independent Board Committee, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and a notice convening the EGM, will be despatched to the Independent Shareholders as soon as possible.

**MANAGEMENT AGREEMENT**

On 30<sup>th</sup> October, 2009, 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, immediately following the expiry date of the Previous Agreement on 31<sup>st</sup> December, 2009.

## Principal terms

The principal terms of the Management Agreement include:

- Duration: From the Renewal Date until 31<sup>st</sup> December, 2012
- Services: YMIM shall provide non-exclusive investment management services and administrative services to the Company, including: –
- (a) identify and carry out analysis or investigation of investment opportunities; and
  - (b) advise 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, 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 consolidated net asset value of the Company (calculated as at the end of each respective Financial Year) exceeds the High Watermark as at the relevant Financial Year, and payable annually in arrears by the Company to YMIM

## Annual caps

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

	<i>HK\$</i>
For the period from the Renewal Date to 31st December, 2010	50,000,000
For the year ended 31st December, 2011	110,000,000
For the year ended 31st December, 2012	139,000,000

Computation of the annual caps is based on (i) the assumption that the Company will achieve approximately a 35% annual increase in net asset value before accrual of the performance fee by reference to the net asset value appreciation of the Company during the latest 6 months ended 30<sup>th</sup> June, 2009; and (ii) an adjustment to eliminate the effects of the rights issue conducted by the Company which took place on 23<sup>rd</sup> April, 2009, as announced by the Company on 14<sup>th</sup> February, 2009.

## Historical transaction amounts and the current annual caps

The following is a summary of the historical transaction amounts for the period commencing from 1<sup>st</sup> October, 2007 to 30<sup>th</sup> September, 2009 inclusive and the annual caps for the Previous Agreement for the periods commencing from 1<sup>st</sup> October, 2007 to 30<sup>th</sup> September, 2009 inclusive:

	<b>For the period from 1<sup>st</sup> October, 2007 to 31<sup>st</sup> December, 2007 inclusive</b>	<b>For the Financial Year 2008</b>	<b>For the period from 1<sup>st</sup> January, 2009 to 30<sup>th</sup> September, 2009 inclusive</b>
Transaction amount	HK\$15,905,866	HK\$11,639,779	HK\$9,860,418
Annual caps	HK\$68,744,867	HK\$78,890,744	HK\$78,890,744

## Condition of the Management Agreement

The Management Agreement is conditional upon the approval by the Independent Shareholders at the EGM. If the condition is not satisfied on or before 15<sup>th</sup> December, 2009, the Management Agreement shall lapse and none of the parties shall have any obligations and liabilities thereunder save for antecedent breaches of terms thereof.

## Reasons for entering into the Management Agreement

YMIM has provided investment management services to the Company since 5<sup>th</sup> March, 1997. The Board is of the view that continuity for provision of investment management services by YMIM is important for the management of the Company.

## LISTING RULE IMPLICATIONS

YMIM, as the investment manager of the Company under the Previous Agreement, 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 for the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratio will exceed 25% in respect of the proposed annual caps, such transactions are subject to the reporting and announcement requirements and the Independent Shareholders' approval by way of a poll at an EGM.

## VOTING ABSTENTION

YMIM is a wholly-owned subsidiary of Allied Group Limited, a substantial Shareholder holding 2,155,593,774 Shares representing approximately 57.65% of the entire issued share capital. 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 their 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) are of the view that the transactions contemplated by the Management Agreement and the annual caps under 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 a common director of YMIM and the Company. Mr. Arthur George Dew is a common director of Allied Group Limited and the Company. Mr. Mark Wong Tai Chun is a Director and the director of investment 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.

## **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 securities, fixed income, property, private equity and structured financing products.

YMIM provides investment management services to the Company. It also provides corporate finance services in relation to listing matters and takeovers.

## **GENERAL**

An independent board committee comprising Mr. Ambrose So Shu Fai, Mr. Albert Ho and Ms. Lam Tak Yee has been formed to advise the Independent Shareholders in respect of the Management Agreement and the annual caps thereunder. The Independent Financial Adviser will be 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.

An EGM will be convened at which ordinary resolution(s) will be proposed to consider and, if thought fit, approve the Management Agreement and the annual caps thereunder.

A circular containing, among others, further details of the Management Agreement, the recommendation of the Independent Board Committee, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and a notice convening the EGM, will be despatched to the Independent Shareholders as soon as possible.

## **DEFINITIONS**

“associates”	shall have the same meaning as is provided in the Listing Rules
“Board”	the board of directors of the Company
“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

“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company convened to approve the Management Agreement and the annual caps thereunder
“Financial Year”	the financial year of the Company during the Management Period, being the period of twelve months from 1 <sup>st</sup> January to 31 <sup>st</sup> December, or as otherwise determined by the Board
“Gross NAV”	the consolidated net asset value of the Company as at the relevant date, without deduction of Management Fees attributable to the relevant quarter
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“High Watermark”	during the Management Period or the term of the Previous Agreement from 1 <sup>st</sup> October, 2007 to 31 <sup>st</sup> December, 2009, (a) if a Performance Fee has been paid, the audited consolidated net asset value of the Company as at the end of the latest Financial Year in which YMIM was entitled to a Performance Fee; or (b) if no Performance Fee has been paid, the consolidated net asset value of the Company as at the commencement date of the Previous Agreement, being 1 <sup>st</sup> October, 2007
“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 Mr. Ambrose So Shu Fai, Mr. Albert Ho and Ms. Lam Tak Yee (all being independent non-executive Directors) to make recommendation to the Independent Shareholders in respect of the Management Agreement and the annual caps thereunder
“Independent Financial Adviser”	the independent financial adviser to be 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
“Independent Shareholders”	the Shareholders other than Allied Group Limited and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Management Agreement”	the investment management agreement proposed to be entered into between the Company and YMIM, in relation to the provision of 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
“Management Period”	the period from the Renewal Date to 31 <sup>st</sup> December, 2012
“Performance Fee”	the fee payable to YMIM in respect of the performance of the Company
“Previous Agreement”	the investment management agreement made between the Company and YMIM dated 22 <sup>nd</sup> June, 2007
“Renewal Date”	1 <sup>st</sup> January, 2010
“Shareholders”	holders of Shares
“Shares”	ordinary shares in the issued share capital of the Company of a nominal value of HK\$0.10 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“YMIM”	Yu Ming Investment Management Limited, a company incorporated in Hong Kong with limited liability and a corporation licensed under the Securities and Futures Ordinance 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

By Order of the Board  
**SHK HONG KONG INDUSTRIES LIMITED**  
**Warren Lee Wa Lun**  
*Chairman*

Hong Kong, 4<sup>th</sup> November, 2009

*As at the date of this announcement, the Board comprises: Mr. Warren Lee Wa Lun (Chairman) and Mr. Mark Wong Tai Chun, being executive Directors; Mr. Arthur George Dew and Mr. Peter Lee Yip Wah, being non-executive Directors; and Mr. Ambrose So Shu Fai, Mr. Albert Ho and Ms. Lam Tak Yee, being independent non-executive Directors.*