
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 form of proxy 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
APPOINTMENT OF YU MING INVESTMENT MANAGEMENT LIMITED
AS INVESTMENT MANAGER**

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



A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on page 9 of this circular. A letter from Menlo Capital, 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 10 to 16 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 11th December, 2009 at Plaza 3, Lower Lobby, Novotel Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong is set out on pages 23 to 24 of this circular. Whether or not you intend to present at the meeting, you are recommended to complete the enclosed form of proxy 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 form of proxy will not preclude you from attending and voting in person should you so wish.

24th November, 2009

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DEFINITIONS

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

“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 12 months from 1st January to 31st 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
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“High Watermark”	during the Management Period or the term of the Previous Agreement from 1st October, 2007 to 31st 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 1st October, 2007
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“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 Shareholders”	the Shareholders other than Allied Group Limited and its associates
“Latest Practicable Date”	20th November, 2009, the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Agreement”	the investment management agreement dated 30th October, 2009 and 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 31st December, 2012
“Menlo Capital”	Menlo Capital Limited, a licensed corporation for type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Management Agreement and the annual caps thereunder
“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 22nd June, 2007
“Renewal Date”	1st January, 2010
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Shareholder(s)”	holder(s) of Share(s)
“Share(s)”	ordinary share(s) 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 SFO 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

Registered Office:

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

Independent Non-Executive Directors:

Mr. Ambrose So Shu Fai
Mr. Albert Ho
Ms. Lam Tak Yee

24th November, 2009

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

On 4th November, 2009, the Board announced that the Company entered into the Management Agreement with YMIM on 30th October, 2009 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, which is to be 31st December, 2009.

The purpose of this circular is to provide you with further details of the Management Agreement, the recommendation of the Independent Board Committee, the advice of Menlo Capital to the Independent Board Committee and the Independent Shareholders, and the notice convening the EGM, at which an 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 include:

- Duration: From the Renewal Date until 31st 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, subject to adjustments to disregard effects of any new issue of securities or distribution on the Gross NAV

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

LETTER FROM THE BOARD

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 30th June, 2009; and (ii) an adjustment to eliminate the effects of the rights issue conducted by the Company which took place on 23rd April, 2009, as announced by the Company on 14th 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 1st October, 2007 to 30th September, 2009 inclusive and the annual caps for the Previous Agreement for the periods commencing from 1st October, 2007 to 30th September, 2009 inclusive:

	For the period from 1st October, 2007 to 31st December, 2007 inclusive	For the Financial Year 2008	For the period from 1st January, 2009 to 30th September, 2009 inclusive
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 15th 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 5th 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 RULES 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.

LETTER FROM THE BOARD

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 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 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.

EXTRAORDINARY GENERAL MEETING

A notice of the EGM to be held at 10:00 a.m. on 11th December, 2009 at Plaza 3, Lower Lobby, Novotel Century Hong Kong Hotel, 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 pages 23 to 24 of this circular. Shareholders are encouraged to attend the EGM.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed. Whether or not you intend to present at the meeting, you are recommended to complete the form of proxy 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 form of proxy will not preclude you from attending and voting in person should you so wish.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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. Menlo Capital 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.

RECOMMENDATION

Your attention is drawn to the letters from the Independent Board Committee and Menlo Capital set out on pages 10 to 16 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 Menlo Capital, consider that the terms of the Management Agreement including 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. Accordingly, the Directors (excluding Mr. Warren Lee Wa Lun, Mr. Arthur George Dew and Mr. Mark Wong Tai Chun) recommend that all Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 666)

24th November, 2009

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
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 24th November, 2009 (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.

Menlo Capital 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 4 to 8 of the Circular which contains, inter alia, information about the terms of the Management Agreement and the annual caps thereunder and the “Letter from Menlo Capital” set out on pages 10 to 16 of the Circular which contains its advice in respect of the terms of the Management Agreement and the annual caps thereunder.

Having considered, amongst other matters, the factors and reasons considered by, and the opinion of, Menlo Capital, 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,

INDEPENDENT BOARD COMMITTEE

SHK Hong Kong Industries Limited

Ambrose So Shu Fai

Albert Ho

Lam Tak Yee

LETTER FROM MENLO CAPITAL

The following is the full text of the letter from Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in connection with the proposed continuing connected transactions which has been prepared for the purpose of inclusion in this circular:



Menlo Capital Limited
17/F, Asia Standard Tower
Queen's Road Central, Hong Kong

24th November, 2009

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

Dear Sirs,

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

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on (i) whether the continuing connected transactions contemplated under the Management Agreement are in the interest of the Company and the Shareholders as a whole; (ii) the Management Agreement is within the ordinary and usual course of businesses of the Company and entered into on normal commercial terms; and (iii) the terms and the respective annual caps proposed under the Management Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned, details of which are set out in the "Letter from the Board" in this circular (the "Circular") issued by the Company to the Shareholders dated 24th November, 2009 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 30th 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 31st December, 2009. 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 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 Independent Shareholders' approval by way of a poll at an EGM.

LETTER FROM MENLO CAPITAL

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular which have been provided to us by the Directors and which the Directors consider to be complete and relevant, and have assumed that the statements made were true, accurate and complete at the time they were made and continue to be true on the date of the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and we have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred to in the Circular.

We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our view and recommendation. We have no reason to suspect that any material information has been withheld by the Company or by the Directors. We have not, however, carried out any independent investigation into the business and affairs of the Group. We have taken all reasonable steps pursuant to rule 13.80 of the Listing Rules which include the following:

1. obtaining all information and documents relevant to the assessment of the fairness and reasonableness of the Management Agreement, including but not limited to, the Management Agreement, the annual report of the Company for the years ended 31st December, 2006 (the “2006 Annual Report”); ended 31st December, 2007 (the “2007 Annual Report”); 31st December, 2008 (the “2008 Annual Report”), the interim report of the Company for the six months ended 30th June, 2009, (the “2009 Interim Report”) and the Letter from the Board.
2. reviewing the information of the Group as well as the reasons and the background of entering into the Management Agreement;
3. reviewing the terms of the Management Agreement; and
4. confirming that no third party expert provides any opinion or valuation is relevant to the Management Agreement.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders on the terms of the Management Agreement and the annual caps, we have considered the following principal factors and reasons:

LETTER FROM MENLO CAPITAL

I. Background and Reasons for the Management Agreement

Information on the Group

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.

Information on YMIM

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

Reasons for and benefits of the continuing connected transactions

YMIM is licensed under the SFO to carry out regulated activities of dealing in securities, advising on securities, advising on corporate finance and asset management. YMIM is specialized in providing investment management services to the Company as well as corporate finance services in relation to listing matters and takeovers.

We have reviewed the 2006 Annual Report, the 2007 Annual Report, the 2008 Annual Report and 2009 Interim Report and noted that YMIM has provided investment management services to the Company for over twelve years since 5th March, 1997. We concur with the view of the Board that continuity for provision of investment management services by YMIM to ensure (i) the full understanding of the investment objectives and the investment direction of the Company; (ii) the professional advices on acquisitions and realizations of investments for the Company; (iii) the consistence in the identifying and carrying out analysis or investigation of investment opportunities for the Company; and (iv) the provision of professional corporate finance services; are all important for the management of the Company.

Having considered that (i) YMIM has provided investment management services to the Company since 5th March, 1997; and (ii) the entering into the Management Agreement can fully utilize the expertise of YMIM, we are of the view that the continuing connected transactions contemplated under the Management Agreement are in the interest of the Company and the Shareholders as whole as well as in the ordinary and usual course of business of the Company.

II. The Management Agreement

The principal terms of the Management Agreement include:

Duration: From the Renewal Date until 31st 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

LETTER FROM MENLO CAPITAL

- (b) advise on acquisitions and realizations of investments and submit relevant proposals to the Board for approval.

Remuneration:	<i>Management Fee:</i>	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
	<i>Performance Fee:</i>	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, subject to adjustments to disregard effects of any new issue of securities or distribution on the Gross NAV

The Performance Fee is based on the appreciation of the net asset value of the Company in the respective financial year after the adjustment of the increase of net asset value equity financing exercise(s) which is equivalent to the net profit made in the respective financial year.

We have reviewed and included, so far as we are aware, all the management fee packages based on asset value and performance fee packages based the excess of net asset value/net profit (the “Comparables”) published during the last 12 months by the authorised collective investment schemes and the investment companies listed under Chapter 20 and Chapter 21 of the Listing Rules on the Main Board of the Stock Exchange. We consider that the comparison of these packages could provide a general reference for the reasonableness of the Management Fee and Performance Fee and that they are appropriate and relevant, which are summarized as below:

Company name (Stock Code)	Management fee	Performance fee
China Merchants China Direct Investments Limited (0133)	A fixed percentage on the value of the group’s assets	A fixed percentage on the excess of an agreed increment of the group’s net asset value after certain adjustment
Prosperity Investment Holdings Limited (0310)	A fixed sum of payment per year	nil
UBA Investments Limited (0768)	1.5% per annum (equivalent to 0.375% per quarter) of the net asset value of the group	20% of net profit of the group before taxation and before deduction of the management fee

LETTER FROM MENLO CAPITAL

Company name (Stock Code)	Management fee	Performance fee
Shanghai Growth Investment Limited (0770)	0.5% per quarter of the net asset value of the group	15% of the excess amount by which 115% of the net asset value of the group as at the immediate preceding year
Mastermind Capital Limited (0905)	0.375% per quarter of the net asset value of the group	nil
China Innovation Investment Limited (1217)	0.25% per month (equivalent to 0.75% per quarter) of the net asset value of the company	10% of the profit before tax
Garron International Limited (1226)	2% per annum (equivalent to 0.5% per quarter) of the net asset value of the group	10% of the surplus net asset value
LYXOR ETF FTSE RAFI US 1000 (2803)	0.75% per annum (equivalent to approximately 0.19% per quarter) of the average net assets	nil
The Company	0.375% of the Gross NAV for each quarter, calculated as the arithmetical average of the published Gross NAV	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

Source: The Stock Exchange website, the respective announcements, circulars and annual reports in relation to the Comparables

As noted from the above table,

- the management fees per quarter of the Comparables ranged from 0.19% to 0.75% (the “Management Fee Range”). The Management Fee, being 0.375% per quarter, falls within and on the low side of the Management Fee Range of the Comparables; and

LETTER FROM MENLO CAPITAL

2. the performance fees per quarter of the Comparables ranged from 10% to 20% (the “Performance Fee Range”). The Performance Fee, being 20% per quarter, falls within and on the high side of the Performance Fee Range of the Comparables.

We note that (i) The Management Fee falls within the Management Fee Range of the Comparables; and (ii) The Performance Fee falls within the Performance Fee Range of the Comparables. Accordingly, we are of the view the Management Fee and the Performance Fee are in line with the packages of the Comparables as well as being fair and reasonable so far as the Independent Shareholders are concerned.

Historical transaction amounts and the current annual caps

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

	For the period from 1st October, 2007 to 31st December, 2007 inclusive	For the Financial Year 2008	For the period from 1st January, 2009 to 30th September, 2009 inclusive
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

Proposed annual caps

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

The Directors are of the view that the 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 30th June, 2009; and (ii) an adjustment to eliminate the effects of the rights issue conducted by the Company which took place on 23rd April, 2009, as announced by the Company on 14th February, 2009.

LETTER FROM MENLO CAPITAL

According to (i) the financial information in the 2006 Annual Report, the 2007 Annual Report, the 2008 Annual Report and the 2009 Interim Report, the Company has achieved the net asset value appreciation/(depreciation) of approximately (19)%, 35% and (40)% for the years ended 31st December, 2006, 31st December, 2007 and 31st December, 2008 respectively; and (ii) the financial information in the 2009 Interim Report, the Company has achieved a net asset value appreciation of approximately 35% during the latest 6 months ended 30th June, 2009 (after adjusting for the effects of the rights issue in 2009 and excluding the increase in revaluation investment reserve), the performance in the net asset appreciation fluctuated significantly in the recent years. Having considered the fluctuation of the performance, we are of the view the computation of the annual caps based on the assumption that the Company will achieve approximately a 35% annual increase in net asset value together with the above mentioned adjustment of the equity financing exercise is conservative for the high side performance but is fair and reasonable so far as the Independent Shareholders are concerned.

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 15th 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.

We have reviewed all the terms of the Management Agreement. No extra-ordinary terms are found. We consider that the terms of the Management Agreement are on normal commercial terms.

RECOMMENDATION

The Management Agreement and the annual caps thereunder are subject to the Independent Shareholders approval. We are of the view that the entering into the Management Agreement and the continuing connected transactions are in the ordinary course of business, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and that the terms of the Management Agreement the continuing connected transactions and the annual caps are fair and reasonable so far as the interests of the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the terms of the Management Agreement, the continuing connected transactions and the annual caps.

Yours faithfully,
For and on behalf of
Menlo Capital Limited
Michael Leung
Executive Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein 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 Companies, were as follows:

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

Name of Directors	Number of Shares Personal interest/ beneficial owner	Number of warrants Personal interest/ beneficial owner	Total Shares/ underlying Shares	% of total issued Shares
Peter Lee Yip Wah	3,100,000	310,000	3,410,000 <i>(Note i)</i>	0.09%
Albert Ho	2,080,000	216,000	2,296,000 <i>(Note ii)</i>	0.06%

Notes:

- i. The total interests include the holding of (i) 3,100,000 Shares and (ii) 310,000 warrants of the Company giving rise to an interest of 310,000 underlying Shares.
- ii. The total interests include the holding of (i) 2,080,000 Shares and (ii) 216,000 warrants of the Company giving rise to an interest of 216,000 underlying Shares.

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

Name of Director	Interests in the associated corporation	Number of shares Personal interest/beneficial owner	% of total relevant shares of the associated corporation
Mark Wong Tai Chun	Quality HealthCare Asia Limited	119,203	0.05%

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 Companies.

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	Capacity	Number of Shares	% of issued Shares	Number of warrants	% of total 2011 Warrants
Allied Group Limited ("AGL") (Note)	Interest of controlled corporation	2,155,593,774	57.65%	308,247,574	82.51%
Lee and Lee Trust (Note)	Interest of controlled corporation	2,155,593,774	57.65%	308,247,574	82.51%

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 44.54% interest in AGL 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 22nd June, 2007, the Previous Agreement was entered into by the Company and YMIM, which was approved by the Shareholders on 3rd August, 2007. On 24th August, 2007, YMIM became an indirectly wholly-owned subsidiary of AGL, a substantial Shareholder of the Company. As at the Latest Practicable Date, (i) AGL held 57.65% interests in the Shares; (ii) Mr. Warren Lee Wa Lun was a common director of the Company and YMIM; (iii) Mr. Arthur George Dew was a common director of the Company and AGL; and (iv) Mr. Mark Wong Tai Chun was a Director and the director of investment of AGL. Under the Previous Agreement, YMIM agreed to assist the Board with the day-to-day management of the Group from (i) earlier of 1st October, 2007; or (ii) the date immediately following the day on which the Previous Agreement was approved by the Shareholders; up to 31st December, 2009. YMIM was entitled to a management fee equal to 1.5% per annum of the consolidated net asset value of the Group attributable to the equity holders of the Company, calculated and payable in arrears on a quarterly basis by reference to the arithmetical average of the consolidated net asset value of the Group attributable to the equity holders of the Company on the last day of each calendar month during each quarter; and a performance fee equal to 20% of the amount by which the audited consolidated net asset value of the Group attributable to the equity holders of the Company of each year ending 31st December, exceeds (i) if a performance fee has been paid during the management period, the audited consolidated net asset value of the Group attributable to the equity holders of the Company as at the end of the latest financial year in which YMIM was entitled to a performance fee; or (ii) if no performance fee has been paid during the management period, the consolidated net asset value of the Group attributable to the equity holders of the Company on the effective date of the Previous Agreement.

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 been, since 31st December, 2008, 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, 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 as disclosed below, 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:

- (a) a warrant instrument by way of deed poll dated 23rd May, 2008 executed by the Company. Accordingly, relevant Shareholders whose names appear on the register of members of the Company on 23rd May, 2008 received bonus warrants (the "2009 Warrants") on the basis of one 2009 Warrant for every five existing Shares held. On the basis of 1,869,171,989 Shares in issue as at 23rd May, 2008, 373,834,397 2009 Warrants were issued to the relevant Shareholders on 29th May, 2008;
- (b) an underwriting agreement dated 13th February, 2009 entered into between the Company and Get Nice Securities Limited (being the underwriter) in relation to the rights issue (the "Rights Issue") announced by the Company on 14th February, 2009. The commission paid to Get Nice Securities Limited was approximately HK\$3.4 million, on the basis of 2.5% of the aggregate amount underwritten. The underwriting agreement became unconditional on 17th April, 2009; and
- (c) a warrant instrument by way of deed poll dated 23rd April, 2009 executed by the Company. Accordingly, relevant Shareholders who had subscribed for rights shares (the "Rights Shares") under the Rights Issue received bonus warrants (the "2011 Warrants") on the basis of one 2011 Warrant for every five Rights Shares subscribed. On the basis of 1,869,172,517 Rights Shares subscribed under the Rights Issue, 373,834,503 2011 Warrants were issued to the relevant Shareholders on 23rd April, 2009.

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, 2008 (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
Menlo Capital	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Menlo Capital:

- (a) did not have any direct or indirect interests in any assets which have been, since 31st December, 2008 (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.

Menlo Capital 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 11th December, 2009 and at the EGM:

- (a) the Management Agreement; and
- (b) the contracts referred to in paragraphs 4 and 8 of this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 11th December, 2009 at Plaza 3, Lower Lobby, Novotel Century Hong Kong Hotel, 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 24th November, 2009 (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 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 limited as follows:

	<i>HK\$</i>
For the period from 1st January, 2010 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”

By Order of the Board
Lo Tai On
Company Secretary

Hong Kong, 24th November, 2009

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 form of proxy, 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.