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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)

## 2012 INTERIM RESULTS ANNOUNCEMENT

### INTERIM RESULTS

The Board of Directors (the “Board”) of SHK Hong Kong Industries Limited (the “Company”) announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2012 as below:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2012

		<b>Unaudited</b>	
		<b>Six months ended 30th June,</b>	
		<b>2012</b>	<b>2011</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	<b>16,935</b>	17,864
Other net income/(loss)	4	<b>65,934</b>	(7,114)
Administrative and other operating expenses		<b>(17,160)</b>	(16,256)
Finance costs	6	–	(28)
Share of loss of jointly controlled entities		<b>(81)</b>	–
Share of loss of an associate		–	(606)
<b>Profit/(loss) before income tax</b>	7	<b>65,628</b>	(6,140)
Income tax expense	8	–	–
<b>Profit/(loss) for the period</b>		<b>65,628</b>	(6,140)
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Company		<b>65,628</b>	(5,876)
Non-controlling interests		–	(264)
		<b>65,628</b>	(6,140)
<b>Earnings/(loss) per share attributable to the owners of the Company (HK cents):</b>			
Basic	9	<b>1.60</b>	(0.14)
Diluted		<b>1.60</b>	N/A

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2012

	Unaudited	
	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
Profit/(loss) for the period	65,628	(6,140)
<b>Other comprehensive income/(expenses):</b>		
Change in fair value of available-for-sale financial assets	19,835	(10,772)
Reclassification adjustment upon disposal of available-for-sale financial assets	3,049	(26,181)
Share of other comprehensive expenses of jointly controlled entities	(12,779)	–
Share of other comprehensive income of an associate	–	158
<b>Other comprehensive income/(expenses) for the period, net of tax</b>	<b>10,105</b>	<b>(36,795)</b>
<b>Total comprehensive income/(expenses) for the period</b>	<b>75,733</b>	<b>(42,935)</b>
<b>Total comprehensive income/(expenses) for the period attributable to:</b>		
Owners of the Company	75,733	(42,740)
Non-controlling interests	–	(195)
	<b>75,733</b>	<b>(42,935)</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30th June, 2012*

		Unaudited 30th June, 2012 HK\$'000	Audited 31st December, 2011 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interests in jointly controlled entities		51,835	–
Interests in associates		8,698	8,698
Available-for-sale financial assets	11	233,450	222,989
		293,983	231,687
<b>Current assets</b>			
Available-for-sale financial assets	11	–	262,047
Trade and other receivables and prepayment	12	7,620	8,233
Amount due from a fellow subsidiary		–	2
Amount due from jointly controlled entities		44,064	–
Financial assets at fair value through profit or loss	13	258,478	339,461
Taxation recoverable		–	21
Security deposits		13,313	19,062
Cash and cash equivalents		534,763	216,632
		858,238	845,458
<b>Current liabilities</b>			
Other payables and accrued expenses		445	1,055
Amount due to a holding company		143	–
Amount due to a fellow subsidiary		4,718	4,453
Financial liabilities at fair value through profit or loss	14	12,013	12,468
		17,319	17,976
<b>Net current assets</b>		840,919	827,482
<b>Total assets less current liabilities</b>		1,134,902	1,059,169
<b>Net assets</b>		1,134,902	1,059,169
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		411,170	411,170
Reserves		719,792	644,059
		1,130,962	1,055,229
Non-controlling interests		3,940	3,940
<b>Total equity</b>		1,134,902	1,059,169

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies adopted in the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2011, except for the adoption of the amended Hong Kong Financial Reporting Standards (“HKFRSs”) (which include individual Hong Kong Financial Reporting Standards, HKASs and Interpretations) as disclosed below.

### **Adoption of Revised HKFRSs – effective from 1st January, 2012**

In the current period, the Group has applied for the first time the following amendments to HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual financial period beginning on 1st January, 2012.

Amendments to HKFRS 7                      Disclosures – Transfers of Financial Assets

Other than as noted below, the adoption of these amended HKFRSs did not result in significant changes in the Group’s accounting policies.

### **Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets**

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

### 3. REVENUE

Turnover of the Group is the revenue from the investments in listed and unlisted financial instruments.

	Unaudited	
	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
Interest income from available-for-sale financial assets	13,309	5,939
Dividend income		
– Listed investments	2,282	7,491
– Unlisted investments	–	4,364
Interest income from bank deposits	1,344	70
	<u>16,935</u>	<u>17,864</u>

### 4. OTHER NET INCOME/(LOSS)

	Unaudited	
	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
Fair value gain/(loss) on financial assets and liabilities at fair value through profit or loss	47,272	(35,946)
Gain on disposal/redemption of available-for-sale financial assets	18,547	28,736
Sundry income	115	96
	<u>65,934</u>	<u>(7,114)</u>

### 5. SEGMENT INFORMATION

Under HKFRS 8, reportable segment information is based on internal management reporting information that is regularly reviewed by the Executive Directors. The Executive Directors assess segment profit or loss using a measure of operating profit. The measurement policies the Group uses for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements.

Based on the regular internal financial information reported to the Group's Executive Directors for their decisions about resources allocation to the Group's business components and review of these components' performance, the Group has identified only one operating segment, financial instrument investments. Accordingly, segment disclosures are not presented.

### 6. FINANCE COSTS

	Unaudited	
	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	–	28

**7. PROFIT/(LOSS) BEFORE INCOME TAX**

	<b>Unaudited</b>	
	<b>Six months ended 30th June,</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit/(loss) before income tax is arrived at after charging:		
Management fee	<b>8,818</b>	9,469
Employee benefit expenses (including Directors' emoluments)	<b>1,285</b>	1,259

**8. INCOME TAX EXPENSE**

No Hong Kong profits tax has been provided for the six months ended 30th June, 2012 as the estimated assessable profits of the Group were offset by tax losses brought forward.

No Hong Kong profits tax had been provided for the six months ended 30th June, 2011 as the Group has no estimated assessable profits.

**9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY**

The calculation of basic earnings/(loss) per share for the six months ended 30th June, 2012 is based on the profit attributable to the owners of the Company of approximately 65,628,000 (2011: loss of approximately HK\$5,876,000) and on the weighted average number of approximately 4,111,704,000 (2011: approximately 4,100,031,000) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30th June, 2012 is same as the basic earnings per share as the Group had no dilutive potential ordinary shares during the period.

Diluted loss per share for the six months ended 30th June, 2011 was not presented as the impact of the exercise of the warrant was anti-dilutive.

**10. DIVIDEND**

At a Board meeting held on 21st August, 2012, the Board resolved not to declare an interim dividend for the period (2011: Nil).

## 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 30th June, 2012 HK\$'000	Audited 31st December, 2011 HK\$'000
Non-current		
Debt securities		
– Listed in Hong Kong	15,596	15,209
– Listed outside Hong Kong	137,513	183,392
	<hr/>	<hr/>
Fair value of listed debt securities	153,109	198,601
Unlisted debt securities, at fair value	49,073	–
Unlisted equity securities, at fair value	31,268	24,388
	<hr/>	<hr/>
	233,450	222,989
Current		
Debt securities		
– Listed outside Hong Kong, at fair value	–	262,047
	<hr/>	<hr/>
	233,450	485,036
	<hr/>	<hr/>

## 12. TRADE AND OTHER RECEIVABLES AND PREPAYMENT

	Unaudited 30th June, 2012 HK\$'000	Audited 31st December, 2011 HK\$'000
Trade receivables	7,034	–
Other receivable	586	7,784
Prepayment	–	449
	<hr/>	<hr/>
	7,620	8,233
	<hr/>	<hr/>

There are no specific credit terms granted and the Group allows a credit period up to the settlement dates of their respective transactions. The ageing analysis of the trade receivables was as follows:

	Unaudited 30th June, 2012 HK\$'000	Audited 31st December, 2011 HK\$'000
Within one year	7,034	–
	<hr/>	<hr/>

**13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>Unaudited 30th June, 2012 HK\$'000</b>	Audited 31st December, 2011 HK\$'000
Equity securities held for trading		
– Listed in Hong Kong	<b>138,415</b>	270,605
– Listed outside Hong Kong	<b>120,063</b>	68,669
	<hr/>	<hr/>
Market value of listed securities	<b>258,478</b>	339,274
Unlisted warrants, at fair value	–	187
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	<b>258,478</b>	339,461
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**14. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>Unaudited 30th June, 2012 HK\$'000</b>	Audited 31st December, 2011 HK\$'000
Derivative financial instruments		
– Equity forward contracts, at fair value	<b>6,580</b>	1,064
– Call options embedded in bonds and notes, at fair value	<b>5,433</b>	11,404
	<hr/>	<hr/>
	<b>12,013</b>	12,468
	<hr/>	<hr/>

The equity forward contracts were secured by certain equity securities with carrying value of zero (at 31st December, 2011: approximately HK\$312,000), debt securities and embedded derivatives with carrying value of approximately HK\$15,848,000 (at 31st December, 2011: approximately HK\$53,034,000) and security deposits of approximately HK\$13,313,000 (at 31st December, 2011: approximately HK\$19,062,000).



## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

The Group's major income for the six months ended 30th June, 2012 (the "2012 Interim Period") comprised mainly profit on disposal of equities and bond as well as bond interest income.

The Group recorded a net profit attributable to the owners of the Company of approximately HK\$65.6 million for the 2012 Interim Period, compared to a net loss of approximately HK\$5.9 million in 2011.

In the first half of 2012, amid the global financial instability, the Group reduced a significant portion of its short term investments which were held for trading purpose, at a profit.

The Group's net asset value increased by 7% to HK\$1.13 billion at the end of the 2012 Interim Period while Hang Seng Index advanced by 5% and Hang Seng China Enterprises Index dropped by 4% over the same period.

### INVESTMENT REVIEW

As at 30th June, 2012, the Group's major investments were as follows:

<b>Investments</b>	<b>Description</b>
Listed Equities	HK\$258.5 million of a portfolio of listed shares in 22 companies
Bonds	HK\$196.7 million of bonds issued by 13 companies listed in Hong Kong and overseas
Indirect Investment in Listed Equity	HK\$95.9 million in one indirect investment in overseas listed equity
Investment Funds	HK\$31.3 million in 2 investment funds
Direct Investment in Unlisted Equity	HK\$4.8 million in one direct investment in unlisted equity
Equity Forward Contracts	22 equity forward contracts, the underlying stocks of which include China Unicom (Hong Kong) Limited, iShares FTSE A50 China Index ETF, AIA Group Limited, Anhui Conch Cement Company Limited, Hong Kong Exchanges and Clearing Limited, Ping An Insurance (Group) Company of China, Ltd., China Life Insurance Company Limited, PetroChina Company Limited, Bank of China Limited, HSBC Holdings plc, Kaisa Group Holdings Ltd., Sun Hung Kai Properties Limited, Shougang Fushan Resources Group Limited and New World Development Company Limited

The Group's portfolio of investments comprised securities in Hong Kong, Taiwan, Japan, Malaysia, United States, Australia and the People's Republic of China. The value of our portfolio increased in the first half of 2012.

During the 2012 Interim Period, the Group made an indirect investment in the equity of a Taiwan listed company. The investee is principally engaged in the operations of dry bulk carrier shipping, professional vessel management and department stores in the Mainland China. The investment offers immense prospects in the medium and long term.

## **PROSPECTS**

The rest of 2012 remains event driven, primarily the monetary policies, the economic recovery progress and employment situation in the major economies. We are cautiously optimistic of a year of profit for 2012.

## **FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO**

As at 30th June, 2012, the Group had cash and cash equivalents of approximately HK\$534.8 million (at 31st December, 2011: approximately HK\$216.6 million) and security deposits of approximately HK\$13.3 million (at 31st December, 2011: approximately HK\$19.1 million), totalling approximately HK\$548.1 million (at 31st December, 2011: approximately HK\$235.7 million), investments of approximately HK\$580.6 million (at 31st December, 2011: approximately HK\$816.8 million) and no bank borrowings as at 30th June, 2012 and 31st December, 2011. The liquidity position of the Group enables us to respond to further investment opportunities that are expected to generate better returns for the Shareholders. The Group's gearing ratio, calculated by reference to the ratio of total borrowings to total equity attributable to the owners of the Company as at 30th June, 2012, was 0% (at 31st December, 2011: 0%).

## **FOREIGN EXCHANGE EXPOSURE**

As at 30th June, 2012, the majority of the Group's investments was either denominated in Hong Kong dollar or United States dollar. Exposures to foreign currency exchange rates still arise as the Group has certain overseas investments which are primarily denominated in Malaysian ringgit, New Taiwan dollar, Australian dollar and Japanese yen. The Group at present does not have any contracts to hedge against its foreign exchange risks. Should the Group consider that its exposure and fluctuation in foreign currency justify hedging, the Group may use forward or hedging contracts to reduce the risks.

## **INTERIM DIVIDEND**

The Board resolved not to declare an interim dividend for the 2012 Interim Period (2011: Nil).

## **GUARANTEE**

The Company has given guarantees to financial institutions to secure borrowing facilities available to its wholly-owned subsidiaries in the amount not exceeding HK\$358.8 million (as at 31st December, 2011: HK\$318.8 million). There were no outstanding facilities utilised as at 30th June, 2012 and 31st December, 2011.

## **STAFF COSTS**

The Group's total staff costs (including Directors' emoluments) for the 2012 Interim Period amounted to approximately HK\$1.3 million (2011: approximately HK\$1.3 million).

## **AUDIT COMMITTEE**

The Company has established an Audit Committee in accordance with Rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including review of the interim report (including unaudited interim condensed consolidated financial statements for the six months ended 30th June, 2012). In carrying out this review, the Audit Committee has obtained explanations from management. At the request of the Board, the Group's external auditor has carried out a review on the unaudited interim condensed consolidated financial statements for the six months ended 30th June, 2012 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (effective until 31st March, 2012) and the Corporate Governance Code (effective from 1st April, 2012) ("the New Code") as set out in Appendix 14 of the Listing Rules, during the 2012 Interim Period except that due to his personal commitment, Dr. Ambrose So Shu Fai, an Independent Non-Executive Director, was unable to attend the annual general meeting of the Company held in May 2012 as provided for in code provision A.6.7 of the New Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the 2012 Interim Period.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the 2012 Interim Period.

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

Hong Kong, 21st August, 2012

*As at the date of this announcement, the composition of the Board is as follows: Mr. Warren Lee Wa Lun (Chairman) and Mr. Mark Wong Tai Chun are Executive Directors; Mr. Arthur George Dew and Mr. Peter Lee Yip Wah are Non-Executive Directors; and Dr. Ambrose So Shu Fai, Mr. Albert Ho and Mr. Louie Chun Kit are Independent Non-Executive Directors.*