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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)

2015 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, 2015 as below:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2015

		Unaudited Six months ended 30th June,	
	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	3	23,210	19,082
Other net income	4	167,538	38,053
Administrative and other operating expenses		(43,332)	(19,380)
Finance costs	6	(13)	–
Share of loss of joint ventures		(540)	(26)
Share of profit/(loss) of associates		135	(105)
Profit before income tax	7	146,998	37,624
Income tax expense	8	–	(1,827)
Profit for the period		146,998	35,797
Profit/(loss) for the period attributable to:			
Owners of the Company		147,053	36,479
Non-controlling interests		(55)	(682)
		146,998	35,797
Earnings per share attributable to the owners of the Company (HK cents):			
Basic	9	3.58	0.89
Diluted		3.58	0.89

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2015

	Unaudited	
	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
Profit for the period	146,998	35,797
Other comprehensive income/(expenses)		
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale financial assets	12,883	5,065
Share of other comprehensive income of joint ventures	21	–
Share of other comprehensive income/(expenses) of an associate	3	(64)
Reclassification adjustment for realisation upon redemption/disposal of available-for-sale financial assets	(201)	(14,688)
Other comprehensive income/(expenses) for the period, net of tax	<u>12,706</u>	<u>(9,687)</u>
Total comprehensive income for the period	<u>159,704</u>	<u>26,110</u>
Total comprehensive income/(expenses) for the period attributable to:		
Owners of the Company	159,758	26,820
Non-controlling interests	(54)	(710)
	<u>159,704</u>	<u>26,110</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2015

		Unaudited 30th June, 2015 HK\$'000	Audited 31st December, 2014 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in joint ventures		–	519
Interests in associates		2,810	2,673
Amount due from an associate		9,126	9,393
Available-for-sale financial assets	11	201,991	281,956
		213,927	294,541
Current assets			
Trade and other receivables and prepayment	12	31,069	30,981
Amounts due from joint ventures		14,866	38,881
Financial assets at fair value through profit or loss	13	1,123,310	816,467
Security deposits		1,042	461
Cash and cash equivalents		145,553	244,608
		1,315,840	1,131,398
Current liabilities			
Trade and other payables and accrued expenses	14	13,864	12,115
Amount due to a holding company		160	316
Amount due to a fellow subsidiary		6,258	27,045
Financial liabilities at fair value through profit or loss	15	14,301	9,866
		34,583	49,342
Net current assets		1,281,257	1,082,056
Total assets less current liabilities		1,495,184	1,376,597
Net assets		1,495,184	1,376,597
EQUITY			
Equity attributable to the owners of the Company			
Share capital		918,978	918,978
Reserves		575,577	456,936
		1,494,555	1,375,914
Non-controlling interests		629	683
Total equity		1,495,184	1,376,597

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30th June, 2015 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 stated at fair value, 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, 2014, except for the adoption of the revised 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 1st January, 2015

In the current period, the Group has applied for the first time the following revised 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, 2015.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle

The adoption of these revised HKFRSs has no significant impact on the Group’s unaudited interim condensed consolidated financial statements.

3. REVENUE

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

	Unaudited Six months ended 30th June,	
	2015 HK\$'000	2014 HK\$'000
Dividend income		
– Listed investments	16,159	7,909
– Unlisted investments	–	1,005
Interest income from available-for-sale financial assets	6,522	8,119
Interest income from bank deposits	529	2,049
	<u>23,210</u>	<u>19,082</u>

4. OTHER NET INCOME

	Unaudited Six months ended 30th June,	
	2015 HK\$'000	2014 HK\$'000
Fair value gain on financial assets and liabilities at fair value through profit or loss	167,122	23,337
Sundry income	416	1,078
Realised gain on redemption/disposal of available-for-sale financial assets	–	13,638
	<u>167,538</u>	<u>38,053</u>

5. SEGMENT INFORMATION

Under HKFRS 8, reported 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 used 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,	
	2015 HK\$'000	2014 HK\$'000
Interest on bank borrowings wholly repayable within five years	<u>13</u>	<u>–</u>

7. PROFIT BEFORE INCOME TAX

	Unaudited	
	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
Profit before income tax is arrived at after charging:		
Management fee	11,127	10,151
Employee benefit expenses (including Directors' emoluments)	1,398	1,323
Impairment on amounts due from joint ventures	24,015	–
Impairment on interest in an associate	–	1,535
	<u> </u>	<u> </u>

8. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for the six months ended 30th June, 2015 as the estimated assessable profits of the Group were offset by tax losses brought forward.

During the six months ended 30th June, 2014, Hong Kong profits tax had been provided at the rate of 17.5% on the under-estimated assessable profits arising in prior years.

9. EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The calculation of basic earnings per share for the six months ended 30th June, 2015 is based on the profit attributable to the owners of the Company of approximately HK\$147,053,000 (2014: approximately HK\$36,479,000) and on the weighted average number of 4,111,704,320 (2014: 4,111,704,320) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30th June, 2015 and 2014 is same as the basic earnings per share as the Group had no dilutive potential ordinary shares during the period.

10. DIVIDEND

At a Board meeting held on 20th August, 2015, the Board resolved not to declare an interim dividend for the period (2014: Nil).

	Unaudited	
	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
Dividend recognised as distribution during the period		
– 2014 final dividend of HK1 cent		
(2013 final dividend: HK1 cent) per share	41,117	41,117
	<u> </u>	<u> </u>

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 30th June, 2015 HK\$'000	Audited 31st December, 2014 HK\$'000
Non-current		
Unlisted equity securities, at fair value	87,133	68,442
Unlisted debt securities, at fair value	49,964	149,746
Debt securities		
– Listed in Hong Kong	19,455	20,082
– Listed outside Hong Kong	14,431	12,662
Fair value of listed debt securities	33,886	32,744
Unlisted equity securities, at cost	31,008	31,024
	201,991	281,956

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENT

	Unaudited 30th June, 2015 HK\$'000	Audited 31st December, 2014 HK\$'000
Trade receivables (<i>Note a</i>)	9,963	9,419
Other receivables	21,106	21,113
Prepayment	–	449
	31,069	30,981

Note a:

There are no specific credit terms granted and the Group allows a credit period up to the settlement dates of their respective transactions. The following is an ageing analysis of the trade receivables, based on the date of contract note, at the reporting date:

	Unaudited 30th June, 2015 HK\$'000	Audited 31st December, 2014 HK\$'000
Within one year	9,963	9,419

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30th June, 2015 HK\$'000	Audited 31st December, 2014 HK\$'000
Equity securities held for trading		
– Listed in Hong Kong	1,057,433	719,433
– Listed outside Hong Kong	65,150	94,812
	<hr/>	<hr/>
Market value of listed securities	1,122,583	814,245
Derivative financial instruments		
– Warrants listed outside Hong Kong	727	2,222
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	1,123,310	816,467
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14. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

	Unaudited 30th June, 2015 HK\$'000	Audited 31st December, 2014 HK\$'000
Trade payables	13,000	10,272
Other payables and accrued expenses	864	1,843
	<hr/>	<hr/>
	13,864	12,115
	<hr/>	<hr/>

The following is an ageing analysis of the trade payables, based on the date of contract note, at the reporting date:

	Unaudited 30th June, 2015 HK\$'000	Audited 31st December, 2014 HK\$'000
Within one year	13,000	10,272
	<hr/>	<hr/>

15. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30th June, 2015 HK\$'000	Audited 31st December, 2014 HK\$'000
Derivative financial instruments		
– Call options embedded in bonds and notes, at fair value	12,200	9,368
– Equity forward contracts, at fair value	2,101	498
	<hr/>	<hr/>
	14,301	9,866
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MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group's major income for the six months ended 30th June, 2015 (the "2015 Interim Period") comprised mainly profits from disposal of and fair value gain on equities, dividend received and bonds interest income.

The Group recorded a net profit attributable to the owners of the Company of approximately HK\$147.1 million for the 2015 Interim Period (2014: approximately HK\$36.5 million).

Amidst an advance of the Hang Seng Index and Hang Seng China Enterprises Index by 11.2% and by 8.3% respectively over the 2015 Interim Period, the Group's net asset value attributable to the owners of the Company increased by 11.6% (after taking into account the HK\$41.1 million dividend payment) to HK\$1.49 billion at the end of the 2015 Interim Period.

INVESTMENT REVIEW

As at 30th June, 2015, the Group's major investments were as follows:

Investments	Description
Listed Equities and Warrants	HK\$1,123.3 million of a portfolio of listed shares and warrants in 38 companies
Fixed Income	HK\$71.7 million of fixed income instruments issued by four companies listed in Hong Kong and overseas
Investment Funds	HK\$118.1 million in six investment funds
Indirect Investment in Listed Equity	HK\$14.9 million in one indirect investment in overseas listed equity
Direct Investment in Unlisted Equities	HK\$11.3 million in three direct investments in unlisted equities
Equity Forward Contracts	11 equity forward contracts, the underlying stocks of which include Agricultural Bank of China Limited, AIA Group Limited, Anhui Conch Cement Company Limited, Bank of China Limited, Brilliance China Automotive Holdings Limited, China Shenhua Energy Company Limited, Hong Kong Exchanges and Clearing Limited, Hysan Development Co. Ltd. and Shougang Fushan Resources Group Limited

The Group's portfolio of investments comprised securities in Hong Kong, Taiwan, Malaysia, United States, Japan, Singapore and the People's Republic of China. The value of our portfolio increased in the first half of 2015.

PROSPECTS, INVESTMENT BASIS AND STRATEGY

The Shanghai-Hong Kong Stock Connect and the increased liquidity in China were amongst the catalysts for the Hong Kong stock market in the first half of 2015, causing speculation of liberalization of A-share market in China. The abrupt tightening of liquidity in the equity market in China in July triggered off a collapse of the Hong Kong stock market reversing the profit we made during the first half. On balance, we remain cautiously optimistic about the equity market in Hong Kong in the second half of 2015, and still aiming at another year of profit for 2015.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 30th June, 2015, the Group had cash and cash equivalents of approximately HK\$145.6 million (at 31st December, 2014: approximately HK\$244.6 million) and security deposits of approximately HK\$1.0 million (at 31st December, 2014: approximately HK\$0.5 million), totalling approximately HK\$146.6 million (at 31st December, 2014: approximately HK\$245.1 million), investments of approximately HK\$1,337.2 million (at 31st December, 2014: approximately HK\$1,139.3 million) and no bank borrowings as at 30th June, 2015 and 31st December, 2014. The liquidity position of the Group enables us to respond to further investment opportunities that are expected to generate better returns for the shareholders of the Company. 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, 2015, was 0% (at 31st December, 2014: 0%).

FOREIGN EXCHANGE EXPOSURE

As at 30th June, 2015, the majority of the Group's investments was either denominated in Hong Kong dollars or United States dollars. Exposures to foreign currency exchange rates still arise as the Group has certain overseas investments which are primarily denominated in New Taiwan dollars, Renminbi, Malaysian ringgit, Thai baht, Singapore dollars 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 to foreign currency risk justifies hedging, the Group may use forward or hedging contracts to reduce the risks.

INTERIM DIVIDEND

In view of the market collapse in July and its uncertain outlook, the Board resolved not to declare an interim dividend for the 2015 Interim Period (2014: Nil).

GUARANTEE

The Company has given guarantees to financial institutions to secure banking facilities available to its wholly-owned subsidiaries in the amount not exceeding HK\$140.0 million as at 30th June, 2015 (at 31st December, 2014: HK\$140.0 million).

STAFF COSTS

The Group's total staff costs (including Directors' emoluments) for the 2015 Interim Period amounted to approximately HK\$1.4 million (2014: approximately HK\$1.3 million).

AUDIT COMMITTEE

The Company had an Audit Committee established in accordance with Rule 3.21 of the Listing Rules.

The Audit Committee has reviewed financial reporting matters including a general review of the unaudited interim condensed consolidated financial statements for the six months ended 30th June, 2015. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditor 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 HKICPA and representations from management. The Audit Committee has not undertaken detailed independent audit checks.

COMPLIANCE WITH THE CODE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, during the 2015 Interim Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to 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 2015 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 listed securities during the 2015 Interim Period.

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

Hong Kong, 20th August, 2015

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 is Non-Executive Director; and Mr. Albert Ho, Mr. Peter Lee Yip Wah and Mr. Louie Chun Kit are Independent Non-Executive Directors.