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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)**

## 2017 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, 2017 as below:

### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30th June, 2017*

		<b>Unaudited</b>	
		<b>Six months ended 30th June,</b>	
		<b>2017</b>	<b>2016</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	3	8,824	7,049
Other net income/(loss)	4	103,751	(60,863)
Administrative and other operating expenses		(12,624)	(14,475)
Share of loss of associates		(551)	(178)
Loss on disposal of joint ventures		–	(14,067)
<b>Profit/(loss) before income tax</b>	6	<b>99,400</b>	<b>(82,534)</b>
Income tax expense	7	–	–
<b>Profit/(loss) for the period</b>		<b>99,400</b>	<b>(82,534)</b>
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Company		99,397	(82,492)
Non-controlling interests		3	(42)
		<b>99,400</b>	<b>(82,534)</b>
<b>Earnings/(loss) per share attributable to the owners of the Company (HK cents):</b>			
Basic	8	2.42	(2.01)
Diluted		2.42	(2.01)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2017

	Unaudited	
	Six months ended 30th June,	
	2017	2016
	HK\$'000	HK\$'000
Profit/(loss) for the period	99,400	(82,534)
<b>Other comprehensive income/(expenses)</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Change in fair value of available-for-sale financial assets	15,126	(852)
Share of other comprehensive income/(expenses) of an associate	89	(82)
Reclassification adjustment for realisation upon redemption of available-for-sale financial assets	—	(907)
<b>Other comprehensive income/(expenses) for the period, net of tax</b>	<u>15,215</u>	<u>(1,841)</u>
<b>Total comprehensive income/(expenses) for the period</b>	<u><b>114,615</b></u>	<u><b>(84,375)</b></u>
<b>Total comprehensive income/(expenses) for the period attributable to:</b>		
Owners of the Company	114,573	(84,297)
Non-controlling interests	<u>42</u>	<u>(78)</u>
	<u><b>114,615</b></u>	<u><b>(84,375)</b></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2017

	<i>Notes</i>	<b>Unaudited 30th June, 2017 HK\$'000</b>	Audited 31st December, 2016 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interests in associates		3,418	3,880
Amount due from an associate		9,161	8,609
Available-for-sale financial assets	10	314,971	385,350
		<u>327,550</u>	<u>397,839</u>
<b>Current assets</b>			
Available-for-sale financial assets	10	90,750	–
Other receivables and prepayment		127	443
Financial assets at fair value through profit or loss	11	468,389	551,607
Cash and cash equivalents		459,592	245,222
		<u>1,018,858</u>	<u>797,272</u>
<b>Current liabilities</b>			
Trade and other payables and accrued expenses	12	62,178	23,753
Amount due to a holding company		160	317
Amount due to a fellow subsidiary		5,142	5,393
Financial liabilities at fair value through profit or loss	13	9,119	10,454
		<u>76,599</u>	<u>39,917</u>
<b>Net current assets</b>		<u>942,259</u>	<u>757,355</u>
<b>Total assets less current liabilities</b>		<u>1,269,809</u>	<u>1,155,194</u>
<b>Net assets</b>		<u>1,269,809</u>	<u>1,155,194</u>
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		918,978	918,978
Reserves		349,875	235,302
		<u>1,268,853</u>	<u>1,154,280</u>
Non-controlling interests		956	914
<b>Total equity</b>		<u>1,269,809</u>	<u>1,155,194</u>

# 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, 2017 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”).

The financial information relating to the year ended 31st December, 2016 that is included in this results announcement as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company had delivered the financial statements for the year ended 31st December, 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

## 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, 2016, 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, 2017**

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, 2017.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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

### 3. REVENUE

Revenue from the Group's principal activities, the investments in listed and unlisted financial instruments, recognised during the period is as follows:

	Unaudited	
	Six months ended 30th June,	
	2017	2016
	HK\$'000	HK\$'000
Interest income from available-for-sale financial assets	6,827	4,730
Dividend income		
– Listed investments	1,599	1,303
Interest income from bank deposits	398	1,016
	<u>8,824</u>	<u>7,049</u>

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

	Unaudited	
	Six months ended 30th June,	
	2017	2016
	HK\$'000	HK\$'000
Fair value gain/(loss) on financial assets and liabilities at fair value through profit or loss	103,359	(62,145)
Sundry income	392	327
Realised gain on redemption of available-for-sale financial assets	–	955
	<u>103,751</u>	<u>(60,863)</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. PROFIT/(LOSS) BEFORE INCOME TAX**

	<b>Unaudited</b>	
	<b>Six months ended 30th June,</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit/(loss) before income tax is arrived at after charging:		
Management fee	<b>9,319</b>	8,653
Employee benefit expenses (including Directors' emoluments)	<b>1,428</b>	1,375
Impairment on amounts due from joint ventures	<b>–</b>	956
	<b>=====</b>	<b>=====</b>

**7. INCOME TAX EXPENSE**

No Hong Kong profits tax has been provided for the six months ended 30th June, 2017 as certain subsidiaries of the Group have no estimated assessable profits and certain subsidiaries of the Group have sufficient tax losses brought forward to set off the estimated assessable profits.

No Hong Kong profits tax had been provided for the six months ended 30th June, 2016 as the Group has no assessable profits.

**8. 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, 2017 is based on the profit attributable to the owners of the Company of approximately HK\$99,397,000 (2016: loss of approximately HK\$82,492,000) and on the weighted average number of 4,111,704,320 (2016: 4,111,704,320) ordinary shares in issue during the period.

Diluted earnings/(loss) per share for the six months ended 30th June, 2017 and 2016 is same as the basic earnings/(loss) per share as the Group had no dilutive potential ordinary shares during the period.

**9. DIVIDEND**

At a Board meeting held on 21st August, 2017, the Board resolved not to declare an interim dividend for the period (2016: Nil).

## 10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 30th June, 2017 HK\$'000	Audited 31st December, 2016 HK\$'000
Non-current		
Debt securities, at fair value		
– Listed in Hong Kong	141,999	139,979
– Listed outside Hong Kong	8,957	–
Unlisted equity securities, at fair value	102,378	91,832
Unlisted equity securities, at cost	61,637	61,242
Unlisted debt securities, at fair value	–	92,297
	<u>314,971</u>	<u>385,350</u>
Current		
Unlisted debt securities, at fair value	<u>90,750</u>	–
	<u><u>405,721</u></u>	<u><u>385,350</u></u>

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30th June, 2017 HK\$'000	Audited 31st December, 2016 HK\$'000
Equity securities held for trading, at fair value		
– Listed in Hong Kong	421,688	511,113
– Listed outside Hong Kong	44,531	37,475
Market value of listed securities	466,219	548,588
Derivative financial instruments, at fair value		
– Equity forward contract	2,170	2,343
– Warrants listed outside Hong Kong	–	676
	<u><u>468,389</u></u>	<u><u>551,607</u></u>

**12. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES**

	<b>Unaudited 30th June, 2017 HK\$'000</b>	<b>Audited 31st December, 2016 HK\$'000</b>
Trade payables	46,443	–
Other payables and accrued expenses	<u>15,735</u>	<u>23,753</u>
	<u><b>62,178</b></u>	<u><b>23,753</b></u>

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

	<b>Unaudited 30th June, 2017 HK\$'000</b>	<b>Audited 31st December, 2016 HK\$'000</b>
Within one year	<u><b>46,443</b></u>	<u><b>–</b></u>

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

	<b>Unaudited 30th June, 2017 HK\$'000</b>	<b>Audited 31st December, 2016 HK\$'000</b>
Derivative financial instruments		
– Call options embedded in bonds and notes, at fair value	<u><b>9,119</b></u>	<u><b>10,454</b></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

The Group recorded a net profit attributable to the owners of the Company of approximately HK\$99.4 million for the six months ended 30th June, 2017 (the “2017 Interim Period”) (2016: net loss of approximately HK\$82.5 million).

Hang Seng Index and Hang Seng China Enterprises Index advanced by 17.1% and by 10.3% respectively over the 2017 Interim Period, the Group’s net asset value attributable to the owners of the Company increased by 9.9% to HK\$1.27 billion at the end of the 2017 Interim Period.

The Group’s results for the 2017 Interim Period comprised mainly profit from disposal of and fair value gain on equities as well as bond interest income.

### INVESTMENT REVIEW

As at 30th June, 2017, the Group’s major investments were as follows:

<b>Investments</b>	<b>Description</b>
Listed Equities	HK\$466.2 million of a portfolio of twenty listed shares
Fixed Income	HK\$232.6 million of fixed income instruments issued and/or guaranteed by one overseas government and four companies listed in Hong Kong or overseas
Investment Funds	HK\$132.8 million in seven investment funds
Sub-participation in Unlisted Investment	Sub-participation of HK\$31.2 million in an unlisted investment
Direct Investments in Unlisted Equities	HK\$11.6 million in three direct investments in unlisted equities

The Group’s portfolio of investments comprised securities in Hong Kong, Malaysia, United States, Pakistan, Japan, Taiwan and the People’s Republic of China. The value of our portfolio increased in the first half of 2017.

## **PROSPECTS, INVESTMENT BASIS AND STRATEGY**

During the first half of 2017, the Hong Kong stock market experienced an uninterrupted bull run. The economic recovery of China has lasted longer than the market originally expected. Moreover, the failure of inflation to pick up in the United States has prompted investors to believe that the monetary tightening by the Federal Reserve will soon come to a halt. This has led to the weakness of the United States dollar, a key positive for the global stock markets.

However, we remain cautious. Although the exact timing is tricky, we are still of the view that the China economy will weaken in the second half of 2017 or early 2018 as the tightening monetary policy of the People's Bank of China will eventually have impact. The structural concerns of China economy, that are, the oversupply, over-leverage and the imbalance of economic development, remain unresolved. Furthermore, the Hong Kong stock market hovers at the high end of price-earnings ratio band within the past five years.

We continue to hold a relatively high level of cash, and look for undervalued securities to invest in when the risk-reward profile becomes fundamentally attractive.

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

As at 30th June, 2017, the Group had cash and cash equivalents of approximately HK\$459.6 million (at 31st December, 2016: approximately HK\$245.2 million), investments of approximately HK\$876.6 million (at 31st December, 2016: approximately HK\$938.1 million) and no bank borrowings as at 30th June, 2017 and 31st December, 2016. 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, 2017, was 0% (at 31st December, 2016: 0%).

## **FOREIGN EXCHANGE EXPOSURE**

As at 30th June, 2017, 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 Renminbi, Malaysian ringgit, Thai baht, New Taiwan 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**

The Board resolved not to declare an interim dividend for the 2017 Interim Period (2016: 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\$40.0 million as at 30th June, 2017 (at 31st December, 2016: HK\$40.0 million).

## **MATERIAL ACQUISITION AND DISPOSAL**

Save as disclosed in this results announcement, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the 2017 Interim Period.

## **STAFF COSTS**

The Group's total staff costs (including Directors' emoluments) for the 2017 Interim Period amounted to approximately HK\$1.4 million (2016: approximately HK\$1.4 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 and the Interim Report 2017 including a general review of the unaudited interim condensed consolidated financial statements for the six months ended 30th June, 2017. 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 the Hong Kong Institute of Certified Public Accountants 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 2017 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 2017 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 2017 Interim Period.

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

Hong Kong, 21st August, 2017

*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.*