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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)

ANNOUNCEMENT OF 2013 RESULTS

RESULTS

The Board of Directors (the “Board”) of SHK Hong Kong Industries Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2013 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2013

	<i>Notes</i>	2013 HK\$'000	2012 <i>HK\$'000</i>
Revenue	3	34,201	35,012
Other net income	4	177,284	170,629
Administrative and other operating expenses		(64,475)	(40,363)
Finance costs	5	(79)	–
Share of loss of joint ventures		(20,574)	(32,131)
Share of profit/(loss) of associates		851	(520)
Profit before income tax	6	127,208	132,627
Income tax credit/(expense)	7	11	(603)
Profit for the year		127,219	132,024
Profit/(loss) for the year attributable to:			
Owners of the Company		127,388	134,447
Non-controlling interests		(169)	(2,423)
		127,219	132,024
Earnings per share attributable to the owners of the Company (HK cents)			
– Basic	9	3.10	3.27
– Diluted		3.10	3.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2013

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit for the year	127,219	132,024
Other comprehensive (expenses)/income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Change in fair value of available-for-sale financial assets	(907)	38,614
Reclassification adjustment for realisation upon redemption/disposal of available-for-sale financial assets	(7,012)	3,158
Share of other comprehensive (expenses)/income of joint ventures	(2,418)	2,081
Reclassification adjustment from equity to profit or loss for impairment on available-for-sale financial assets	1,201	–
Share of other comprehensive income of an associate	93	8
Reclassification adjustment of share of currency translation on deemed disposal of an associate	–	(41)
Other comprehensive (expenses)/income for the year, net of tax	<u>(9,043)</u>	<u>43,820</u>
Total comprehensive income for the year	<u>118,176</u>	<u>175,844</u>
Total comprehensive income/(expenses) for the year attributable to:		
Owners of the Company	118,304	178,282
Non-controlling interests	<u>(128)</u>	<u>(2,438)</u>
	<u>118,176</u>	<u>175,844</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2013

	<i>Notes</i>	2013 HK\$'000	2012 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Interests in joint ventures		11,653	34,645
Interests in associates		4,111	3,236
Amount due from an associate		9,433	–
Available-for-sale financial assets	<i>10</i>	139,712	248,363
		164,909	286,244
Current assets			
Available-for-sale financial assets	<i>10</i>	82,696	–
Trade and other receivables and prepayment	<i>11</i>	29,145	88,516
Amounts due from joint ventures		41,676	44,065
Financial assets at fair value through profit or loss	<i>12</i>	818,412	710,308
Security deposits		489	–
Cash and cash equivalents		236,939	151,450
		1,209,357	994,339
Current liabilities			
Trade and other payables and accrued expenses	<i>13</i>	3,774	27,435
Amount due to a holding company		304	293
Amount due to a fellow subsidiary		28,466	4,905
Financial liabilities at fair value through profit or loss	<i>14</i>	9,092	12,334
Taxation payable		–	603
		41,636	45,570
Net current assets		1,167,721	948,769
Total assets less current liabilities		1,332,630	1,235,013
Net assets		1,332,630	1,235,013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)*As at 31st December, 2013*

	<i>Notes</i>	2013 HK\$'000	2012 HK\$'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital		411,170	411,170
Reserves		920,086	822,341
		1,331,256	1,233,511
Non-controlling interests		1,374	1,502
Total equity		1,332,630	1,235,013
Net asset value per share attributable to the owners of the Company (HK\$)	<i>15</i>	0.32	0.30

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2013

	Equity attributable to the owners of the Company									Non- controlling interests	Total equity
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Capital contribution reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January, 2012	411,170	487,776	20,032	367	(7,080)	130	142,834	-	1,055,229	3,940	1,059,169
Profit/(loss) for the year	-	-	-	-	-	-	134,447	-	134,447	(2,423)	132,024
Other comprehensive income/(expenses):											
Change in fair value of available- for-sale financial assets	-	-	-	-	38,614	-	-	-	38,614	-	38,614
Reclassification adjustment for realisation upon redemption/disposal of available- for-sale financial assets	-	-	-	-	3,158	-	-	-	3,158	-	3,158
Share of other comprehensive income of joint ventures	-	-	-	-	-	2,081	-	-	2,081	-	2,081
Reclassification adjustment of share of currency translation on deemed disposal of an associate	-	-	-	-	-	(23)	-	-	(23)	(18)	(41)
Share of other comprehensive income of an associate	-	-	-	-	-	5	-	-	5	3	8
Total comprehensive income/(expenses) for the year	-	-	-	-	41,772	2,063	134,447	-	178,282	(2,438)	175,844
Proposed final dividend (<i>Note 8</i>)	-	-	-	-	-	-	(20,559)	20,559	-	-	-
At 31st December, 2012 and 1st January, 2013	411,170	487,776*	20,032*	367*	34,692*	2,193*	256,722*	20,559*	1,233,511	1,502	1,235,013
Profit/(loss) for the year	-	-	-	-	-	-	127,388	-	127,388	(169)	127,219
Other comprehensive (expenses)/income:											
Change in fair value of available- for-sale financial assets	-	-	-	-	(907)	-	-	-	(907)	-	(907)
Reclassification adjustment for realisation upon redemption/disposal of available- for-sale financial assets	-	-	-	-	(7,012)	-	-	-	(7,012)	-	(7,012)
Reclassification adjustment from equity to profit or loss for impairment on available-for-sale financial assets	-	-	-	-	1,201	-	-	-	1,201	-	1,201
Share of other comprehensive expenses of joint ventures	-	-	-	-	-	(2,418)	-	-	(2,418)	-	(2,418)
Share of other comprehensive income of an associate	-	-	-	-	-	52	-	-	52	41	93
Total comprehensive (expenses)/income for the year	-	-	-	-	(6,718)	(2,366)	127,388	-	118,304	(128)	118,176
Dividend paid	-	-	-	-	-	-	-	(20,559)	(20,559)	-	(20,559)
Proposed final dividend (<i>Note 8</i>)	-	-	-	-	-	-	(41,117)	41,117	-	-	-
Transactions with owners	-	-	-	-	-	-	(41,117)	20,558	(20,559)	-	(20,559)
At 31st December, 2013	411,170	487,776*	20,032*	367*	27,974*	(173)*	342,993*	41,117*	1,331,256	1,374	1,332,630

* The aggregate amount of these balances of HK\$920,086,000 (2012: HK\$822,341,000) represents the reserves in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. Adoption of New/Revised HKFRSs

2.1 Adoption of new/revised HKFRSs – effective 1st January, 2013

In the current year, the Group has applied for the first time the following new/revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1st January, 2013.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures

Other than as noted below, the adoption of these new/revised HKFRSs has no significant impact on the Group’s financial statements.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The Group’s presentation of other comprehensive income in the consolidated financial statements has been modified accordingly.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity’s interests in other entities and the effects of those interests on the reporting entity’s financial statements.

HKFRS 12 disclosures are provided in the consolidated financial statements. As the new standard affects only disclosure, there is no effect on the Group’s financial position and performance.

2.2 *New/revised HKFRSs that have been issued but are not yet effective*

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 32 HKFRS 9	Offsetting Financial Assets and Financial Liabilities ¹ Financial Instruments ²
Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities ¹

¹ Effective for annual periods beginning on or after 1st January, 2014

² Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the Board so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

3. **Revenue and segment information**

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interest income from available-for-sale financial assets	23,328	25,891
Dividend income		
– listed investments	9,256	5,666
Interest income from bank deposits	1,617	3,455
	34,201	35,012

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 uses for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements.

On adoption of HKFRS 8, 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 instruments investments. Accordingly, segment disclosures are not presented.

4. Other net income

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Fair value gain on financial assets and liabilities at fair value through profit or loss	165,741	147,640
Realised gain on redemption/disposal of available-for-sale financial assets	7,811	19,775
Sundry income	6,090	2,070
Exchange loss, net	(1,157)	(136)
Impairment on available-for-sale financial assets	(1,201)	–
Gain on deemed disposal of interest in an associate	–	1,280
	<u>177,284</u>	<u>170,629</u>

5. Finance costs

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	<u>79</u>	<u>–</u>

6. Profit before income tax

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit before income tax is arrived at after charging:		
Employee benefit expense (including Directors' emoluments)	3,572	3,720
Management fee	19,254	17,635
Performance fee	23,013	–
Impairment on amount due from a joint venture	2,390	–
Impairment on interest in an associate	–	6,189
	<u>–</u>	<u>6,189</u>

7. Income tax credit/(expense)

No Hong Kong profits tax has been provided for the year as the Group had sufficient tax losses brought forward to set off the estimated assessable profits.

Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits for the year ended 31st December, 2012.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current tax	–	(603)
Overprovision in respect of prior year	<u>11</u>	<u>–</u>
Income tax credit/(expense)	<u>11</u>	<u>(603)</u>

8. Dividend

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Dividend recognised as distributions during the year:		
Final dividend for 2012 paid of HK0.5 cent (2012: Nil) per share	<u>20,559</u>	<u>–</u>
Final dividend proposed of HK1 cent (2012: HK0.5 cent) per share	<u>41,117</u>	<u>20,559</u>

A final dividend of HK1 cent (2012: HK0.5 cent) per share for the year ended 31st December, 2013, totalling approximately HK\$41,117,000 (2012: HK\$20,559,000), has been proposed by the Board and is subject to approval by the shareholders of the Company (the “Shareholders”) at the forthcoming annual general meeting.

9. Earnings per share attributable to the owners of the Company

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company of approximately HK\$127,388,000 (2012: approximately HK\$134,447,000) and on the weighted average number of 4,111,704,320 (2012: 4,111,704,320) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31st December, 2013 and 2012 is same as the basic earnings per share as the Group had no dilutive potential ordinary shares during the years ended 31st December, 2013 and 2012.

10. Available-for-sale financial assets

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Non-current		
Listed debt securities, at fair value	104,985	168,606
Unlisted equity securities, at fair value	34,727	30,281
Unlisted debt securities, at fair value	<u>–</u>	<u>49,476</u>
	139,712	248,363
Current		
Listed debt securities, at fair value	34,190	–
Unlisted debt securities, at fair value	<u>48,506</u>	<u>–</u>
	82,696	–
Total	<u>222,408</u>	<u>248,363</u>

11. Trade and other receivables and prepayment

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade receivables (<i>Note</i>)	–	47,017
Other receivables	28,696	41,050
Prepayment	<u>449</u>	<u>449</u>
	29,145	88,516

Note:

There is 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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within one year	<u>–</u>	<u>47,017</u>

12. Financial assets at fair value through profit or loss

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Equity securities held for trading		
– Listed in Hong Kong	688,791	618,760
– Listed outside Hong Kong	129,621	91,182
Market value of listed securities	818,412	709,942
Derivative financial instruments		
– Equity forward contracts, at fair value	<u>–</u>	<u>366</u>
	818,412	710,308

13. Trade and other payables and accrued expenses

The following is an ageing analysis of the trade payables, based on the date of contract note, which are included in trade and other payables and accrued expenses, at the reporting date:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within one year	2,049	25,690

14. Financial liabilities at fair value through profit or loss

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Derivative financial instruments		
– Call options embedded in bonds and notes, at fair value	8,601	12,334
– Equity forward contracts, at fair value	491	–
	9,092	12,334

15. Net asset value per share attributable to the owners of the Company

The calculation of the net asset value per share is based on the net assets attributable to the owners of the Company of approximately HK\$1,331,256,000 (2012: approximately HK\$1,233,511,000) and 4,111,704,320 (2012: 4,111,704,320) ordinary shares in issue as at 31st December, 2013.

OVERVIEW

The Group's major income for the year ended 31st December, 2013 comprises profits from both equities and bonds, as well as dividends and interest income from bonds and fixed income investments.

The Group recorded a net profit attributable to the owners of the Company of HK\$127.4 million (2012: HK\$134.4 million) for the year ended 31st December, 2013, including net gain of HK\$136.6 million from equity related investments (2012: HK\$117.4 million) and profit contribution of HK\$33.4 million from bond investments (2012: HK\$38.1 million).

As at 31st December, 2013, the Group's net assets attributable to the owners of the Company (net of dividends) increased by 7.9% to HK\$1,331.3 million, outperforming market indices. In comparison, the Hang Seng Index advanced by 2.9% and the Hang Seng China Enterprises Index dropped by 5.4% during 2013. Since 2008, the Group's growth in net asset value (net of dividends and fund raising) outperformed the Hang Seng Index five years out of six (except for 2012).

INVESTMENT REVIEW

As at 31st December, 2013, the Group's major investments were as follows:

Investments	Description
Listed Equities	HK\$818.4 million of a portfolio of listed shares in 39 companies
Bonds	HK\$179.1 million of bonds issued by 11 companies listed in Hong Kong and overseas
Investment Funds	HK\$34.7 million in two investment funds
Indirect Investment in Listed Equity	HK\$53.3 million in one indirect investment in overseas listed equity
Direct Investments in Unlisted Equities	HK\$12.2 million in two direct investments in unlisted equities
Equity Forward Contracts	Four equity forward contracts, the underlying stocks of which include China Life Insurance Company Limited, Industrial and Commercial Bank of China Limited and PetroChina Company Limited

The Group's portfolio of investments comprises securities in Hong Kong, United States, Taiwan, Malaysia, Japan and China. The value of our portfolio increased in 2013.

INVESTMENT REVIEW (Cont'd)

The market value of the Group's investment in Taiwan went down and an impairment allowance of HK\$2.4 million was recognised in 2013, but we are optimistic that the investment offers significant prospects in the medium and long term.

The Group's direct investment in an online education business in the Mainland China has not performed as expected due to fierce competition.

The five most profitable securities in our portfolio during the year are related to Grand Ming Group Holdings Limited (a data centre investor and operator), Boer Power Holdings Limited (manufacturer of high-end electricity distribution systems), Huadian Power International Corporation Limited (Shandong power company), Hilong Holding Limited (PRC's largest drill pipe manufacturer) and SPT Energy Group Inc. (integrated oilfield services).

DIVIDEND

The Board has recommended a final dividend of HK1 cent per share for the year ended 31st December, 2013 (2012: HK0.5 cent) payable to the Shareholders whose names appear on the register of members of the Company on Friday, 13th June, 2014. Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, 5th June, 2014 (the "AGM"), the final dividend will be paid on or around Thursday, 26th June, 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Wednesday, 4th June, 2014 and Thursday, 5th June, 2014, during which period no transfer of shares of the Company will be registered. To be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 3rd June, 2014.

The register of members of the Company will be closed on Thursday, 12th June, 2014, and Friday, 13th June, 2014, during which period no transfer of shares of the Company will be registered. In order for the Shareholder to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 11th June, 2014.

PROSPECTS, INVESTMENT BASIS AND STRATEGY

The Hang Seng Index had a bull start in 2013 but subsided as at the time of writing. We are company focused, without sector preference. Our approach has been to identify securities that are undervalued, and offer prospects of improvement over the medium to long term. The relative modest size of our company allows us to take advantage of investing in smaller companies with relatively lower turnover. The bond portfolio is designed to offer a buffer to counter the volatility of our equities investment, but had from time to time become the biggest profit contributor. With the possibility of an end to easing in the United States, our bond portfolio, mainly US\$ or HK\$ based, is expected to show a modest performance.

Based on the latest published net asset value per share as at 28th February, 2014, our year-to-date performance is up 2.8%, versus a drop of 2.0% in Hang Seng Index. We believe 2014 is full of challenges and volatility, amidst an expectation of a slower growth in China, end of easing, as well as geopolitical conflicts. Having said that, we are of the view that 2014 will offer us good opportunities in equities.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 31st December, 2013, the Group had cash and cash equivalents of approximately HK\$236.9 million (2012: approximately HK\$151.5 million) and security deposits of approximately HK\$0.5 million (2012: Nil), totalling approximately HK\$237.4 million (2012: approximately HK\$151.5 million), investments of approximately HK\$1,097.2 million (2012: approximately HK\$1,026.8 million) and no bank borrowings as at 31st December, 2013 and 2012. 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 31st December, 2013, was 0% (2012: 0%).

FOREIGN EXCHANGE EXPOSURE

As at 31st December, 2013, the majority of the Group's investments was either denominated in Hong Kong dollars or United States dollars. Exposure to foreign currency exchange rates still arises as the Group has certain overseas investments, which are primarily denominated in New Taiwan dollars, Malaysian ringgit, Thai baht 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.

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\$240.0 million (as at 31st December, 2012: HK\$218.8 million).

STAFF COSTS

The Group's total staff costs (including Directors' emoluments) for the year ended 31st December, 2013 amounted to approximately HK\$3.6 million (2012: approximately HK\$3.7 million).

AUDIT COMMITTEE

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 annual results for the year ended 31st December, 2013. In addition, the Audit Committee has also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function for the year ended 31st December, 2013.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and adopted code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Listing Rules as its own code on corporate governance practices throughout the financial year ended 31st December, 2013.

In the opinion of the Board, the Company has complied with the code provisions of the CG Code during the accounting year except for the following deviation.

The code provision A.5.6 of the CG Code which has been effective from 1st September, 2013 states that the nomination committee or the board should have a policy concerning diversity of board members.

No board diversity policy has been adopted since 1st September, 2013 as the Directors considered that the policy should be consistent with the policy and practices adopted by the holding company of the Company and required more time to determine and finalize the terms of the board diversity policy of the Company. On 31st December, 2013, a board diversity policy has been adopted.

This constitutes a deviation from the code provision A.5.6 of the CG Code for the period from 1st September, 2013 to 30th December, 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("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 year.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December, 2013 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company will be despatched to the Shareholders as well as published on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

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

Hong Kong, 20th March, 2014

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