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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)

## 2016 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, 2016 as below:

### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30th June, 2016*

		<b>Unaudited</b>	
		<b>Six months ended 30th June,</b>	
	<i>Notes</i>	<b>2016</b>	<b>2015</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	3	7,049	23,210
Other net (loss)/income	4	(60,863)	167,538
Administrative and other operating expenses		(14,475)	(43,332)
Loss on disposal of joint ventures		(14,067)	–
Finance costs	6	–	(13)
Share of (loss)/profit of associates		(178)	135
Share of loss of joint ventures		–	(540)
<b>(Loss)/profit before income tax</b>	7	<b>(82,534)</b>	146,998
Income tax expense	8	–	–
<b>(Loss)/profit for the period</b>		<b>(82,534)</b>	146,998
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company		(82,492)	147,053
Non-controlling interests		(42)	(55)
		<b>(82,534)</b>	146,998
<b>(Loss)/earnings per share attributable to the owners of the Company (HK cents):</b>			
Basic	9	(2.01)	3.58
Diluted		(2.01)	3.58

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2016

	Unaudited	
	Six months ended 30th June,	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period	(82,534)	146,998
<b>Other comprehensive (expenses)/income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Reclassification adjustment for realisation upon redemption of available-for-sale financial assets	(907)	(201)
Change in fair value of available-for-sale financial assets	(852)	12,883
Share of other comprehensive (expenses)/income of an associate	(82)	3
Share of other comprehensive income of joint ventures	—	21
	<u>(1,841)</u>	<u>12,706</u>
<b>Other comprehensive (expenses)/income for the period, net of tax</b>		
	<u>(1,841)</u>	<u>12,706</u>
<b>Total comprehensive (expenses)/income for the period</b>	<u><u>(84,375)</u></u>	<u><u>159,704</u></u>
<b>Total comprehensive (expenses)/income for the period attributable to:</b>		
Owners of the Company	(84,297)	159,758
Non-controlling interests	(78)	(54)
	<u>(84,375)</u>	<u>159,704</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2016

	Notes	Unaudited 30th June, 2016 HK\$'000	Audited 31st December, 2015 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interests in associates		4,050	4,311
Amount due from an associate		8,820	8,569
Available-for-sale financial assets	11	189,304	160,120
		<u>202,174</u>	<u>173,000</u>
<b>Current assets</b>			
Available-for-sale financial assets	11	48,159	49,158
Other receivables and prepayment	12	29,879	25,809
Amounts due from joint ventures		–	5,143
Financial assets at fair value through profit or loss	13	217,819	672,382
Security deposits		–	6,290
Cash and cash equivalents		653,708	313,909
		<u>949,565</u>	<u>1,072,691</u>
<b>Current liabilities</b>			
Trade and other payables and accrued expenses	14	1,140	1,337
Amount due to a holding company		160	328
Amount due to a fellow subsidiary		4,682	5,091
Financial liabilities at fair value through profit or loss	15	159	8,962
		<u>6,141</u>	<u>15,718</u>
<b>Net current assets</b>		<u>943,424</u>	<u>1,056,973</u>
<b>Total assets less current liabilities</b>		<u>1,145,598</u>	<u>1,229,973</u>
<b>Net assets</b>		<u>1,145,598</u>	<u>1,229,973</u>
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		918,978	918,978
Reserves		225,650	309,947
		<u>1,144,628</u>	<u>1,228,925</u>
Non-controlling interests		970	1,048
<b>Total equity</b>		<u>1,145,598</u>	<u>1,229,973</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, 2016 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, 2015 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, 2015 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, 2015, 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, 2016

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, 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle

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, recognized during the period is as follows:

	Unaudited Six months ended 30th June,	
	2016	2015
	HK\$'000	HK\$'000
Interest income from available-for-sale financial assets	4,730	6,522
Dividend income		
– Listed investments	1,303	16,159
Interest income from bank deposits	1,016	529
	<u>7,049</u>	<u>23,210</u>

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

	Unaudited Six months ended 30th June,	
	2016	2015
	HK\$'000	HK\$'000
Fair value (loss)/gain on financial assets and liabilities at fair value through profit or loss	(62,145)	167,122
Realised gain on redemption of available-for-sale financial assets	955	–
Sundry income	327	416
	<u>(60,863)</u>	<u>167,538</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,	
	2016	2015
	HK\$'000	HK\$'000
Interest on bank borrowings	–	13

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

	<b>Unaudited</b>	
	<b>Six months ended 30th June,</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(Loss)/profit before income tax is arrived at after charging:		
Management fee	<b>8,653</b>	11,127
Employee benefit expenses (including Directors' emoluments)	<b>1,375</b>	1,398
Impairment on amounts due from joint ventures	<b>956</b>	24,015
	<b><u>          </u></b>	<b><u>          </u></b>

**8. INCOME TAX EXPENSE**

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

No Hong Kong profits tax had 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.

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

The calculation of basic (loss)/earnings per share for the six months ended 30th June, 2016 is based on the loss attributable to the owners of the Company of approximately HK\$82,492,000 (2015: profit of approximately HK\$147,053,000) and on the weighted average number of 4,111,704,320 (2015: 4,111,704,320) ordinary shares in issue during the period.

Diluted (loss)/earnings per share for the six months ended 30th June, 2016 and 2015 is same as the basic (loss)/earnings per share as the Group had no dilutive potential ordinary shares during the period.

**10. DIVIDEND**

At a Board meeting held on 18th August, 2016, the Board resolved not to declare an interim dividend for the period (2015: Nil).

	<b>Unaudited</b>	
	<b>Six months ended 30th June,</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Dividend recognised as distribution during the period		
– 2015 final dividend of Nil		
(2014 final dividend: HK1 cent) per share	<b>–</b>	41,117
	<b><u>          </u></b>	<b><u>          </u></b>

## 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 30th June, 2016 HK\$'000	Audited 31st December, 2015 HK\$'000
Non-current		
Unlisted equity securities, at fair value	87,960	80,687
Unlisted equity securities, at cost	61,274	62,008
Hong Kong listed debt securities, at fair value	40,070	17,425
	<u>189,304</u>	<u>160,120</u>
Current		
Unlisted debt securities, at fair value	48,159	49,158
	<u>237,463</u>	<u>209,278</u>

## 12. OTHER RECEIVABLES AND PREPAYMENT

	Unaudited 30th June, 2016 HK\$'000	Audited 31st December, 2015 HK\$'000
Other receivables	29,879	25,360
Prepayment	–	449
	<u>29,879</u>	<u>25,809</u>

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

	Unaudited 30th June, 2016 HK\$'000	Audited 31st December, 2015 HK\$'000
Equity securities held for trading		
– Listed in Hong Kong	180,829	619,164
– Listed outside Hong Kong	36,262	52,526
	<u>217,091</u>	<u>671,690</u>
Market value of listed securities	217,091	671,690
Derivative financial instruments		
– Warrants listed outside Hong Kong	728	692
	<u>217,819</u>	<u>672,382</u>

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

	<b>Unaudited 30th June, 2016 HK\$'000</b>	Audited 31st December, 2015 HK\$'000
Trade payables	164	–
Other payables and accrued expenses	<u>976</u>	<u>1,337</u>
	<b><u>1,140</u></b>	<b><u>1,337</u></b>

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, 2016 HK\$'000</b>	Audited 31st December, 2015 HK\$'000
Within one year	<b><u>164</u></b>	<b><u>–</u></b>

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

	<b>Unaudited 30th June, 2016 HK\$'000</b>	Audited 31st December, 2015 HK\$'000
Derivative financial instruments		
– Call options embedded in bonds and notes, at fair value	159	2,139
– Equity forward contracts, at fair value	<u>–</u>	<u>6,823</u>
	<b><u>159</u></b>	<b><u>8,962</u></b>



## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

The Group recorded a net loss attributable to the owners of the Company of approximately HK\$82.5 million for the six months ended 30th June, 2016 (the “2016 Interim Period”) (2015: net profit of approximately HK\$147.1 million).

Hang Seng Index and Hang Seng China Enterprises Index dropped by 5.1% and by 9.8% respectively over the 2016 Interim Period, the Group’s net asset value attributable to the owners of the Company decreased by 6.9% to HK\$1.14 billion at the end of the 2016 Interim Period.

The Group’s results for the 2016 Interim Period comprised mainly loss from disposal of and fair value loss on equities and loss on disposal of joint ventures.

### INVESTMENT REVIEW

As at 30th June, 2016, the Group’s major investments were as follows:

<b>Investments</b>	<b>Description</b>
Listed Equities and Warrants	HK\$217.8 million of a portfolio of listed shares and warrants in 22 companies
Investment Funds	HK\$118.2 million in seven investment funds
Fixed Income	HK\$88.1 million of fixed income instruments issued by three companies listed in Hong Kong
Sub-participation in Unlisted Investment	Sub-participation of HK\$31.0 million in an unlisted investment
Direct Investments in Unlisted Equities	HK\$11.9 million in three direct investments in unlisted equities

The Group’s portfolio of investments comprised securities in Hong Kong, Malaysia, United States, Japan, Taiwan, Singapore and the People’s Republic of China. The value of our portfolio decreased in the first half of 2016.

The Group suffered a loss in equities following the financial market downturn. In view of the continued gloomy outlook of the global dry bulk shipping and China’s department store market conditions, we have decided to dispose of our participation in the sectors, held through our interests in a company listed in Taiwan, recording a loss on disposal of joint ventures of approximately HK\$14.0 million in the 2016 Interim Period.

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

During the first half of 2016, the Hong Kong stock market experienced a sharp correction in January and recouped some of the losses during the rest of the period, with Hang Seng Index down by 5.1% (up from a 16.4% drop in February) and Hang Seng China Enterprises Index down by 9.8% (up from a 22.3% drop in February). Initially, the market continued to be plagued by the Renminbi depreciation, weak China economy and the relatively hawkish stance of the Federal Reserve of United States. The subsequent market rally was driven by the credit binge initiated by the Chinese banks, supporting the Chinese economy and the Federal Reserve turning dovish. The extensive capital control, coupled with the stabilizing economy, has slowed the capital outflow of China.

We remain cautious for the rest of the year. The structural issues of China have become even more serious so far this year. Growth was bolstered by debt-fueled property and infrastructure investments, further exacerbating the concerns of oversupply, over-leverage and the imbalance of economic development that the Chinese authority aims to address for long. If and when the effects of the counter-cyclical measures in the recent months fade in the next six months, the China economy is likely to fall to an even lower level, judging by the economic mini-cycles pattern of China in the past few years. Subsequently, investors will focus on the long-term structural issues of China again, which will unsettle the China-related assets, including property, equity and currency.

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

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

As at 30th June, 2016, the Group had cash and cash equivalents of approximately HK\$653.7 million (at 31st December, 2015: approximately HK\$313.9 million) and no security deposits (at 31st December, 2015: approximately HK\$6.3 million), totalling approximately HK\$653.7 million (at 31st December, 2015: approximately HK\$320.2 million), investments of approximately HK\$467.0 million (at 31st December, 2015: approximately HK\$889.7 million) and no bank borrowings as at 30th June, 2016 and 31st December, 2015. 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, 2016, was 0% (at 31st December, 2015: 0%).

## **FOREIGN EXCHANGE EXPOSURE**

As at 30th June, 2016, 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, Japanese yen and Singapore dollars. 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 2016 Interim Period (2015: 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, 2016 (at 31st December, 2015: HK\$140.0 million).

## **MATERIAL ACQUISITION AND DISPOSAL**

Save as disclosed in this announcement, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the 2016 Interim Period.

## **STAFF COSTS**

The Group's total staff costs (including Directors' emoluments) for the 2016 Interim Period amounted to approximately HK\$1.4 million (2015: 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 2016 including a general review of the unaudited interim condensed consolidated financial statements for the six months ended 30th June, 2016. 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 (the “CG Code”) as set out in Appendix 14 to the Listing Rules during the 2016 Interim Period except for the following deviation:

Mr. Warren Lee Wa Lun, the Chairman of the Board, was unable to attend the annual general meeting of the Company held in May 2016 as provided for in code provision E.1.2 of the CG Code as he was on an overseas engagement.

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

The Company has adopted 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 2016 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 2016 Interim Period.

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

Hong Kong, 18th August, 2016

*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.*