

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

# SHK 新工投資有限公司 Hong Kong Industries Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 666)

## 2014 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, 2014 as below:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2014

		<b>Unaudited</b>	
		<b>Six months ended 30th June,</b>	
		<b>2014</b>	<b>2013</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	<b>19,082</b>	17,571
Other net income	4	<b>38,053</b>	65,117
Administrative and other operating expenses		<b>(19,380)</b>	(20,360)
Finance costs	6	–	(79)
Share of loss of joint ventures		<b>(26)</b>	(18,561)
Share of loss of associates		<b>(105)</b>	(265)
<b>Profit before income tax</b>	7	<b>37,624</b>	43,423
Income tax expense	8	<b>(1,827)</b>	–
<b>Profit for the period</b>		<b>35,797</b>	43,423
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Company		<b>36,479</b>	43,542
Non-controlling interests		<b>(682)</b>	(119)
		<b>35,797</b>	43,423
<b>Earnings per share attributable to the owners of the Company (HK cents):</b>			
Basic	9	<b>0.89</b>	1.06
Diluted		<b>0.89</b>	1.06

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2014

	Unaudited	
	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
Profit for the period	35,797	43,423
<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	5,065	(10,294)
Share of other comprehensive (expenses)/income of an associate	(64)	54
Reclassification adjustment for realisation upon redemption/disposal of available-for-sale financial assets	(14,688)	(7,076)
Share of other comprehensive expenses of joint ventures	–	(2,374)
<b>Other comprehensive expenses for the period, net of tax</b>	<u>(9,687)</u>	<u>(19,690)</u>
<b>Total comprehensive income for the period</b>	<u>26,110</u>	<u>23,733</u>
<b>Total comprehensive income/(expenses) for the period attributable to:</b>		
Owners of the Company	26,820	23,828
Non-controlling interests	(710)	(95)
	<u>26,110</u>	<u>23,733</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30th June, 2014*

		Unaudited 30th June, 2014 HK\$'000	Audited 31st December, 2013 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interests in joint ventures		11,627	11,653
Interests in associates		2,407	4,111
Amount due from an associate		9,497	9,433
Available-for-sale financial assets	11	232,433	139,712
		255,964	164,909
<b>Current assets</b>			
Available-for-sale financial assets	11	48,958	82,696
Trade and other receivables and prepayment	12	25,807	29,145
Amounts due from joint ventures		41,677	41,676
Financial assets at fair value through profit or loss	13	587,965	818,412
Security deposits		1,034	489
Cash and cash equivalents		383,914	236,939
		1,089,355	1,209,357
<b>Current liabilities</b>			
Trade and other payables and accrued expenses	14	14,351	3,774
Amount due to a holding company		148	304
Amount due to a fellow subsidiary		5,407	28,466
Financial liabilities at fair value through profit or loss	15	7,790	9,092
		27,696	41,636
<b>Net current assets</b>		1,061,659	1,167,721
<b>Total assets less current liabilities</b>		1,317,623	1,332,630
<b>Net assets</b>		1,317,623	1,332,630
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		918,978	411,170
Reserves		397,981	920,086
		1,316,959	1,331,256
Non-controlling interests		664	1,374
<b>Total equity</b>		1,317,623	1,332,630

# 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, 2014 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, 2013, 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, 2014**

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, 2014.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities

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,	
	2014 HK\$'000	2013 HK\$'000
Interest income from available-for-sale financial assets	8,119	11,974
Dividend income		
– Listed investments	7,909	5,160
– Unlisted investments	1,005	–
Interest income from bank deposits	2,049	437
	<u>19,082</u>	<u>17,571</u>

### 4. OTHER NET INCOME

	Unaudited Six months ended 30th June,	
	2014 HK\$'000	2013 HK\$'000
Fair value gain on financial assets and liabilities at fair value through profit or loss	23,337	53,218
Realised gain on redemption/disposal of available-for-sale financial assets	13,638	7,796
Sundry income	1,078	4,103
	<u>38,053</u>	<u>65,117</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,	
	2014 HK\$'000	2013 HK\$'000
Interest on bank borrowings wholly repayable within five years	–	79

## 7. PROFIT BEFORE INCOME TAX

	Unaudited	
	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
Profit before income tax is arrived at after charging:		
Management fee	10,151	9,580
Employee benefit expenses (including Directors' emoluments)	1,323	1,247
Impairment on interest in an associate	1,535	–

## 8. INCOME TAX EXPENSE

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

No Hong Kong profits tax had been provided for the six months ended 30th June, 2013 as the estimated assessable profits of the Group were offset by tax losses brought forward.

## 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, 2014 is based on the profit attributable to the owners of the Company of approximately HK\$36,479,000 (2013: approximately HK\$43,542,000) and on the weighted average number of 4,111,704,320 (2013: 4,111,704,320) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30th June, 2014 and 2013 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 21st August, 2014, the Board resolved not to declare an interim dividend for the period (2013: Nil).

	Unaudited	
	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
Dividend recognised as distribution during the period		
– 2013 final dividend of HK1 cent		
(2012 final dividend: HK0.5 cent) per share	41,117	20,559

## 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 30th June, 2014 HK\$'000	Audited 31st December, 2013 HK\$'000
Non-current		
Unlisted debt securities, at fair value	100,036	–
Debt securities		
– Listed in Hong Kong	19,002	16,632
– Listed outside Hong Kong	11,914	88,353
Fair value of listed debt securities	30,916	104,985
Unlisted equity securities, at fair value	101,481	34,727
	<b>232,433</b>	139,712
Current		
Debt securities		
– Unlisted, at fair value	48,958	48,506
– Listed outside Hong Kong, at fair value	–	34,190
	<b>48,958</b>	82,696
	<b>281,391</b>	222,408

## 12. TRADE AND OTHER RECEIVABLES AND PREPAYMENT

	Unaudited 30th June, 2014 HK\$'000	Audited 31st December, 2013 HK\$'000
Trade receivables ( <i>Note a</i> )	6,919	–
Other receivables ( <i>Note b</i> )	18,888	28,696
Prepayment	–	449
	<b>25,807</b>	29,145

*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:

	<b>Unaudited 30th June, 2014 HK\$'000</b>	Audited 31st December, 2013 HK\$'000
Within one year	<u>6,919</u>	<u>–</u>

*Note b:*

As at 31st December 2013, included in other receivables of the Group was an advance to an independent third party of HK\$18,750,000 bearing interest at 20% per annum, secured by shares mortgage and repayable in November 2014. In March 2014, the total balance had been fully repaid.

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

	<b>Unaudited 30th June, 2014 HK\$'000</b>	Audited 31st December, 2013 HK\$'000
Shares and warrants held for trading		
– Listed in Hong Kong	495,494	688,791
– Listed outside Hong Kong	<u>92,471</u>	<u>129,621</u>
Market value of listed securities	<u>587,965</u>	<u>818,412</u>

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

	<b>Unaudited 30th June, 2014 HK\$'000</b>	Audited 31st December, 2013 HK\$'000
Trade payables	13,914	2,049
Other payables and accrued expenses	<u>437</u>	<u>1,725</u>
	<u>14,351</u>	<u>3,774</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, 2014 HK\$'000</b>	Audited 31st December, 2013 HK\$'000
Within one year	<b>13,914</b>	2,049

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

	<b>Unaudited 30th June, 2014 HK\$'000</b>	Audited 31st December, 2013 HK\$'000
Derivative financial instruments		
– Call options embedded in bonds and notes, at fair value	<b>6,669</b>	8,601
– Equity forward contracts, at fair value	<b>1,121</b>	491
	<b>7,790</b>	9,092

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

The Group's major income for the six months ended 30th June, 2014 (the "2014 Interim Period") comprised mainly fair value gain on equities, dividend received, profit on redemption/disposal of bonds and bonds interest income.

The Group recorded a net profit attributable to the owners of the Company of approximately HK\$36.5 million for the 2014 Interim Period (2013: approximately HK\$43.5 million).

Amidst a decline of the Hang Seng Index and Hang Seng China Enterprises Index by 0.5% and by 4.4% respectively over the 2014 Interim Period, the Group's net asset value attributable to the owners of the Company increased by 2.0% (after taking into account the HK\$41.1 million dividend payment) to HK\$1.32 billion at the end of the 2014 Interim Period.

### INVESTMENT REVIEW

As at 30th June, 2014, the Group's major investments were as follows:

<b>Investments</b>	<b>Description</b>
Listed Equities	HK\$588.0 million of a portfolio of listed shares and warrants in 27 companies
Fixed Income	HK\$173.2 million of fixed income instruments issued by five companies listed in Hong Kong and overseas
Investment Funds	HK\$101.5 million in three investment funds
Indirect Investment in Listed Equity	HK\$53.3 million in one indirect investment in overseas listed equity
Direct Investment in Unlisted Equities	HK\$11.2 million in three direct investments in unlisted equities
Equity Forward Contracts	Seven equity forward contracts, the underlying stocks of which include Bank of China Limited, Cathay Pacific Airways Limited, Hysan Development Company Limited 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 2014.

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

The Shanghai-Hong Kong Stock Connect is the catalyst for the rest of 2014. The scheme is seen as a significant step towards the liberalization of A-share market in China. On the other hand, the end of quantitative easing policy of the United States will continue to overcast market optimism.

On balance, we are cautiously optimistic about the equity market in Hong Kong in the second half of 2014, especially investment themes closely related to valuation gap between Hong Kong market and the A-share market. We are aiming at another year of profit for 2014. The Group has progressively increased its investment in equity subsequent to the 2014 Interim Period.

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

As at 30th June, 2014, the Group had cash and cash equivalents of approximately HK\$383.9 million (at 31st December, 2013: approximately HK\$236.9 million) and security deposits of approximately HK\$1.0 million (at 31st December, 2013: approximately HK\$0.5 million), totalling approximately HK\$384.9 million (at 31st December, 2013: approximately HK\$237.4 million), investments of approximately HK\$926.1 million (at 31st December, 2013: approximately HK\$1,097.2 million) and no bank borrowings as at 30th June, 2014 and 31st December, 2013. 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, 2014, was 0% (at 31st December, 2013: 0%).

## **FOREIGN EXCHANGE EXPOSURE**

As at 30th June, 2014, 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, 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**

The Board resolved not to declare an interim dividend for the 2014 Interim Period (2013: 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, 2014 (at 31st December, 2013: HK\$240.0 million).

## **STAFF COSTS**

The Group's total staff costs (including Directors' emoluments) for the 2014 Interim Period amounted to approximately HK\$1.3 million (2013: approximately HK\$1.2 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, 2014. 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 of the Listing Rules, during the 2014 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 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 2014 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 2014 Interim Period.

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

Hong Kong, 21st August, 2014

*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.*