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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 2009 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, 2009 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Revenue	*3*	**38,993**	16,546
Other net income/(loss)	*4*	**301,099**	(370,412)
Administrative and other operating expenses		**(43,969)**	(22,504)
Operating profit/(loss)		**296,123**	(376,370)
Finance costs	*5*	**(480)**	–
Profit/(loss) before income tax	*6*	**295,643**	(376,370)
Income tax expense	*7*	**(61)**	–
Profit/(loss) for the year		**295,582**	(376,370)
Profit/(loss) for the year attributable to the equity holders of the Company		**295,582**	(376,370)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company (HK cents)	*9*		
– Basic		**9.34**	(20.14)
– Diluted		**9.03**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2009

	2009 HK$'000	2008 HK$'000
Profit/(loss) for the year	**295,582**	(376,370)
Other comprehensive income		
Change in fair value of available-for-sale financial assets	**64,812**	(24,332)
Release on disposal of available-for-sale financial assets	**–**	809
Impairment loss written off to the income statement	**–**	6,294
Other comprehensive income for the year, net of tax	**64,812**	(17,229)
Total comprehensive income for the year	**360,394**	(393,599)
Total comprehensive income attributable to the equity holders of the Company	**360,394**	(393,599)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER, 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in associates		**18,155**	–
Available-for-sale financial assets		**381,256**	75,756
Held-to-maturity investments		**51,516**	7,648
		450,927	83,404
Current assets			
Trade and other receivables and prepayment	*10*	**8,634**	77,930
Amount due from a fellow subsidiary		**256**	–
Financial assets at fair value through profit or loss		**534,350**	305,276
Other restricted deposit paid		**–**	20,049
Pledged bank deposits		**3,955**	–
Cash and cash equivalents		**247,110**	135,159
		794,305	538,414
Current liabilities			
Other payables and accrued expenses	*11*	**12,051**	4,347
Amount due to ultimate holding company		**293**	–
Amount due to a fellow subsidiary		**4,627**	–
Borrowings		**27,216**	–
Financial liabilities at fair value through profit or loss		**59,216**	18,089
Taxation payable		**1,271**	1,210
		104,674	23,646
Net current assets		**689,631**	514,768
Total assets less current liabilities		**1,140,558**	598,172
Net assets		**1,140,558**	598,172
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**373,879**	186,917
Reserves		**766,679**	411,255
Total equity		**1,140,558**	598,172
Net asset value per share attributable to the equity holders of the Company *(HK$)*	*12*	**0.31**	0.32

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2009

	Equity attributable to the equity holders of the Company						
	Share capital	**Share premium**	**Capital redemption reserve**	**Capital contribution reserve**	**Investment revaluation reserve**	**(Accumulated loss)/retained earnings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2008	186,917	492,746	20,032	367	12,453	279,256	991,771
Loss for the year	–	–	–	–	–	(376,370)	(376,370)
Other comprehensive income:							
Change in fair value of available-for-sale financial assets	–	–	–	–	(24,332)	–	(24,332)
Release on disposal of available-for-sale financial assets	–	–	–	–	809	–	809
Impairment loss written off to the income statement	–	–	–	–	6,294	–	6,294
Total comprehensive income for the year	–	–	–	–	(17,229)	(376,370)	(393,599)
Proceeds from shares issued#	–	–	–	–	–	–	–
Transactions with owners	–	–	–	–	–	–	–
At 31st December, 2008 and at 1st January, 2009	186,917	492,746*	20,032*	367*	(4,776)*	(97,114)*	598,172
Profit for the year	–	–	–	–	–	295,582	295,582
Other comprehensive income:							
Change in fair value of available-for-sale financial assets	–	–	–	–	64,812	–	64,812
Total comprehensive income for the year	–	–	–	–	64,812	295,582	360,394
Proceeds from shares issued	186,917	–	–	–	–	–	186,917
Share issuance expenses	–	(4,970)	–	–	–	–	(4,970)
Exercise of warrants	45	–	–	–	–	–	45
Transactions with owners	186,962	(4,970)	–	–	–	–	181,992
At 31st December, 2009	**373,879**	**487,776***	**20,032***	**367***	**60,036***	**198,468***	**1,140,558**

* *The aggregate amount of these balances of HK$766,679,000 (2008: HK$411,255,000) represents the reserves in the consolidated statement of financial position.*

\# *During the year ended 31st December, 2008, HK$53 and HK$121 were received for share capital and share premium respectively as a result of exercise of the Company's warrants.*

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 requirements of 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 or amended HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new 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, 2009.

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or an associate
HKFRS 7 (Amendments)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
Various	Annual improvements to HKFRSs 2008

Other than as noted below, the adoption of these new HKFRSs has had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. A third statement of financial position as at the beginning of the earliest comparative period is required when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements. It also gives rise to additional disclosures.

The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting polices on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or parent company statement of financial position at 1st January, 2008 and accordingly the third statement of financial position as at 1st January, 2008 is not presented.

HKAS 27 (Amendments) Cost of an investment in a subsidiary, jointly controlled entity or an associate

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or associate in profit or loss irrespective the distributions are out of the investee's pre-acquisition or postacquisition reserves. In prior years, the Company recognised dividends out of pre-acquisition reserves as a recovery of its investment in the subsidiaries, jointly controlled entity or associates (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in profit or loss.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

The new accounting policy has been applied prospectively as required by these amendments to HKAS 27 and therefore no comparatives have been restated.

HKFRS 7 (Amendments) Improving disclosures about financial instruments

The amendments require additional disclosures for financial instruments which are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierarchy, which reflects the extent of observable market data used in making the measurements. In addition, the maturity analysis for derivative financial liabilities is disclosed separately and should show remaining contractual maturities for those derivatives where this information is essential for an understanding of the timing of the cash flows. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. The Group has identified only one operating segment, financial instruments investments. Accordingly, the adoption of this new HKFRS has no material impact on the financial statements.

Apart from the above, certain new and amended HKFRS have been published but are not yet effective, and have not been adopted early by the Group.

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

HKFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1st January, 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The Directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

HKAS 27 Consolidated and separate financial statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1st July, 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The Directors do not expect the standard to have a material effect 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.

	2009	2008
	HK$'000	*HK$'000*
Interest income from available-for-sale financial assets	**21,884**	300
Interest income from held-to-maturity investments	**6,477**	18
Interest income from bank deposits	**519**	6,525
Dividend income		
— listed investments	**9,745**	9,703
— unlisted investments	**368**	–
	38,993	16,546

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/(loss)

	2009	2008
	HK$'000	*HK$'000*
Fair value gain/(loss) on financial assets and liabilities at fair value through profit or loss	**243,232**	(427,325)
Receipts on interests in Grand China Shares *(Note)*	**50,000**	60,000
Gain/(loss) on disposal of available-for-sale financial assets	**8,238**	(793)
Sundry income	**177**	236
Exchange loss	**(548)**	(654)
Arrangement fee income	**–**	4,418
Impairment of available-for-sale financial assets	**–**	(6,294)
	301,099	(370,412)

Note:

As detailed in the Group's annual financial statements for each of the years ended 31st December, 2006 and 2007, the Group entered into an agreement with Grand China Air Company Limited ("Grand China") (the "Grand China Agreement") in 2006 and pursuant to which, among other things, the Group agreed to dispose of the 34.22% equity interest in CR Airways Limited (now known as Hong Kong Airlines Limited) (the "CR Airways") held by the Group at the consideration of HK$190,000,000 in return for the 97,850,000 shares of Grand China of RMB1 each at RMB2 each (the "Grand China Shares").

In connection with the execution of the Grand China Agreement, the Group agreed to (i) convert a partial principal amount of approximately HK$62,182,000 of the CR Airways' Class A convertible debentures into 62,181,818 ordinary shares of HK$1 each of CR Airways (the "Converted Shares"), which represented 34.22% of the equity holdings in CR Airways, and to dispose of the Converted Shares to Grand China in return for 97,850,000 shares of RMB1 each of Grand China; (ii) waive its remaining investments in CR Airways' Class A, Class C and Class D convertible debentures in the aggregate amount of approximately HK$111,152,000 (the "Remaining Debentures"); (iii) waive all its rights in relation to the entire principal amount and accrued interest of promissory note of approximately HK$16,667,000 (the "Promissory Note") due from Mr Yip Kwong ("Mr Yip"), shareholder of CR Airways; and (iv) waive the option granted by a company wholly owned by Mr Yip to purchase its interests in CR Airways (the "Option Shares").

In June 2006, the Group completed the transfer of the Converted Shares to Grand China and waived the Remaining Debentures, Promissory Note and Option Shares (the transferred Converted Shares and waived assets collectively referred to as the "CR Airways Financial Assets"). However, in the same year, the Group was informed by Grand China that Grand China encountered difficulty in registration of the Grand China Shares. The Group also experienced difficulties in negotiating with Grand China.

In view of the title uncertainty and the lack of cooperation from Grand China, the Group did not recognise the Grand China Shares and made a decision to derecognise the CR Airways Financial Assets during the year ended 31st December, 2006. As a result of the derecognition of the CR Airways Financial Assets and the failure to recognise the Grand China Shares, the carrying value of the CR Airways Financial Assets in the aggregate amount of HK$190.19 million was charged to the income statement for the year ended 31st December, 2006.

On 15th April, 2008, a third party independent of the Group (the "Buyer") entered into an agreement with a subsidiary of the Group, according to which the Buyer agreed to pay for the Group's interests in the Grand China Shares at a total consideration of HK$110 million to that subsidiary. During the year ended 31st December, 2008, the Group received HK$60 million non-refundable amount in cash from the Buyer and that amount was recognised as income in 2008. The Group received the remaining HK$50 million balance payment in cash from the Buyer in April 2009. The amount is recognised as income in the consolidated income statement during the year.

5. Finance costs

	2009	2008
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**480**	–

6. Profit/(loss) before income tax

	2009	2008
	HK$'000	*HK$'000*
Profit/(loss) before income tax is arrived at after charging:		
Employee benefit expense (including Directors' remuneration)	**5,403**	3,116
Management fee	**14,124**	11,640
Write-off of trade receivable	**18,008**	–

7. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the year.

	2009	2008
	HK$'000	*HK$'000*
Current tax – under provision in prior year	**61**	–

8. Dividend and bonus warrants

The Directors propose to preserve cash for investment activities and do not recommend any dividend for the year ended 31st December, 2009.

During the year ended 31st December, 2008, the Board had approved an issue of bonus warrants ("2009 Warrants") on the basis of one warrant for every five shares held by the shareholders whose names appear on the Register of Members on 23rd May, 2008 at a subscription price of HK$0.33 per share with one-year term from its issuance. All the remaining 2009 Warrants expired on 28th May, 2009.

9. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the earnings/(loss) attributable to the equity holders of the Company of approximately HK$295,582,000 (2008: loss of approximately HK$376,370,000) and on the weighted average number of approximately 3,164,880,000 (2008: approximately 1,869,172,000) ordinary shares in issue during the year.

The calculation of diluted earnings/(loss) per share for the year ended 31st December, 2009 is based on the adjusted earnings/(loss) attributable to the equity holders of the Company of approximately HK$295,582,000 and on the weighted average number of approximately 3,272,433,000 ordinary shares outstanding during the year, after adjusting for the effects of all dilutive potential ordinary shares.

No diluted loss per share was calculated for the year ended 31st December, 2008 as the exercise price of the Company's warrants was higher than the average market price of the Company's shares for that year.

The calculation of basic and diluted earnings/(loss) per share attributable to the equity holders of the Company is based on the following:

	2009	2008
	HK$'000	*HK$'000*
Earnings/(loss)		
Earnings/(loss) for the purpose of basic earnings/(loss) per share (profit/(loss) for the year attributable to the equity holders of the Company)	**295,582**	(376,370)
Effect of dilutive potential ordinary shares:		
Adjustments to earnings in respect of the effect of dilutive potential ordinary shares arising from warrants of the Company	**–**	–
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	**295,582**	(376,370)

	2009	2008
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**3,164,880**	1,869,172
Effect of dilutive potential ordinary shares for warrants	**107,553**	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**3,272,433**	1,869,172

10. Trade and other receivables and prepayment

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**7,985**	58,305
Other receivables	**13**	19,440
Prepayment	**636**	185
	8,634	77,930

The ageing analysis of the trade receivables was as follows:

	2009	2008
	HK$'000	*HK$'000*
Within one year	**7,985**	58,305

11. Other payables and accrued expenses

	2009	2008
	HK$'000	*HK$'000*
Other payables and accrued expenses	**12,051**	4,347

12. Net asset value per share attributable to the equity holders of the Company

The calculation of net asset value per share is based on the net assets attributable to the equity holders of the Company of HK$1,140,558,000 (2008: HK$598,172,000) and 3,738,789,813 (2008: 1,869,172,517) ordinary shares in issue as at 31st December, 2009.

OVERVIEW

The Group's major income for the year ended 31st December, 2009 was derived from appreciation of investments in financial instruments (including equities and bonds), balance payment received for the Group's interests in Grand China Air Company Limited ("Grand China Air"), bond interest income and dividend from listed and unlisted investments.

The Group recorded a net profit of approximately HK$295.6 million for the year ended 31st December, 2009 as compared to a net loss of approximately HK$376.4 million in 2008. The net profit included profit of approximately of HK$236.0 million (2008: loss of approximately HK$452.8 million) and approximately HK$45.2 million (2008: approximately HK$0.6 million) generated from equities/structured products and bonds respectively.

As at 31st December, 2009, the Group's net assets rose by 90.7% or 60.3% (isolating net rights issue proceeds received) to HK$1,140.6 million. For comparison, Hang Seng Index rose 52%, and Hang Seng China Enterprises Index increased by 62% during 2009. The performance is particularly impressive as the Group's cash and fixed income investments represented about half of its portfolio, which in our opinion has a much lower risk profile than equities.

INVESTMENT REVIEW

As at 31st December, 2009, the Group's major investments other than its cash holding were as follows:

Investments	Description
Listed Equities	HK$545.5 million of listed shares
Bonds	bonds issued by 16 companies listed in Hong Kong and overseas
Investment Funds	2 investment funds investing in Asian markets and 1 bond fund
Unlisted Warrants	60,000 warrants in J. Bridge Corp., a company listed on the 2nd Section of Tokyo Stock Exchange

The Group's portfolio of investment comprises securities in Hong Kong, Malaysia, Taiwan, United States, Australia, Japan and China. The value of our equities portfolio increased significantly during 2009 following the rally in the global stock markets, especially Hong Kong.

We have added significant investment in our bond portfolio in the first half, which saw an appreciation beyond our anticipation and some at an unjustified level. In addition to its contribution of HK$45.2 million to net profit for the year, about HK$31.0 million appreciation in fair value of our investment in bonds was included in the reserve as part of the other comprehensive income for the year.

In April 2009, the buyer of the interest in Grand China Air had paid the final balance of HK$50 million.

Our investment in Oriental Cashmere Limited ("OCL") remains fully impaired as the receivable of OCL remained at an alarmingly high level.

DIVIDEND

The Directors of the Company ("Directors") propose to preserve cash for investment activities and do not recommend any dividend for the year ended 31st December, 2009 (2008: Nil).

PROSPECTS

The world economies experienced high volatility in 2009. With the unprecedented support programmes introduced by governments and central banks, we were surprised that the effect of the financial crisis was not that strong nor long-lasting as generally expected. By the end of 2009, the worst seemed to be behind us. Global financial markets started to stabilise and certain major economies returned to growth. However, all these are still at an early stage.

The timely completion of the rights issue in April strengthened the Group's financial position and thus enables us to look for more attractive future investment opportunities. On the other hand, we expect that the bond investments that the Group has accumulated since the last quarter of 2008 should continue to realise satisfactory returns in the years ahead.

As 2010 unfolds, maintaining a balance between loose monetary policies and their uncontrollable side effects, including high inflation, will be a significant issue that governments of major economies have to tackle. There is therefore an overall consensus that economic conditions will remain challenging with both opportunities and threats in the coming year.

With these circumstances in mind, the Group will continue its cautiously optimistic approach to manage its portfolio so as to maximise the returns on shareholders' equity.

RIGHTS ISSUE AND BONUS WARRANTS

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 24th March, 2009, the Company raised net proceeds of approximately HK$181.9 million by issuing 1,869,172,517 new shares of HK$0.10 each of the Company and 373,834,503 bonus warrants of the Company (exercisable from 23rd April, 2009 to 22nd April, 2011) ("2011 Warrant") on 23rd April, 2009 by way of a rights issue to qualifying shareholders on the basis of one rights share for every one share held at the subscription price of HK$0.10 per rights share and one 2011 Warrant (at an initial subscription price of HK$0.10 per share, subject to adjustment) for every five rights shares taken up.

All the remaining bonus warrants of the Company issued in 2008 ("2009 Warrant") expired on 28th May, 2009. The holders of 2009 Warrants were entitled to subscribe in cash for one fully paid share at an initial subscription price of HK$0.33 per share, subject to adjustment, at any time from 29th May, 2008 to 28th May, 2009.

FINANCIAL POSITION

As at 31st December, 2009, the Group had pledged bank deposits and cash and cash equivalents totalling HK$251.1 million and investments (including options embedded in contracts) of approximately HK$926.1 million. During 2009, bank borrowings denominated in foreign currency equivalent to approximately HK$27.2 million had been made in order to reduce the Group's foreign currency exposure due to bond investments in that particular currency. The Group is well positioned to explore further opportunities that are expected to generate better returns for our Shareholders.

FOREIGN EXCHANGE EXPOSURE

As at 31st December, 2009, the majority of the Group's investments was either denominated in Hong Kong dollar or United States dollar. Exposures to currency exchange rates still arise as the Group has certain overseas investments, which are primarily denominated in Japanese yen, Malaysian ringgit, Australian dollars, New Taiwan dollars, British pound and China Yuan Renminbi. Other than the British-pound denominated bank loans, the Group at present does not have any contracts to hedge against its foreign exchange risks. Should the Group consider its exposure and fluctuation in foreign currency justify hedging, the Group may use forward or hedging contracts to reduce the risks.

GUARANTEE

The Company has given guarantees to financial institutions to secure borrowing facilities available to its wholly-owned subsidiaries in the amount not exceeding HK$255.1 million (as at 31st December, 2008: HK$155.0 million). Facilities amounting to HK$27.2 million (2008: nil) were utilised as at 31st December, 2009.

STAFF COSTS

The Group's total staff costs (including Directors' emoluments) for the year ended 31st December, 2009 amounted to approximately HK$5.4 million (2008: approximately HK$3.1 million).

AUDIT COMMITTEE

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group and discussed financial reporting matters, including review of annual results for the year ended 31st December, 2009. In addition, the Audit Committee has also reviewed the adequacy of resources, qualification and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget for the year ended 31st December, 2009.

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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of, and complied with, the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31st December, 2009, except for a deviation which is summarised below:

Code Provision A.2.1

Code provision A.2.1 states that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

After previous chairman resigned on 5th December, 2008, there was no Chairman of the Board and Mr. Warren Lee Wa Lun, then Managing Director of the Company, had to play the role of chairman at times of board meetings and general meetings. On 16th March, 2009, Mr. Warren Lee Wa Lun was appointed as the Chairman of the Board and ceased to act as the Managing Director of the Company. Afterwards, the Company has not appointed any individual managing director. The Company is being managed by its investment manager, Yu Ming Investment Management Limited, pursuant to the terms of the written investment management agreement. This constitutes a deviation from the code provision A.2.1 of the CG Code up to 15th March, 2009.

Further information on the Company's corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2009 Annual Report which will be sent to the Shareholders in April 2010.

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.

SCOPE OF WORK OF GRANT THORNTON

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December, 2009 have been agreed by the Group's auditor, Grant Thornton, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Grant Thornton 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 Grant Thornton 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 and the Company in due course.

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

Hong Kong, 26th March, 2010

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 Mr. Ambrose So Shu Fai, Mr. Albert Ho and Ms. Lam Tak Yee.