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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 2011 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, 2011 as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31st December, 2011*

	<i>Notes</i>	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Revenue	3	<b>34,211</b>	44,064
Other net (loss)/income	4	<b>(143,769)</b>	89,028
Administrative and other operating expenses		<b>(38,525)</b>	(43,230)
Finance costs	5	<b>(53)</b>	(446)
Share of loss of an associate		<b>(989)</b>	–
<b>(Loss)/profit before income tax</b>	6	<b>(149,125)</b>	89,416
Income tax expense	7	<b>–</b>	(137)
<b>(Loss)/profit for the year</b>		<b>(149,125)</b>	<b>89,279</b>
<b>(Loss)/profit for the year attributable to:</b>			
Owners of the Company		<b>(144,913)</b>	89,279
Non-controlling interests		<b>(4,212)</b>	–
		<b>(149,125)</b>	<b>89,279</b>
<b>(Loss)/earnings per share attributable to the owners of the Company (HK cents)</b>	9		
– Basic		<b>(3.53)</b>	2.34
– Diluted		<b>(3.53)</b>	2.24

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2011

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
(Loss)/profit for the year	(149,125)	89,279
<b>Other comprehensive (expenses)/income</b>		
Change in fair value of available-for-sale financial assets	(21,491)	18,100
Reclassification adjustment upon disposal of available-for-sale financial assets	(38,261)	(25,464)
Share of other comprehensive income of an associate	231	–
	<u>(59,521)</u>	<u>(7,364)</u>
<b>Other comprehensive expenses for the year, net of tax</b>		
	<u>(59,521)</u>	<u>(7,364)</u>
<b>Total comprehensive (expenses)/income for the year</b>	<u>(208,646)</u>	<u>81,915</u>
<b>Total comprehensive (expenses)/income for the year attributable to:</b>		
Owners of the Company	(204,535)	81,915
Non-controlling interests	(4,111)	–
	<u>(208,646)</u>	<u>81,915</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2011

	<i>Notes</i>	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interests in associates		<b>8,698</b>	18,155
Available-for-sale financial assets	<i>10</i>	<b>222,989</b>	521,573
		<b>231,687</b>	539,728
<b>Current assets</b>			
Available-for-sale financial assets	<i>10</i>	<b>262,047</b>	–
Other receivables and prepayment	<i>11</i>	<b>8,233</b>	461
Amount due from a fellow subsidiary		<b>2</b>	30
Financial assets at fair value through profit or loss	<i>12</i>	<b>339,461</b>	813,747
Taxation recoverable		<b>21</b>	–
Other restricted deposit paid		<b>19,062</b>	–
Pledged bank deposits		–	1,497
Cash and cash equivalents		<b>216,632</b>	22,133
		<b>845,458</b>	837,868
<b>Current liabilities</b>			
Other payables and accrued expenses		<b>1,055</b>	1,611
Amount due to a holding company		–	293
Amount due to a fellow subsidiary		<b>4,453</b>	17,438
Borrowings		–	23,410
Financial liabilities at fair value through profit or loss	<i>13</i>	<b>12,468</b>	68,712
Taxation payable		–	137
		<b>17,976</b>	111,601
<b>Net current assets</b>		<b>827,482</b>	726,267
<b>Total assets less current liabilities</b>		<b>1,059,169</b>	1,265,995
<b>Net assets</b>		<b>1,059,169</b>	1,265,995

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)**  
*As at 31st December, 2011*

	<i>Notes</i>	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		<b>411,170</b>	409,350
Reserves		<b>644,059</b>	848,594
		<b>1,055,229</b>	1,257,944
Non-controlling interests		<b>3,940</b>	8,051
<b>Total equity</b>		<b>1,059,169</b>	1,265,995
<b>Net asset value per share attributable to the owners of the Company (HK\$)</b>	<i>14</i>	<b>0.26</b>	0.31

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31st December, 2011*

	Equity attributable to the owners of the Company							Total HK\$'000	Non- controlling interests HK\$'000	Total Equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital contribution reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000			
At 1st January, 2010	373,879	487,776	20,032	367	60,036	-	198,468	1,140,558	-	1,140,558
Profit for the year	-	-	-	-	-	-	89,279	89,279	-	89,279
Other comprehensive income/(expenses):										
Change in fair value of available-for-sale financial assets	-	-	-	-	18,100	-	-	18,100	-	18,100
Reclassification adjustment upon disposal of available-for-sale financial assets	-	-	-	-	(25,464)	-	-	(25,464)	-	(25,464)
Total comprehensive (expenses) / income for the year	-	-	-	-	(7,364)	-	89,279	81,915	-	81,915
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	8,051	8,051
Exercise of warrants	35,471	-	-	-	-	-	-	35,471	-	35,471
Transactions with owners	35,471	-	-	-	-	-	-	35,471	8,051	43,522
At 31st December, 2010 and 1st January, 2011	409,350	487,776*	20,032*	367*	52,672*	-	287,747*	1,257,944	8,051	1,265,995
Loss for the year	-	-	-	-	-	-	(144,913)	(144,913)	(4,212)	(149,125)
Other comprehensive (expenses)/ income:										
Change in fair value of available-for-sale financial assets	-	-	-	-	(21,491)	-	-	(21,491)	-	(21,491)
Reclassification adjustment upon disposal of available-for-sale financial assets	-	-	-	-	(38,261)	-	-	(38,261)	-	(38,261)
Share of other comprehensive income of an associate	-	-	-	-	-	130	-	130	101	231
Total comprehensive (expenses)/ income for the year	-	-	-	-	(59,752)	130	(144,913)	(204,535)	(4,111)	(208,646)
Exercise of warrants	1,820	-	-	-	-	-	-	1,820	-	1,820
Transactions with owners	1,820	-	-	-	-	-	-	1,820	-	1,820
At 31st December, 2011	<b>411,170</b>	<b>487,776*</b>	<b>20,032*</b>	<b>367*</b>	<b>(7,080)*</b>	<b>130*</b>	<b>142,834*</b>	<b>1,055,229</b>	<b>3,940</b>	<b>1,059,169</b>

\* The aggregate amount of these balances of HK\$644,059,000 (2010: HK\$848,594,000) 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 revised HKFRSs

In the current year, the Group has applied for the first time the following amendments to 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, 2011.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures

The adoption of these revised HKFRSs has no significant 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.

	2011 <i>HK\$’000</i>	2010 <i>HK\$’000</i>
Interest income from available-for-sale financial assets and/or held-to-maturity investments	13,818	28,612
Interest income from bank deposits	953	160
Dividend income		
– listed investments	15,060	14,277
– unlisted investments	4,380	1,015
	<u>34,211</u>	<u>44,064</u>

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 (loss)/income**

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Fair value (loss)/gain on financial assets and liabilities at fair value through profit or loss	<b>(177,073)</b>	45,796
Gain on disposal/redemption of available-for-sale financial assets and/or held-to maturity investments	<b>34,784</b>	43,032
Sundry income	<b>193</b>	581
Exchange loss, net	<b>(1,673)</b>	(381)
	<b>(143,769)</b>	89,028

**5. Finance costs**

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	<b>53</b>	446

**6. (Loss)/profit before income tax**

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
(Loss)/profit before income tax is arrived at after charging:		
Employee benefit expense (including Directors' emoluments)	<b>2,904</b>	3,300
Management fee	<b>17,672</b>	17,722
Performance fee	<b>–</b>	12,291
Impairment on interest in an associate	<b>8,699</b>	–

**7. Income tax expense**

No Hong Kong profits tax has been provided for the year as the Group has no estimated assessable profit. Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits for the year ended 31st December, 2010.

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current tax	<b>–</b>	–
Under provision in prior year	<b>–</b>	137

**8. Dividend**

The Directors propose to preserve cash for investment activities and do not recommend any dividend for the year ended 31st December, 2011 (2010: Nil).

**9. (Loss)/earnings per share attributable to the owners of the Company**

The calculation of basic (loss)/earnings per share is based on the loss attributable to the owners of the Company of approximately HK\$144,913,000 (2010: profit of approximately HK\$89,279,000) and on the weighted average number of approximately 4,105,916,000 (2010: approximately 3,816,044,000) ordinary shares in issue during the year.

**9. (Loss)/earnings per share attributable to the owners of the Company (Cont'd)**

Diluted loss per share for the year ended 31st December, 2011 is the same as the basic loss per share as the impact of the exercise of the warrant was anti-dilutive.

The calculation of diluted earnings per share for the year ended 31st December, 2010 was based on the adjusted profit attributable to the owners of the Company of approximately HK\$89,279,000 and on the weighted average number of approximately 3,989,809,000 ordinary shares outstanding during the year, after adjusting for the effect of dilutive potential ordinary shares for warrants.

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

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purpose of basic (loss)/earnings per share attributable to the owners of the Company	<b>(144,913)</b>	89,279
Adjustments to (loss)/earnings in respect of the effect of dilutive potential ordinary shares arising from warrants of the Company	—	—
	<b>(144,913)</b>	89,279
<b>(Loss)/earnings for the purpose of diluted (loss)/earnings per share</b>		
	<b>2011</b> <i>'000</i>	2010 <i>'000</i>

**Number of shares**

Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<b>4,105,916</b>	3,816,044
Effect of dilutive potential ordinary shares for warrants	—	173,765
	<b>4,105,916</b>	3,989,809

**10. Available-for-sale financial assets**

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Non-current</b>		
Listed equity and/or debt securities, at fair value	<b>198,601</b>	461,322
Unlisted equity securities, at fair value	<b>24,388</b>	37,396
Unlisted debt securities, at fair value	—	22,855
	<b>222,989</b>	521,573
<b>Current</b>		
Listed debt securities, at fair value	<b>262,047</b>	—
<b>Total</b>	<b>485,036</b>	521,573



**11. Other receivables and prepayment**

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Other receivables	<b>7,784</b>	–
Prepayment	<b>449</b>	461
	<hr/> <b>8,233</b>	<hr/> 461

**12. Financial assets at fair value through profit or loss**

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Equity securities held for trading		
– Listed in Hong Kong	<b>270,605</b>	725,361
– Listed outside Hong Kong	<b>68,669</b>	80,602
	<hr/> <b>339,274</b>	<hr/> 805,963
Market value of listed securities		
Conversion options embedded in convertible bonds, at fair value	–	5,630
Unlisted warrants, at fair value	<b>187</b>	2,154
	<hr/> <b>339,461</b>	<hr/> 813,747

**13. Financial liabilities at fair value through profit or loss**

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Derivative financial instruments		
Call options embedded in bonds and notes, at fair value	<b>11,404</b>	68,712
Equity forward contracts, at fair value	<b>1,064</b>	–
	<hr/> <b>12,468</b>	<hr/> 68,712

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

The calculation of net asset value per share is based on the net assets attributable to the owners of the Company of approximately HK\$1,055,229,000 (2010: approximately HK\$1,257,944,000) and 4,111,704,320 (2010: 4,093,504,791) ordinary shares in issue as at 31st December, 2011.

## OVERVIEW

The Group's results for the year ended 31st December, 2011 outperformed the Hang Seng Index, but still recorded a loss, derived primarily from investments in equities.

The Group's 2011 net loss attributable to the owners of the Company was HK\$144.9 million (2010: profit of HK\$89.3 million) comprised losses of HK\$182.4 million from equity related investments (2010: profit of HK\$73.3 million) offset partly by profit contribution of HK\$61.4 million from bond investments (2010: HK\$54.6 million).

As at 31st December, 2011, the Group's net assets attributable to the owners of the Company decreased by 16.1% to approximately HK\$1,055.2 million. For comparison, Hang Seng Index dropped by 20.0% and Hang Seng China Enterprises Index dropped by 21.7% during 2011.

## INVESTMENT REVIEW

As at 31st December, 2011, the Group's major investments were as follows:

<b>Investments</b>	<b>Description</b>
Listed Equities	HK\$339.3 million of a portfolio of listed shares in 29 companies
Equity Forward Contracts	18 equity forward contracts, the underlying stocks of which include China Unicom (Hong Kong) Limited, Sun Hung Kai Properties Limited, iShares FTSE A50 China Index ETF, AIA Group Limited, China Mobile Limited, Anhui Conch Cement Company Limited, Hong Kong Exchanges and Clearing Limited, Ping An Insurance (Group) Company of China, Limited, China Life Insurance Company Limited and New World Development Company Limited
Bonds	HK\$449.2 million of bonds issued by 14 companies listed in Hong Kong and overseas
Investment Funds	HK\$24.4 million in 2 investment funds
Direct Investment in Unlisted Equity	HK\$4.8 million in one direct investment in unlisted equity
Unlisted Warrants	HK\$0.2 million in 60,000 warrants in Asia Alliance Holdings Co., Limited, a company listed on the 2nd Section of Tokyo Stock Exchange

The Group's portfolio of investments comprises securities in Hong Kong, Malaysia, Taiwan, United States, Australia, Japan and China. The value of our equities portfolio decreased mainly in the second half of 2011.

## **INVESTMENT REVIEW (Cont'd)**

The Group made a direct investment in unlisted equity in a business providing online education services in the Mainland. A small loss was recorded for the direct investment in the year. The business was not performing as expected. As at year end, an impairment allowance of approximately HK\$8.7 million (before non-controlling interests) was recognised based on its estimated future cash flows.

In general, equity securities in our portfolio declined in value during the year but bond investments continued to perform well.

The five most profitable fixed income securities in our portfolio during the year are issued by companies related to Mulpha International Bhd, New World Development Company Limited, Lai Fung Holdings Limited, China Properties Group Limited and Barclays Bank PLC.

## **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, 2011 (2010: Nil).

## **PROSPECTS**

2012 started with a bull run in equities, fuelled by attractive valuation and optimism in relaxed monetary policies, as well as signs of easing in the Euro debt debacles. At the time of writing, our portfolio in bonds and equities both performed well from the beginning of 2012. Despite the satisfactory performance in the first two months, we expect the rest of 2012 to be full of challenge. The Group has outperformed the Hang Seng Index for the fourth consecutive year, it is our goal to do so in 2012. Looking ahead, in addition to portfolio management, we plan to increase strategic investment with more sizeable stakes in companies.

## **FINANCIAL POSITION AND GEARING RATIO**

As at 31st December, 2011, the Group had cash, cash equivalents and other restricted deposit paid totalling HK\$235.7 million (2010: HK\$23.6 million), investments of approximately HK\$816.8 million (2010: approximately HK\$1,276.7 million) and no bank borrowings (2010: bank borrowings denominated in foreign currency equivalent to approximately HK\$23.4 million). 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, 2011, was 0% (at 31st December, 2010: 2%).

## **FOREIGN EXCHANGE EXPOSURE**

As at 31st December, 2011, 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 Malaysian ringgit, New Taiwan dollar, Australian dollar and Japanese yen. 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\$318.8 million (as at 31st December, 2010: HK\$555.5 million). No facilities (2010: HK\$23.4 million) were utilised as at 31st December, 2011.

## **STAFF COSTS**

The Group's total staff costs (including Directors' emoluments) for the year ended 31st December, 2011 amounted to approximately HK\$2.9 million (2010: approximately HK\$3.3 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, 2011. In addition, the Audit Committee has also reviewed the adequacy of resources, qualifications 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, 2011.

## **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 as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31st December, 2011.

## **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, 2011 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**  
*Secretary*

Hong Kong, 23rd March, 2012

*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.*