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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)

**CONTINUING CONNECTED TRANSACTIONS
CONTINUED APPOINTMENT OF
YU MING INVESTMENT MANAGEMENT LIMITED
AS INVESTMENT MANAGER**

On 19th November, 2012, the Company entered into the Management Agreement with YMIM in relation to the appointment of YMIM as the Company's investment manager for the Management Period. The Management Agreement is conditional upon approval of Independent Shareholders and shall, if approved in the EGM, commence on the Renewal Date.

YMIM is a connected person of the Company pursuant to Rule 21.13 of the Listing Rules and the transactions contemplated by the Management Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios are less than 25% but the proposed annual caps are more than HK\$10 million on an annual basis, the transaction contemplated under the Management Agreement is subject to reporting, announcement, Independent Shareholders' approval and annual review requirement under Chapter 14A of the Listing Rules.

A circular containing, among others, further details of the Management Agreement, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee and a notice convening the EGM, will be despatched to the Shareholders as soon as practicable but no later than 10th December, 2012.

MANAGEMENT AGREEMENT

On 19th November, 2012, the Company entered into the Management Agreement with YMIM in relation to the appointment of YMIM as the Company's investment manager for the Management Period. The Management Agreement is conditional upon approval of Independent Shareholders and shall, if approved in the EGM, commence on the Renewal Date.

Principal terms

The principal terms of the Management Agreement are on the same bases as the Previous Agreement. They include:–

Duration

The Management Period (3 years)

Services

YMIM shall provide non-exclusive investment management services and administrative services to the Company, including:–

- (a) identify and carry out analysis or investigation of investment opportunities; and
- (b) advise on acquisitions and realizations of investments and submit relevant proposals to the Board for approval.

Remuneration

Management fee: 0.375% of the Gross NAV for each quarter, calculated as the arithmetical average of the published Gross NAV on the last day of each calendar month during each relevant quarter, and payable quarterly in arrears by the Company to YMIM.

Performance fee: 20% of the amount by which the audited Net Asset Value of each year ended 31st December exceeds the High Watermark as at the relevant Financial Year, and payable annually in arrears by the Company to YMIM.

Annual caps

The maximum annual remuneration payable by the Company to YMIM under the Management Agreement is proposed to be as follows:

	Proposed annual caps HK\$ (million)
For the year ended 31st December, 2013	75
For the year ended 31st December, 2014	125
For the year ended 31st December, 2015	155

The computation basis of the proposed annual caps is the same as the Previous Agreement, which assumes that the Company will achieve approximately 35% annual increase in Net Asset Value before accrual of the Performance Fee for the financial year 2012. For convenience, the annual caps are rounded down to the nearest HK\$5 million. It is determined after taking into account of: (i) the Net Asset Value appreciation of the Group during the latest 6 months ended 30th June, 2012 and the latest Net Asset Value as at 31st October, 2012; (ii) the historical transaction amounts for the period from 1st January, 2010 up to 31st October, 2012; (iii) the anticipation of an improved momentum in the Hong Kong stock market benefiting from a resumed growth of the China economy after the 18th Communist Party Congress in 2012; (iv) anticipation of improved liquidity in the Hong Kong stock market as a result of the quantitative economical policies of the United States of America; and (v) an expected increase in volatility of the Hang Seng Index for the coming years as compared to the previous 3 years period.

Transaction amounts and the current annual caps

The following is a summary of the transaction amounts under the Previous Agreement commencing from 1st January, 2010 to 31st December, 2012 and the annual caps for each of the three years ending 31st December, 2012:–

Financial Year	2010 <i>HK\$</i>	2011 <i>HK\$</i>	2012 <i>HK\$</i>
Management Fee (<i>note 1</i>)	17,722,000	17,672,000	17,500,000
Performance Fee (<i>note 2</i>)	12,291,000	–	To be computed
Total transaction amounts	<u>30,013,000</u>	<u>17,672,000</u>	<u>To be computed</u>
Annual caps	<u>50,000,000</u>	<u>110,000,000</u>	<u>139,000,000</u>

Notes:

- (1) The amount of the Management Fee for the financial year 2012 comprises the actual Management Fee accrued up to 31st October, 2012 and the estimated Management Fee for the two months of November and December, 2012 calculated by reference to the published Net Asset Value as at 31st October, 2012.
- (2) The Company will not make an estimate of the amount of the Performance Fee for the financial year 2012 (which is calculated by reference to the audited Net Asset Value as at the financial year end of 2012) as it may be inaccurate and misleading.

Condition of the Management Agreement

The Management Agreement is conditional upon the approval of Independent Shareholders at the EGM. If the condition is not satisfied on or before 31st December, 2012, the Management Agreement shall lapse and none of the parties thereto shall have any obligations and liabilities thereunder.

Reasons for entering into the Management Agreement

YMIM has provided investment management services to the Company since 5th March, 1997. The Group's investment has outperformed the Hang Seng Index for the four consecutive years since 1st January, 2008. The Board is of the view that continued investment management services by YMIM is in the best interest of the Company and its Shareholders.

LISTING RULE IMPLICATIONS

YMIM, as the investment manager of the Company, is a connected person of the Company pursuant to Rule 21.13 of the Listing Rules. Accordingly, the transactions contemplated by the Management Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios are less than 25% but the proposed annual caps are more than HK\$10 million on an annual basis, the transaction contemplated under the Management Agreement is subject to reporting, announcement, Independent Shareholders' approval and annual review requirement under Chapter 14A of the Listing Rules.

VOTING ABSTENTION

YMIM is a wholly-owned subsidiary of Allied Group Limited, a substantial Shareholder holding 2,974,869,606 Shares representing approximately 72.35% of the entire issued share capital of the Company. Therefore, Allied Group Limited and its associates have material interests in the transactions contemplated under the Management Agreement and shall abstain from voting at the EGM.

To the best knowledge of the Directors, other than Allied Group Limited and its respective associates, no Shareholder is required to abstain from voting at the EGM.

VIEWS OF DIRECTORS

The Directors (excluding Mr. Warren Lee Wa Lun, Mr. Arthur George Dew and Mr. Mark Wong Tai Chun, who are deemed interested in the Management Agreement) are of the view that the transactions contemplated by the Management Agreement are (a) fair and reasonable and in the interests of the Company and the Shareholders as a whole; (b) in the ordinary and usual course of business of the Company; and (c) on normal commercial terms which have been negotiated on an arm's length basis.

Mr. Warren Lee Wa Lun is the chairman of the Company and a director of YMIM. Mr. Arthur George Dew is a non-executive director of each of the Company and Allied Group Limited. Mr. Mark Wong Tai Chun is an executive director of the Company and a director of investment and senior management of Allied Group Limited. To avoid any possible conflict of interest, Mr. Warren Lee Wa Lun, Mr. Arthur George Dew and Mr. Mark Wong Tai Chun will not express their views on the Management Agreement and the annual caps thereunder.

INFORMATION IN RESPECT OF THE COMPANY AND YMIM

The Company is an investment company listed under Chapter 21 of the Listing Rules. The Company principally invests in listed and unlisted financial instruments.

YMIM is a licensed corporation permitted to carry out types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the Securities and Futures Ordinance. YMIM provides investment management services and corporate finance services in relation to listing matters to the Company.

GENERAL

An independent board committee comprising Dr. Ambrose So Shu Fai, Mr. Albert Ho and Mr. Louie Chun Kit has been formed to advise the Independent Shareholders in respect of the Management Agreement and the annual caps thereunder. The Independent Financial Adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Management Agreement and the annual caps thereunder.

The EGM will be convened at which ordinary resolution(s) will be proposed to consider and, if thought fit, approve the Management Agreement and the annual caps thereunder by way of a poll.

A circular containing, among others, further details of the Management Agreement, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee and a notice convening the EGM, will be despatched to the Shareholders as soon as practicable but no later than 10th December, 2012.

DEFINITIONS

“associates”	shall have the same meaning as is provided in the Listing Rules
“Board”	the board of Directors
“Company”	SHK Hong Kong Industries Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to approve the Management Agreement and the annual caps thereunder
“Financial Year”	the financial year of the Company during the Management Period, being the period of twelve months from 1st January to 31st December, or as otherwise determined by the Board

“Gross NAV”	the consolidated Net Asset Value at the relevant date, without deduction of Management Fees attributable to the relevant quarter
“Group”	the Company and its subsidiaries
“High Watermark”	during the term of the Management Agreement, (a) if a Performance Fee has been paid during the Management Period or in accordance with the Previous Agreement, the audited Net Asset Value as at 31st December of the latest Financial Year in which YMIM was entitled to a Performance Fee; or (b) if no Performance Fee has been paid during the term of the Management Agreement or in accordance with the Previous Agreement entered into between the same parties on 30th October, 2009 during that term, the Net Asset Value on the Renewal Date
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising Dr. Ambrose So Shu Fai, Mr. Albert Ho and Mr. Louie Chun Kit (all being independent non-executive Directors) to advise the Independent Shareholders in respect of the Management Agreement and the annual caps thereunder
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Management Agreement and the annual caps thereunder
“Independent Shareholders”	the Shareholders other than Allied Group Limited and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Agreement”	an investment management agreement entered into between the Company and YMIM on 19th November, 2012, in relation to the provision of the Services with effect from the Renewal Date, the terms of which shall be subject to approval by the Independent Shareholders
“Management Fee”	the fee payable to YMIM in respect of the management of the Company pursuant to the Management Agreement

“Management Period”	the period from the Renewal Date to 31st December, 2015
“Net Asset Value”	the consolidated net asset value of the Group attributable to the owners of the Company
“Performance Fee”	the fee payable to YMIM in respect of the performance of the Company pursuant to the Management Agreement
“Previous Agreement”	the investment management agreement made between the Company and YMIM dated 30th October, 2009
“Renewal Date”	1st January, 2013
“Services”	the services to be provided by YMIM to the Company pursuant to the Management Agreement (including certain investment management services and administrative services)
“Shares”	ordinary shares in the issued share capital of the Company from time to time, of a nominal value of HK\$0.10 each
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“YMIM”	Yu Ming Investment Management Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation under the Securities and Futures Ordinance permitted to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management)
“%”	per cent.

By Order of the Board
SHK Hong Kong Industries Limited
Warren Lee Wa Lun
Chairman

Hong Kong, 19th November, 2012

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.