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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)

## 2019 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, 2019 as below:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June, 2019

		<b>Unaudited</b>	
		<b>Six months ended 30th June,</b>	
		<b>2019</b>	<b>2018</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	<b>15,195</b>	13,073
Other net (loss)/income	4	<b>(10,207)</b>	23,601
Administrative and other operating expenses		<b>(12,618)</b>	(14,598)
Share of (loss)/gain of associates		<b>(514)</b>	101
Impairment losses on financial assets at fair value through other comprehensive income		–	(1,376)
<b>(Loss)/profit before income tax</b>	<b>6</b>	<b>(8,144)</b>	20,801
Income tax expense	7	–	–
<b>(Loss)/profit for the period</b>		<b>(8,144)</b>	20,801
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company		<b>(8,144)</b>	14,120
Non-controlling interests		–	6,681
		<b>(8,144)</b>	20,801
<b>(Loss)/earnings per share attributable to the owners of the Company (HK cents):</b>			
Basic	8	<b>(0.20)</b>	0.34
Diluted		<b>(0.20)</b>	0.34
Turnover – gross proceeds and revenue	3	<b>156,156</b>	556,753

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30th June, 2019*

	<b>Unaudited</b>	
	<b>Six months ended 30th June,</b>	
	<b>2019</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period	<b>(8,144)</b>	20,801
<b>Other comprehensive income/(expenses)</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Change in fair value of financial assets at fair value through other comprehensive income (“FVOCI”) offset by impairment losses	<b>2,943</b>	(2,656)
Reclassification adjustment for realisation upon redemption of financial assets at FVOCI	–	(2,994)
	<hr/>	<hr/>
<b>Other comprehensive income/(expenses) for the period, net of tax</b>	<b>2,943</b>	(5,650)
	<hr/>	<hr/>
<b>Total comprehensive (expenses)/income for the period</b>	<b>(5,201)</b>	15,151
	<hr/>	<hr/>
<b>Total comprehensive (expenses)/income for the period attributable to:</b>		
Owners of the Company	<b>(5,201)</b>	8,470
Non-controlling interests	–	6,681
	<hr/>	<hr/>
	<b>(5,201)</b>	15,151
	<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2019

	Notes	Unaudited 30th June, 2019 HK\$'000	Audited 31st December, 2018 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interests in associates		295	808
Amount due from an associate		10,263	9,736
Financial assets at FVOCI	10	97,178	102,869
Financial assets at fair value through profit or loss ("FVPL")	11	179,368	157,555
		<u>287,104</u>	<u>270,968</u>
<b>Current assets</b>			
Financial assets at FVOCI	10	8,215	–
Other receivables and prepayment		15	489
Financial assets at FVPL	11	577,992	464,035
Cash and cash equivalents		225,270	387,053
		<u>811,492</u>	<u>851,577</u>
<b>Current liabilities</b>			
Trade and other payables and accrued expenses	12	809	19,334
Amount due to a holding company		169	341
Amount due to a fellow subsidiary		4,524	4,575
		<u>5,502</u>	<u>24,250</u>
<b>Net current assets</b>		<u>805,990</u>	<u>827,327</u>
<b>Total assets less current liabilities</b>		<u>1,093,094</u>	1,098,295
<b>Net assets</b>		<u>1,093,094</u>	<u>1,098,295</u>
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		918,978	918,978
Reserves		166,434	171,635
		<u>1,085,412</u>	<u>1,090,613</u>
Non-controlling interests		7,682	7,682
<b>Total equity</b>		<u>1,093,094</u>	<u>1,098,295</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, 2019 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, 2018 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, 2018 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, 2018, except for the adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include individual Hong Kong Financial Reporting Standards, HKASs and Interpretations) as disclosed below.

### Adoption of New/Revised HKFRSs – effective 1st January, 2019

In the current period, the Group has applied for the first time the following new/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, 2019

Annual Improvements to HKFRS	Annual Improvements 2015-2017 Cycle
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

The adoption of these new/revised HKFRSs has no significant impact on the Group’s unaudited interim condensed consolidated financial statements.

### 3. TURNOVER AND REVENUE

Turnover represents revenue of the Group of HK\$15,195,000 (2018: HK\$13,073,000) and the gross proceeds from disposal of equity securities held for trading of the Group of HK\$140,961,000 (2018: HK\$543,680,000).

Revenue from the Group's principal activities, the investments in listed and unlisted financial instruments, recognised during the period is as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30th June,</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income from financial assets at FVOCI	<b>4,477</b>	4,616
Interest income from bank deposits	<b>996</b>	711
	<hr/>	<hr/>
Total interest income derived from financial assets not at FVPL	<b>5,473</b>	5,327
Dividend income		
– Listed investments	<b>6,826</b>	7,746
– Unlisted investments	<b>2,896</b>	–
	<hr/>	<hr/>
	<b>15,195</b>	13,073
	<hr/>	<hr/>

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

	<b>Unaudited</b>	
	<b>Six months ended 30th June,</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Fair value (loss)/gain on financial assets at FVPL	<b>(10,872)</b>	877
Sundry income	<b>665</b>	327
Reversal of impairment loss on interest in an associate	–	15,379
Realised gain on redemption of financial assets at FVOCI	–	7,018
	<hr/>	<hr/>
	<b>(10,207)</b>	23,601
	<hr/>	<hr/>

### 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. (LOSS)/PROFIT BEFORE INCOME TAX

	<b>Unaudited</b>	
	<b>Six months ended 30th June,</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(Loss)/profit before income tax is arrived at after charging/(crediting):		
Management fee	<b>8,213</b>	9,507
Employee benefit expenses (including Directors' emoluments)	<b>1,531</b>	1,531
Impairment losses on financial assets at FVOCI	–	1,376
Reversal of impairment loss on interest in an associate	–	(15,379)
	<u>          </u>	<u>          </u>

## 7. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for the six months ended 30th June, 2019 and 2018 as certain subsidiaries of the Group have no estimated assessable profits and certain subsidiaries of the Group have sufficient tax losses brought forward to set off the estimated assessable profits.

## 8. (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, 2019 is based on the loss attributable to the owners of the Company of approximately HK\$8,144,000 (2018: profit of approximately HK\$14,120,000) and on the weighted average number of 4,111,704,320 (2018: 4,111,704,320) ordinary shares in issue during the period.

Diluted (loss)/earnings per share for the six months ended 30th June, 2019 and 2018 is the same as the basic (loss)/earnings per share as the Group had no dilutive potential ordinary shares during the period.

## 9. DIVIDEND

	<b>Unaudited</b>	
	<b>Six months ended 30th June,</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Dividends recognised as distribution during the period:		
2018 Interim dividend of Nil (2018: 2017 interim dividend (in lieu of a final dividend) of HK\$0.05 per share)	–	205,585
	<u>          </u>	<u>          </u>

At a Board meeting held on 16th August, 2019, the Board resolved not to declare an interim dividend for the period (2018: Nil).

## 10. FINANCIAL ASSETS AT FVOCI

	<b>Unaudited 30th June, 2019 HK\$'000</b>	Audited 31st December, 2018 HK\$'000
Non-current		
Debt securities, at fair value		
– Listed in Hong Kong	<b>31,045</b>	38,937
– Listed outside Hong Kong	<b>58,254</b>	56,185
Unlisted debt securities, at fair value	<b>7,879</b>	7,747
	<b>97,178</b>	102,869
Current		
Debt securities, at fair value		
– Listed in Hong Kong	<b>8,215</b>	–
	<b>105,393</b>	102,869

## 11. FINANCIAL ASSETS AT FVPL

	<b>Unaudited 30th June, 2019 HK\$'000</b>	Audited 31st December, 2018 HK\$'000
Non-current		
Unlisted equity securities, at fair value	<b>179,368</b>	157,555
Current		
Equity securities held for trading, at fair value		
– Listed in Hong Kong	<b>354,581</b>	403,551
– Listed outside Hong Kong	<b>223,411</b>	60,484
Market value of listed equity securities	<b>577,992</b>	464,035
	<b>757,360</b>	621,590

## 12. TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

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, 2019 HK\$'000</b>	Audited 31st December, 2018 HK\$'000
Within one year	<b>–</b>	17,973

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

The Group recorded a net loss attributable to the owners of the Company of approximately HK\$8.1 million (2018: profit of approximately HK\$14.1 million) for the six months ended 30th June, 2019 (the “2019 Interim Period”), comprising loss of approximately HK\$22.8 million from investment in equity securities and associates (2018: profit of approximately HK\$19.6 million), fair value profit of approximately HK\$19.9 million from investment funds and sub-participation (2018: fair value loss of approximately HK\$4.9 million) and profit contribution of approximately HK\$5.1 million from bond investments (2018: approximately HK\$10.6 million).

Hang Seng Index and Hang Seng China Enterprises Index increased by 10.4% and by 7.5% respectively over the 2019 Interim Period, the Group’s net asset value attributable to the owners of the Company decreased by 0.5% to HK\$1.09 billion at the end of the 2019 Interim Period.

### INVESTMENT REVIEW

As at 30th June, 2019, the Group’s major investments were as follows:

<b>Investments</b>	<b>Description</b>
Listed Equities	HK\$578.0 million of a portfolio of twenty-two listed shares
Fixed Income	HK\$105.4 million of fixed income instruments issued and/or guaranteed by one overseas government and five companies listed in Hong Kong or overseas or their subsidiaries
Investment Funds	HK\$132.1 million in seven investment funds
Sub-participation in Unlisted Investment	Sub-participation of HK\$47.3 million in an unlisted investment
Direct Investments in Unlisted Equities	HK\$10.5 million in two direct investments in unlisted equities

The Group’s portfolio of investments mainly comprised securities in Hong Kong, Taiwan, United States and Malaysia.

### PROSPECTS, INVESTMENT BASIS AND STRATEGY

At the time of writing, Hang Seng Index has already erased all the gain in 2019. Renminbi has fallen below seven to one United States dollar after the continual escalation of the trade war with the United States, tanking risk assets significantly.



We are wary of the risk of the vicious loop: more tariffs by the United States imposed on China could trigger more Renminbi depreciation, which in turn can lead to more retaliatory tariffs on China. At present, China government is still reluctant to embark on another round of massive stimulus to avoid rising national debt level and increasing property price bubble. China will only implement pro-growth policies if it considers, a financial or economic crisis is imminent. Against this backdrop, for equity investments, although Hang Seng index is trading at the low end of the valuation band in recent years, we are still cautious and will only consider accumulating stocks with decent growth profile and attractive valuations. Meanwhile, we have increased our bond portfolio with medium yield and credit profile as the interest rate of the United States is expected to drop further. It can provide our portfolio with a stable income stream amid the volatile investment environment.

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

As at 30th June, 2019, the Group had cash and cash equivalents of approximately HK\$225.3 million (at 31st December, 2018: approximately HK\$387.1 million), investments of approximately HK\$873.3 million (at 31st December, 2018: approximately HK\$735.0 million) and no bank borrowings as at 30th June, 2019 and 31st December, 2018. 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, 2019, was 0% (at 31st December, 2018: 0%).

## **FOREIGN EXCHANGE EXPOSURE**

As at 30th June, 2019, 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 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 2019 Interim Period (2018: Nil).

## **GUARANTEE**

The Company has given guarantee to financial institution to secure banking facility available to its wholly-owned subsidiary in the amount not exceeding HK\$40.0 million as at 30th June, 2019 (at 31st December, 2018: HK\$40.0 million).

## **MATERIAL ACQUISITION AND DISPOSAL**

The Group did not have any material acquisition or disposal of subsidiaries, associates or joint ventures during the 2019 Interim Period.

## **STAFF COSTS**

The Group's total staff costs (including Directors' emoluments) for the 2019 Interim Period amounted to approximately HK\$1.5 million (2018: approximately HK\$1.5 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 2019 including a general review of the unaudited interim condensed consolidated financial statements for the six months ended 30th June, 2019. 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 as set out in Appendix 14 to the Listing Rules during the 2019 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 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 2019 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 2019 Interim Period.

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

Hong Kong, 16th August, 2019

*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.*