

*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)

## ANNOUNCEMENT OF 2010 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, 2010 as follows:

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2010

	<i>Notes</i>	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Revenue</b>	3	<b>44,064</b>	38,993
<b>Other net income</b>	4	<b>89,028</b>	301,099
<b>Administrative and other operating expenses</b>		<b>(43,230)</b>	(43,969)
<b>Operating profit</b>		<b>89,862</b>	296,123
Finance costs	5	<b>(446)</b>	(480)
<b>Profit before income tax</b>	6	<b>89,416</b>	295,643
Income tax expense	7	<b>(137)</b>	(61)
<b>Profit for the year attributable to the owners of the Company</b>		<b>89,279</b>	295,582
<b>Earnings per share attributable to the owners of the Company (HK cents)</b>			
– Basic	9	<b>2.34</b>	9.34
– Diluted		<b>2.24</b>	9.03

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*FOR THE YEAR ENDED 31ST DECEMBER, 2010*

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit for the year	<b>89,279</b>	295,582
<b>Other comprehensive income</b>		
Change in fair value of available-for-sale financial assets	<b>18,100</b>	64,812
Reclassification adjustment upon disposal of available-for-sale financial assets	<b>(25,464)</b>	–
<b>Other comprehensive (expenses)/income for the year, net of tax</b>	<b>(7,364)</b>	64,812
<b>Total comprehensive income for the year attributable to the owners of the Company</b>	<b>81,915</b>	360,394

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31ST DECEMBER, 2010*

	<i>Notes</i>	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interests in associates		<b>18,155</b>	18,155
Available-for-sale financial assets	<i>10</i>	<b>521,573</b>	381,256
Held-to-maturity investments	<i>11</i>	<u>–</u>	<u>51,516</u>
		<b>539,728</b>	450,927
<b>Current assets</b>			
Trade and other receivables and prepayment	<i>12</i>	<b>461</b>	8,634
Amount due from a fellow subsidiary		<b>30</b>	256
Financial assets at fair value through profit or loss	<i>13</i>	<b>813,747</b>	534,350
Pledged bank deposits		<b>1,497</b>	3,955
Cash and cash equivalents		<u><b>22,133</b></u>	<u>247,110</u>
		<b>837,868</b>	794,305
<b>Current liabilities</b>			
Other payables and accrued expenses		<b>1,611</b>	12,051
Amount due to a holding company		<b>293</b>	293
Amount due to a fellow subsidiary		<b>17,438</b>	4,627
Borrowings		<b>23,410</b>	27,216
Financial liabilities at fair value through profit or loss	<i>14</i>	<b>68,712</b>	59,216
Taxation payable		<u><b>137</b></u>	<u>1,271</u>
		<b>111,601</b>	104,674
<b>Net current assets</b>		<u><b>726,267</b></u>	<u>689,631</u>
<b>Total assets less current liabilities</b>		<u><b>1,265,995</b></u>	<u>1,140,558</u>
<b>Net assets</b>		<u><b>1,265,995</b></u>	<u>1,140,558</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)**  
*AS AT 31ST DECEMBER, 2010*

	<i>Notes</i>	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		<b>409,350</b>	373,879
Reserves		<b>848,594</b>	766,679
		<b>1,257,944</b>	1,140,558
<b>Non-controlling interests</b>		<b>8,051</b>	–
<b>Total equity</b>		<b>1,265,995</b>	1,140,558
<b>Net asset value per share attributable to the owners of the Company (HK\$)</b>	<i>15</i>	<b>0.31</b>	0.31

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2010**

	Equity attributable to the owners of the Company						Non-controlling interests	Total Equity	
	Share capital	Share premium	Capital redemption reserve	Capital contribution reserve	Investment revaluation reserve	(Accumulated losses)/ retained earnings			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st January, 2009	186,917	492,746	20,032	367	(4,776)	(97,114)	598,172	–	598,172
Profit for the year	–	–	–	–	–	295,582	295,582	–	295,582
Other comprehensive income:									
Change in fair value of available-for-sale financial assets	–	–	–	–	64,812	–	64,812	–	64,812
Total comprehensive income for the year	–	–	–	–	64,812	295,582	360,394	–	360,394
Proceeds from shares issued	186,917	–	–	–	–	–	186,917	–	186,917
Share issuance expenses	–	(4,970)	–	–	–	–	(4,970)	–	(4,970)
Exercise of warrants	45	–	–	–	–	–	45	–	45
Transactions with owners	186,962	(4,970)	–	–	–	–	181,992	–	181,992
At 31st December, 2009 and 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:									
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
<b>At 31st December, 2010</b>	<b>409,350</b>	<b>487,776*</b>	<b>20,032*</b>	<b>367*</b>	<b>52,672*</b>	<b>287,747*</b>	<b>1,257,944</b>	<b>8,051</b>	<b>1,265,995</b>

\* The aggregate amount of these balances of HK\$848,594,000 (2009: HK\$766,679,000) 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 new or revised 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, 2010.

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except for as explained below, the adoption of these new HKFRSs has no significant impact on the Group’s financial statements.

#### **HKFRS 3 (Revised) – Business Combinations and HKAS 27 (Revised) – Consolidated and Separate Financial Statements**

The revised accounting policies are effective prospectively for business combinations effected in financial periods beginning on or after 1st July, 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has no impact to the financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of the revised HKAS 27 has no material impact on the Group in the current year.

#### **HK Interpretation 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause**

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause. The adoption of the interpretation has no impact to the Group’s financial statements as the Group’s borrowings are short-term in nature.

### 3. Revenue and segment information

Turnover of the Group is the revenue from the investments in listed and unlisted financial instruments.

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest income from available-for-sale financial assets and held-to-maturity investments	28,612	28,361
Interest income from bank deposits	160	519
Dividend income		
– listed investments	14,277	9,745
– unlisted investments	1,015	368
	<u>44,064</u>	<u>38,993</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 income

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Fair value gain on financial assets and liabilities at fair value through profit or loss	45,796	243,232
Gain on disposal/redemption of available-for-sale financial assets and held-to maturity investments	43,032	8,238
Sundry income	581	177
Exchange loss, net	(381)	(548)
Receipts on interests in Grand China Shares	–	50,000
	<u>89,028</u>	<u>301,099</u>

### 5. Finance costs

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	<u>446</u>	<u>480</u>

## 6. Profit before income tax

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit before income tax is arrived at after charging:		
Employee benefit expense (including Directors' emoluments)	3,300	5,403
Management fee	17,722	14,124
Performance fee	12,291	–
Write-off of trade receivable	–	18,008
	<u>          </u>	<u>          </u>

## 7. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year.

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current tax – under provision in prior year	<u>137</u>	<u>61</u>

## 8. Dividend

The Directors propose to preserve cash for investment activities and do not recommend any dividend for the year ended 31st December, 2010 and 2009.

## 9. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company of approximately HK\$89,279,000 (2009: profit of approximately HK\$295,582,000) and on the weighted average number of approximately 3,816,044,000 (2009: approximately 3,164,880,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the adjusted profit attributable to the owners of the Company of approximately HK\$89,279,000 (2009: profit of approximately HK\$295,582,000) and on the weighted average number of approximately 3,989,809,000 (2009: approximately 3,272,433,000) ordinary shares outstanding during the year, after adjusting for the effect of dilutive potential ordinary shares for warrants.

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (profit for the year attributable to the owners of the Company)	89,279	295,582
Adjustments to earnings in respect of the effect of dilutive potential ordinary shares arising from warrants of the Company	<u>          </u>	<u>          </u>
Earnings for the purpose of diluted earnings per share	<u>89,279</u>	<u>295,582</u>



**9. Earnings per share (Cont'd)**

	<b>2010</b> <b>'000</b>	2009 <b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>3,816,044</b>	3,164,880
Effect of dilutive potential ordinary shares for warrants	<b>173,765</b>	107,553
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>3,989,809</b>	3,272,433
	<hr/>	<hr/>

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

	<b>2010</b> <b>HK\$'000</b>	2009 <b>HK\$'000</b>
Listed equity and debt securities, at fair value	<b>461,322</b>	347,900
Unlisted equity securities, at fair value	<b>37,396</b>	33,356
Unlisted debt securities, at fair value	<b>22,855</b>	–
	<hr/>	<hr/>
	<b>521,573</b>	381,256
	<hr/>	<hr/>

**11. Held-to-maturity investments**

	<b>2010</b> <b>HK\$'000</b>	2009 <b>HK\$'000</b>
Unlisted debt securities, at amortised cost	–	16,990
Listed debt securities, at amortised cost	–	34,526
	<hr/>	<hr/>
	–	51,516
	<hr/>	<hr/>

During the year ended 31st December, 2010, held-to-maturity debt securities at amortised cost of approximately HK\$14,156,000 (2009: Nil) were disposed of at a profit of approximately HK\$4,507,000 (2009: Nil). The disposal was to modify the maturity and risk profile of the investment portfolio. Based on this change, the management have reclassified all the held-to-maturity debt securities, with carrying amount at amortised cost of approximately HK\$38,372,000, from the held-to-maturity category to the available-for-sale category, with fair value of approximately HK\$48,332,000 on date of reclassification.

**12. Trade and other receivables and prepayment**

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Prepayment	<b>461</b>	636
Trade receivables	–	7,985
Other receivables	–	13
	<hr/> <b>461</b>	<hr/> 8,634

The ageing analysis of the trade receivables was as follows:

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Within one year	–	7,985

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

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Equity securities held for trading		
– Listed in Hong Kong	<b>725,361</b>	451,493
– Listed outside Hong Kong	<b>80,602</b>	52,083
	<hr/> <b>805,963</b>	<hr/> 503,576
Market value of listed securities		
Conversion options embedded in convertible bonds, at fair value	<b>5,630</b>	9,178
Unlisted warrants, at fair value	<b>2,154</b>	12,540
Unlisted equity securities, at fair value	–	9,056
	<hr/> <b>813,747</b>	<hr/> 534,350

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

	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Call options embedded in bonds and notes, at fair value	<b>68,712</b>	59,216

**15. 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\$1,257,944,000 (2009: approximately HK\$1,140,558,000) and 4,093,504,791 (2009: 3,738,789,813) ordinary shares in issue as at 31st December, 2010.

## OVERVIEW

The Group's profit for the year ended 31st December, 2010 was derived primarily from investments in equities and bonds.

The Group made a net profit of HK\$101.6 million for the year as compared to HK\$295.6 million in 2009, before deducting the performance fee of HK\$12.3 million. Net profit after tax for the year was HK\$89.3 million (2009: HK\$295.6 million), including (before fees, expenses and finance costs) HK\$72.2 million from equity related investments (2009: HK\$236.0 million) and HK\$54.6 million from bond investments (2009: HK\$45.2 million).

As at 31st December, 2010, the Group's net assets attributable to the owners of the Company increased by 10.3% to approximately HK\$1,257.9 million (or 7.2% excluding effects of HK\$35.5 million for the exercise of warrants into shares of the Company). For comparison, Hang Seng Index rose by 5.3% and Hang Seng China Enterprises Index dropped by 0.8% during 2010.

## INVESTMENT REVIEW

Return of our investment outperformed the Hong Kong stock market for three consecutive years. It is worth noting that we achieved the results with a balanced portfolio of equities, bonds and cash, which we consider as bearing lower risk than a pure equity portfolio.

As at 31st December, 2010, the Group's major investments were as follows:

<b>Investments</b>	<b>Description</b>
Listed Equities	HK\$820.9 million of a portfolio of listed shares in 59 companies
Bonds	HK\$406.1 million of bonds issued by 13 companies listed in Hong Kong and overseas
Investment Funds	HK\$37.4 million in 2 investment funds
Direct Investment in Unlisted Equity	HK\$10.1 million in 1 direct investment in unlisted equity
Unlisted Warrants	HK\$2.2 million in 60,000 warrants in Asia Alliance Holdings Co., Limited (formerly known as 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 mainly in the second half of 2010.

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

The Group made a direct investment in unlisted equity in a business providing online education services in the Mainland. No material gain or loss was recorded for the direct investment in the year.

The five most profitable equity securities in our portfolio during the year are shares in Dan Form Holdings Company Limited, Viva China Holdings Limited, TCL Communication Technology Holdings Limited, Anhui Conch Cement Company Limited and Hutchison Whampoa Limited.

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

## **DIVIDENDS**

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, 2010 (2009: Nil).

## **PROSPECTS**

2010 was an eventful year, but ending with a lacklustre market performance. The market in 2010 was battered by the quantitative easing in the United States and economic growth in China on one hand, and sovereign debt crisis amongst certain members in European Union and credit tightening in China on the other hand. 2011 will be dominated by possible slower growth for China targeted in 2011, monetary tightening in Europe, the effect of the tragic earthquake in Japan and the political unrest in North Africa and Middle East. It is therefore expected that volatility will continue, especially in the emerging markets. Our investment strategy will be research and company based. We are also convinced that interest rates will no longer stay low, and will see a gradual tightening starting in Europe, and as such we have reduced our position significantly in bonds with a single digit yield in the first quarter of 2011. We will be watchful of events as they unfold and adjust our portfolio combinations prudently so as to maximize returns for our shareholders.

## **FINANCIAL POSITION AND GEARING RATIO**

As at 31st December, 2010, the Group had cash, cash equivalents and pledged bank deposits totalling HK\$23.6 million, investments of approximately HK\$1,276.7 million and 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, 2010, was 2% (at 31st December, 2009: 2%).

## **FOREIGN EXCHANGE EXPOSURE**

As at 31st December, 2010, 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\$555.5 million (as at 31st December, 2009: HK\$255.1 million). Facilities amounting to HK\$23.4 million (2009: HK\$27.2 million) were utilised as at 31st December, 2010.

## **STAFF COSTS**

The Group's total staff costs (including Directors' emoluments) for the year ended 31st December, 2010 amounted to approximately HK\$3.3 million (2009: approximately HK\$5.4 million).

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including review of annual results for the year ended 31st December, 2010. 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, 2010.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND NON-COMPLIANCE OF RULES 3.10(1) AND 3.21 OF THE LISTING RULES**

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, 2010, except for the following deviation. Also, the non-compliance of rules 3.10(1) and 3.21 of the Listing Rules is explained below.

### **Code provision B.1.1**

The code provision B.1.1 of the CG Code states that a majority of the members of the remuneration committee should be independent non-executive directors.

The Company used to have a Remuneration Committee which comprised two Independent Non-Executive Directors and one Non-Executive Director. During the period from 12th April, 2010 to 25th August, 2010, there were only two members in the Remuneration Committee i.e. one Independent Non-Executive Director and one Non-Executive Director.

As mentioned in the next section, this constitutes a deviation from the code provision B.1.1 of the CG Code for the period from 12th April, 2010 to 25th August, 2010.

### **Non-compliance of rules 3.10(1) and 3.21 of the Listing Rules**

On 12th April, 2010, Ms. Lam Tak Yee resigned as an Independent Non-Executive Director and member of Audit Committee and Remuneration Committee of the Company. Subsequent to the resignation of Ms. Lam, the Company had not been able to comply with the requirements of rule 3.10(1) (minimum of three independent non-executive directors) and rule 3.21 (minimum of three audit committee members with majority of independent non-executive directors) of the Listing Rules (the “said Rules”). During the period from 12th April, 2010 to 25th August, 2010, the Company has only two Independent Non-Executive Directors, namely Mr. Ambrose So Shu Fai and Mr. Albert Ho and two members of Audit Committee, namely Mr. Albert Ho (Chairman of the Audit Committee) and Mr. Arthur George Dew (a Non-Executive Director).

This constitutes non-compliance of the said Rules for the period from 12th April, 2010 to 25th August, 2010.

On 26th August, 2010, Mr. Louie Chun Kit was appointed as an Independent Non-Executive Director, and member of Audit Committee and Remuneration Committee of the Company. Thereafter, the Company has fully complied with the requirement of the said Rules and code provision of B.1.1 of the CG Code.

## **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, 2010 have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s draft 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, 25th March, 2011

*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 Mr. Louie Chun Kit.*