SHK 新工投資有限公司
SHK Hong Kong Industries Limited

(Incorporated in Hong Kong with limited liability)
(Stock Code: 666)

2018 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, 2018 as below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June, 2018

		Unaudited Six months ended 30th June,	
		2018	2017(*)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**13,073**	8,824
Other net income	*4*	**23,601**	103,751
Administrative and other operating expenses		**(14,598)**	(12,624)
Share of gain/(loss) of associates		**101**	(551)
Impairment losses on financial assets at fair value through other comprehensive income		**(1,376)**	–
Profit before income tax	*6*	**20,801**	99,400
Income tax expense	*7*	**–**	–
Profit for the period		**20,801**	99,400
Profit for the period attributable to:			
Owners of the Company		**14,120**	99,397
Non-controlling interests		**6,681**	3
		20,801	99,400
Earnings per share attributable to the owners of the Company (HK cents):	*8*		
Basic		**0.34**	2.42
Diluted		**0.34**	2.42

* The Group has initially applied HKFRS 9 at 1st January, 2018. Under the transition methods chosen, comparative information is not restated.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2018

	Unaudited Six months ended 30th June, **2018** ***HK$'000***	 2017(*) *HK$'000*
Profit for the period	**20,801**	99,400
Other comprehensive (expenses)/income		
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of financial assets at fair value through other comprehensive income ("FVOCI") offset by impairment losses	**(2,656)**	–
Reclassification adjustment for realisation upon redemption of financial assets at FVOCI	**(2,994)**	–
Change in fair value of available-for-sale financial assets	**–**	15,126
Share of other comprehensive income of an associate	**–**	89
Other comprehensive (expenses)/income for the period, net of tax	**(5,650)**	15,215
Total comprehensive income for the period	**15,151**	114,615
Total comprehensive income for the period attributable to:		
Owners of the Company	**8,470**	114,573
Non-controlling interests	**6,681**	42
	15,151	114,615

* The Group has initially applied HKFRS 9 at 1st January, 2018. Under the transition methods chosen, comparative information is not restated.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2018

	Notes	Unaudited 30th June, 2018 HK$'000	Audited 31st December, 2017(*) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in associates		**1,013**	3,133
Amount due from an associate		**9,514**	9,564
Financial assets at FVOCI	*10*	**46,443**	–
Financial assets at fair value through profit or loss	*11*	**167,080**	–
Available-for-sale financial assets	*12*	**–**	217,551
		224,050	230,248
Current assets			
Financial asset at FVOCI	*10*	**29,109**	–
Available-for-sale financial assets	*12*	**–**	86,564
Other receivables and prepayment		**85,209**	162
Financial assets at fair value through profit or loss	*11*	**476,268**	584,734
Cash and cash equivalents		**346,421**	464,208
		937,007	1,135,668
Assets classified as held for sale	*13*	**17,600**	–
		954,607	1,135,668
Current liabilities			
Other payables and accrued expenses		**18,229**	9,715
Amount due to a holding company		**166**	341
Amount due to a fellow subsidiary		**4,840**	7,462
Financial liabilities at fair value through profit or loss	*14*	**–**	4,921
		23,235	22,439
Net current assets		**931,372**	1,113,229
Total assets less current liabilities		**1,155,422**	1,343,477
Net assets		**1,155,422**	1,343,477
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**918,978**	918,978
Reserves		**228,745**	423,481
		1,147,723	1,342,459
Non-controlling interests		**7,699**	1,018
Total equity		**1,155,422**	1,343,477

* The Group has initially applied HKFRS 9 at 1st January, 2018. Under the transition methods chosen, comparative information is not restated.

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, 2018 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, 2017 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, 2017 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, 2017, 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.

(a) Adoption of New/Revised HKFRSs – effective 1st January, 2018

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, 2018.

HKFRS 9	Financial instruments
HK(IFRIC) 22	Foreign currency transactions and advance consideration
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 Cycle

The adoption of these new/revised HKFRSs has no significant impact on the Group's unaudited interim condensed consolidated financial statements except for HKFRS 9. Details of the changes in accounting policies are discussed in note 2(b).

(b) HKFRS 9 – Financial instruments

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Group has been impacted by HKFRS 9 in relation to classification of financial assets.

The Group has applied HKFRS 9 retrospectively to items that existed at 1st January, 2018 in accordance with the transition requirements. Under the transition methods chosen, the Group recognised cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1st January, 2018. Comparative information is not restated.

The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9.

	At 31st December, 2017 *HK$'000*	Impact on initial application of HKFRS 9 *HK$'000*	**At 1st January, 2018** ***HK$'000***
Available-for-sale financial assets	217,551	(217,551)	**–**
Financial assets at fair value through profit or loss ("FVPL")	–	170,989	**170,989**
Financial assets at FVOCI	–	48,705	**48,705**
Total non-current assets	230,248	2,143	**232,391**
Available-for-sale financial assets	86,564	(86,564)	**–**
Financial asset at FVOCI	–	81,879	**81,879**
Total current assets	1,135,668	(4,685)	**1,130,983**
Financial liabilities at FVPL	(4,921)	4,921	**–**
Total current liabilities	(22,439)	4,921	**(17,518)**
Net current assets	1,113,229	236	**1,113,465**
Total assets less current liabilities	1,343,477	2,379	**1,345,856**
Net assets	1,343,477	2,379	**1,345,856**
Reserves	423,481	2,379	**425,860**
Total equity attributable to owners of the Company	1,342,459	2,379	**1,344,838**
Total Equity	1,343,477	2,379	**1,345,856**

The following table summarises the impact of transition to HKFRS 9 on retained earnings and investment revaluation reserve at 1st January, 2018.

	HK$'000
Retained Earnings	
At 31st December, 2017	172,509
Transferred from investment revaluation reserve relating to financial assets now measured at FVPL	41,489
Remeasurement of equity securities measured at FVPL	2,379
Net increase in retained earnings at 1st January, 2018	43,868
At 1st January, 2018	**216,377**
Investment Revaluation Reserve	
At 31st December, 2017	45,001
Transferred to retained earnings relating to financial assets now measured at FVPL	(41,489)
Net decrease in investment revaluation reserve at 1st January, 2018	(41,489)
At 1st January, 2018	**3,512**

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at FVOCI and at FVPL. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial assets is managed and its contractual cash flow characteristics.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (without subsequent reclassification to profit or loss) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the investment revaluation reserve (without subsequent reclassification to profit or loss) until the investment is disposed of. At the time of disposal, the amount accumulated in the investment revaluation reserve (without subsequent reclassification to profit or loss) is transferred to retained earnings. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (without subsequent reclassification to profit or loss), are recognised in profit or loss.

Non-equity investments held by the group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table reconciles the carrying amounts of each class of the Group's assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31st December, 2017 *HK$'000*	Reclassification *HK$'000*	Remeasurement *HK$'000*	**HKFRS 9 carrying amount at 1st January, 2018** ***HK$'000***
Financial assets at FVPL				
Equity securities *(Note (i))*	–	168,610	2,379	**170,989**
Financial assets at FVOCI				
Debt securities *(Note (ii))*	–	130,584	–	**130,584**
Financial liabilities at FVPL				
Derivative financial instruments *(Note(ii))*	(4,921)	4,921	–	**–**
Financial assets classified as available-for-sale under HKAS 39 *(Note (i) & (ii))*	304,115	(304,115)	–	**–**

Note (i): Under HKAS 39, units in funds and sub-participation in unlisted investment not held for trading were classified as available-for-sale financial assets. They are classified as financial assets at FVPL under HKFRS 9 at 1st January, 2018.

Note (ii): Under HKAS 39, debt securities and embedded derivative financial instruments not held for trading were classified as available-for-sale financial assets and financial assets/liabilities at FVPL respectively. The Group considered that it is appropriate to classify these securities as financial assets at FVOCI under HKFRS 9 at 1st January, 2018 based on latest assessment.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECLs for other receivables, financial assets at amortised costs and debt investments at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowance for other receivables under HKFRS 9 simplified approach.

For debt financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt investments at FVOCI are considered to have low credit risk since the issuers' credit rating are high.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investments at FVOCI, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the assets.

Impact of the ECL model

(a) Impairment of debt investments

All of the Group's debt investments at FVOCI, included listed notes, are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month ECLs.

(b) Impairment of other receivables

Other financial assets at amortised cost of the Group includes amount due from an associate and other receivables. No ECL was recognised for other receivables and amount due from an associate on 1st January, 2018 and during the six month period ended 30th June, 2018.

As a result of the above changes, there is no impact of the new HKFRS 9 impairment model results in additional impairment allowance for the Group at 1st January, 2018.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in reserves as at 1st January, 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1st January, 2018 (the date of initial application of HKFRS 9 by the Group):

– the determination of the business model within which a financial asset is held; and

– certain investments in equity and debt securities to be classified as at FVOCI and at FVPL.

3. REVENUE

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

	Unaudited	
	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
Interest income from financial assets at FVOCI	**4,616**	–
Interest income from bank deposits	**711**	398
Interest income from available-for-sale financial assets	**–**	6,827
Total interest income derived from financial assets not at FVPL	**5,327**	7,225
Dividend income		
– Listed investments	**7,746**	1,599
	13,073	8,824

4. OTHER NET INCOME

	Unaudited	
	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
Reversal of impairment loss on interest in an associate	**15,379**	–
Realised gain on redemption of financial assets at FVOCI	**7,018**	–
Fair value gain on financial assets and liabilities at FVPL	**877**	103,359
Sundry income	**327**	392
	23,601	103,751

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. PROFIT BEFORE INCOME TAX

	Unaudited	
	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging/(crediting):		
Management fee	**9,507**	9,319
Employee benefit expenses (including Directors' emoluments)	**1,531**	1,428
Impairment losses on financial assets at FVOCI	**1,376**	–
Reversal of impairment loss on interest in an associate	**(15,379)**	–

7. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for the six months ended 30th June, 2018 and 2017 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. EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The calculation of basic earnings per share for the six months ended 30th June, 2018 is based on the profit attributable to the owners of the Company of approximately HK$14,120,000 (2017: approximately HK$99,397,000) and on the weighted average number of 4,111,704,320 (2017: 4,111,704,320) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30th June, 2018 and 2017 is same as the basic earnings per share as the Group had no dilutive potential ordinary shares during the period.

9. DIVIDEND

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

At a Board meeting held on 17th August, 2018, the Board resolved not to declare an interim dividend for the period (2017: Nil).

10. FINANCIAL ASSETS AT FVOCI

	Unaudited 30th June, 2018 *HK$'000*	Audited 31st December, 2017 *HK$'000*
Non-current		
Debt securities, at fair value		
– Listed in Hong Kong	**38,922**	–
– Listed outside Hong Kong	**7,521**	–
	46,443	–
Current		
Debt securities, at fair value		
– Listed outside Hong Kong	**29,109**	–
	75,552	–

11. FINANCIAL ASSETS AT FVPL

	Unaudited 30th June, 2018 *HK$'000*	Audited 31st December, 2017 *HK$'000*
Non-current		
Unlisted equity securities, at fair value	**167,080**	–
Current		
Equity securities held for trading, at fair value		
– Listed in Hong Kong	**386,471**	434,476
– Listed outside Hong Kong	**89,797**	150,258
Market value of listed securities	**476,268**	584,734
	643,348	584,734

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 30th June, 2018	Audited 31st December, 2017
	HK$'000	*HK$'000*
Non-current		
Debt securities, at fair value		
– Listed in Hong Kong	–	40,245
– Listed outside Hong Kong	–	8,696
Unlisted equity securities, at fair value	–	106,910
Unlisted equity securities, at cost	–	61,700
	–	217,551
Current		
Unlisted debt securities, at fair value	–	86,564
	–	304,115

13. ASSETS CLASSIFIED AS HELD FOR SALE

During the period ended 30th June, 2018, Charm Force Investment Limited ("Charm Force"), an indirect subsidiary of the Group, entered into a sales and purchases agreement, pursuant to which Charm Force agreed to sell the entire interest in an associate, Learning Ark Holdings Limited (the "Disposal").

The Disposal was completed on 5th July, 2018. As at 30th June, 2018, sales proceeds of HK$17,600,000 had been received by the Group and included in both cash and cash equivalents and receipts in advance. As a result of the Disposal, the interest in the associate had been presented as assets classified as held for sale in the condensed consolidated statement of financial position as at 30th June, 2018 in accordance with HKFRS 5.

14. FINANCIAL LIABILITIES AT FVPL

	Unaudited 30th June, 2018	Audited 31st December, 2017
	HK$'000	*HK$'000*
Derivative financial instruments		
– Call options embedded in bonds and notes, at fair value	–	4,921

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group recorded a net profit attributable to the owners of the Company of approximately HK$14.1 million for the six months ended 30th June, 2018 (the "2018 Interim Period") (2017: approximately HK$99.4 million).

Hang Seng Index and Hang Seng China Enterprises Index dropped by 3.2% and by 5.4% respectively over the 2018 Interim Period, the Group's net asset value attributable to the owners of the Company increased by 0.8% (after taking into account the dividend payment of HK$205.6 million) to HK$1.15 billion at the end of the 2018 Interim Period.

INVESTMENT REVIEW

As at 30th June, 2018, the Group's major investments were as follows:

Investments	**Description**
Listed Equities	HK$476.3 million of a portfolio of twenty listed shares
Fixed Income	HK$75.6 million of fixed income instruments issued and/or guaranteed by one overseas government and three companies listed in Hong Kong
Investment Funds	HK$135.2 million in eight investment funds
Sub-participation in Unlisted Investment	Sub-participation of HK$31.8 million in an unlisted investment
Direct Investments in Unlisted Equities	HK$20.4 million in three direct investments in unlisted equities (including an asset classified as held for sale)

The Group's portfolio of listed equities investments comprised securities in Hong Kong, United States and Malaysia.

PROSPECTS, INVESTMENT BASIS AND STRATEGY

Other than a strong start in January, Hong Kong stock market has been in the correction in the first half of 2018. Investors have been worried about the interest rate hike cycle in the United States and a deleveraging China. Adding to these concerns is the looming trade war between the United States and China, a new political tug of war not seen for many decades.

As mentioned in the 2017 annual report, we expect the investment market to be more challenging in 2018. We remain cautious. The growth momentum spurred by the stimulating policy since early 2016 in China has been losing steam. China is already debt laden (both government, household and corporate) and has difficulty in undertaking strong loosening fiscal and monetary policy. Also, there is no sign that the Federal Reserve of United States backing off from an interest rate hike any time soon. We may further de-risk on market rebound.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 30th June, 2018, the Group had cash and cash equivalents of approximately HK$346.4 million (at 31st December, 2017: approximately HK$464.2 million), investments of approximately HK$739.3 million (at 31st December, 2017: approximately HK$895.6 million) and no bank borrowings as at 30th June, 2018 and 31st December, 2017. 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, 2018, was 0% (at 31st December, 2017: 0%).

FOREIGN EXCHANGE EXPOSURE

As at 30th June, 2018, 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 2018 Interim Period (2017: 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, 2018 (at 31st December, 2017: HK$40.0 million).

MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in this results announcement, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the 2018 Interim Period.

STAFF COSTS

The Group's total staff costs (including Directors' emoluments) for the 2018 Interim Period amounted to approximately HK$1.5 million (2017: approximately HK$1.4 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 2018 including a general review of the unaudited interim condensed consolidated financial statements for the six months ended 30th June, 2018. 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 2018 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 2018 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 2018 Interim Period.

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

Hong Kong, 17th August, 2018

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.