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

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

## ANNOUNCEMENT OF 2015 RESULTS

### RESULTS

The Board of Directors (the “Board”) of SHK Hong Kong Industries Limited (the “Company”) announces that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2015 are as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31st December, 2015*

|   | <i>Notes</i> | <b>2015</b><br><b>HK\$'000</b> | 2014<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Revenue   | 3            | <b>33,783</b>                  | 36,680                  |
| Other net (loss)/income   | 4            | <b>(67,908)</b>                | 126,228                 |
| Administrative and other operating expenses   | 6            | <b>(70,690)</b>                | (63,508)                |
| Finance costs   | 5            | <b>(13)</b>                    | –                       |
| Share of loss of joint ventures   |              | <b>(540)</b>                   | (11,450)                |
| Share of profit of associates   |              | <b>1,825</b>                   | 311                     |
|   |              | <hr/>                          | <hr/>                   |
| <b>(Loss)/profit before income tax</b>  | 6            | <b>(103,543)</b>               | 88,261                  |
| Income tax expense  | 7            | –                              | (1,827)                 |
|   |              | <hr/>                          | <hr/>                   |
| <b>(Loss)/profit for the year</b>   |              | <b>(103,543)</b>               | 86,434                  |
|   |              | <hr/>                          | <hr/>                   |
| <b>(Loss)/profit for the year attributable to:</b>                                    |              |                                |                         |
| Owners of the Company   |              | <b>(103,989)</b>               | 87,105                  |
| Non-controlling interests   |              | <b>446</b>                     | (671)                   |
|   |              | <hr/>                          | <hr/>                   |
|   |              | <b>(103,543)</b>               | 86,434                  |
|   |              | <hr/>                          | <hr/>                   |
| <b>(Loss)/earnings per share attributable to the owners of the Company (HK cents)</b> | 9            |                                |                         |
| – Basic   |              | <b>(2.53)</b>                  | 2.12                    |
|   |              | <hr/>                          | <hr/>                   |
| – Diluted   |              | <b>(2.53)</b>                  | 2.12                    |
|   |              | <hr/>                          | <hr/>                   |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2015

|   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| (Loss)/profit for the year  | (103,543)               | 86,434                  |
| <b>Other comprehensive income/(expenses)</b>  |                         |                         |
| <i>Items that may be reclassified subsequently to profit or loss:</i>   |                         |                         |
| Change in fair value of available-for-sale financial assets   | 2,119                   | 13,068                  |
| Reclassification adjustment for realisation upon redemption/<br>disposal of available-for-sale financial assets | (3,917)                 | (14,688)                |
| Share of other comprehensive income of joint ventures   | 21                      | 316                     |
| Share of other comprehensive expenses of an associate   | (187)                   | (46)                    |
| <b>Other comprehensive expenses for the year, net of tax</b>  | <u>(1,964)</u>          | <u>(1,350)</u>          |
| <b>Total comprehensive (expenses)/income for the year</b>   | <u>(105,507)</u>        | <u>85,084</u>           |
| <b>Total comprehensive (expenses)/income for<br/>the year attributable to:</b>                                  |                         |                         |
| Owners of the Company   | (105,872)               | 85,775                  |
| Non-controlling interests   | <u>365</u>              | <u>(691)</u>            |
|   | <u>(105,507)</u>        | <u>85,084</u>           |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2015

|  | <i>Notes</i> | <b>2015</b><br><b>HK\$'000</b> | 2014<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <b>ASSETS AND LIABILITIES</b>                              |              |                                |                         |
| <b>Non-current assets</b>                                  |              |                                |                         |
| Interests in joint ventures                                |              | –                              | 519                     |
| Interests in associates                                    |              | <b>4,311</b>                   | 2,673                   |
| Amount due from an associate                               |              | <b>8,569</b>                   | 9,393                   |
| Available-for-sale financial assets                        | <i>10</i>    | <b>160,120</b>                 | 281,956                 |
|  |              | <b>173,000</b>                 | 294,541                 |
| <b>Current assets</b>                                      |              |                                |                         |
| Available-for-sale financial assets                        | <i>10</i>    | <b>49,158</b>                  | –                       |
| Trade and other receivables and prepayment                 | <i>11</i>    | <b>25,809</b>                  | 30,981                  |
| Amounts due from joint ventures                            |              | <b>5,143</b>                   | 38,881                  |
| Financial assets at fair value through profit or loss      | <i>12</i>    | <b>672,382</b>                 | 816,467                 |
| Security deposits  |              | <b>6,290</b>                   | 461                     |
| Cash and cash equivalents                                  |              | <b>313,909</b>                 | 244,608                 |
|  |              | <b>1,072,691</b>               | 1,131,398               |
| <b>Current liabilities</b>                                 |              |                                |                         |
| Trade and other payables and accrued expenses              | <i>13</i>    | <b>1,337</b>                   | 12,115                  |
| Amount due to a holding company                            |              | <b>328</b>                     | 316                     |
| Amount due to a fellow subsidiary                          |              | <b>5,091</b>                   | 27,045                  |
| Financial liabilities at fair value through profit or loss | <i>14</i>    | <b>8,962</b>                   | 9,866                   |
|  |              | <b>15,718</b>                  | 49,342                  |
| <b>Net current assets</b>                                  |              | <b>1,056,973</b>               | 1,082,056               |
| <b>Total assets less current liabilities</b>               |              | <b>1,229,973</b>               | 1,376,597               |
| <b>Net assets</b>  |              | <b>1,229,973</b>               | 1,376,597               |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)***As at 31st December, 2015*

|   | <i>Notes</i> | <b>2015</b><br><b>HK\$'000</b> | 2014<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| <b>EQUITY</b>   |              |                                |                         |
| <b>Equity attributable to the owners of the Company</b>                           |              |                                |                         |
| Share capital   |              | <b>918,978</b>                 | 918,978                 |
| Reserves  |              | <b>309,947</b>                 | 456,936                 |
|   |              | <b>1,228,925</b>               | 1,375,914               |
| Non-controlling interests   |              | <b>1,048</b>                   | 683                     |
| <b>Total equity</b>   |              | <b>1,229,973</b>               | <b>1,376,597</b>        |
| <b>Net asset value per share attributable to the owners of the Company (HK\$)</b> | <i>15</i>    | <b>0.30</b>                    | 0.33                    |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2015

|   | Equity attributable to the owners of the Company |               |                            |                              |                                |                       |                            |                     | Non-                      | Total        |                  |
|---|--|---------------|----------------------------|------------------------------|--------------------------------|-----------------------|----------------------------|---------------------|---------------------------|--------------|------------------|
|   | Share capital                                    | Share premium | Capital redemption reserve | Capital contribution reserve | Investment revaluation reserve | Translation reserve   | Retained earnings          | Dividend reserve    | Non-controlling interests | Total equity |                  |
|   | HK\$'000   | HK\$'000      | HK\$'000                   | HK\$'000                     | HK\$'000                       | HK\$'000              | HK\$'000                   | HK\$'000            | HK\$'000                  | HK\$'000     |                  |
| At 1st January, 2014  | 411,170  | 487,776       | 20,032                     | 367                          | 27,974                         | (173)                 | 342,993                    | 41,117              | 1,331,256                 | 1,374        | 1,332,630        |
| Profit/(loss) for the year  | -  | -             | -                          | -                            | -                              | -                     | 87,105                     | -                   | 87,105                    | (671)        | 86,434           |
| Other comprehensive income/(expenses):  |  |               |                            |                              |                                |                       |                            |                     |                           |              |                  |
| Change in fair value of available-for-sale financial assets   | -  | -             | -                          | -                            | 13,068                         | -                     | -                          | -                   | 13,068                    | -            | 13,068           |
| Reclassification adjustment for realisation upon redemption/disposal of available-for-sale financial assets | -  | -             | -                          | -                            | (14,688)                       | -                     | -                          | -                   | (14,688)                  | -            | (14,688)         |
| Share of other comprehensive income of joint ventures   | -  | -             | -                          | -                            | -                              | 316                   | -                          | -                   | 316                       | -            | 316              |
| Share of other comprehensive expenses of an associate   | -  | -             | -                          | -                            | -                              | (26)                  | -                          | -                   | (26)                      | (20)         | (46)             |
| Total comprehensive (expenses)/income for the year  | -  | -             | -                          | -                            | (1,620)                        | 290                   | 87,105                     | -                   | 85,775                    | (691)        | 85,084           |
| Dividend paid   | -  | -             | -                          | -                            | -                              | -                     | -                          | (41,117)            | (41,117)                  | -            | (41,117)         |
| Proposed final dividend (Note 8)  | -  | -             | -                          | -                            | -                              | -                     | (41,117)                   | 41,117              | -                         | -            | -                |
| Transactions with owners  | -  | -             | -                          | -                            | -                              | -                     | (41,117)                   | -                   | (41,117)                  | -            | (41,117)         |
| Transfer pursuant to the Hong Kong Companies Ordinance effective on 3rd March, 2014                         | 507,808  | (487,776)     | (20,032)                   | -                            | -                              | -                     | -                          | -                   | -                         | -            | -                |
| At 31st December, 2014 and 1st January, 2015  | 918,978  | -             | -                          | 367 <sup>#</sup>             | 26,354 <sup>#</sup>            | 117 <sup>#</sup>      | 388,981 <sup>#</sup>       | 41,117 <sup>#</sup> | 1,375,914                 | 683          | 1,376,597        |
| (Loss)/profit for the year  | -  | -             | -                          | -                            | -                              | -                     | (103,989)                  | -                   | (103,989)                 | 446          | (103,543)        |
| Other comprehensive income/(expenses):  |  |               |                            |                              |                                |                       |                            |                     |                           |              |                  |
| Change in fair value of available-for-sale financial assets   | -  | -             | -                          | -                            | 2,119                          | -                     | -                          | -                   | 2,119                     | -            | 2,119            |
| Reclassification adjustment for realisation upon redemption/disposal of available-for-sale financial assets | -  | -             | -                          | -                            | (3,917)                        | -                     | -                          | -                   | (3,917)                   | -            | (3,917)          |
| Share of other comprehensive income of joint ventures   | -  | -             | -                          | -                            | -                              | 21                    | -                          | -                   | 21                        | -            | 21               |
| Share of other comprehensive expenses of an associate   | -  | -             | -                          | -                            | -                              | (106)                 | -                          | -                   | (106)                     | (81)         | (187)            |
| Total comprehensive (expenses)/income for the year  | -  | -             | -                          | -                            | (1,798)                        | (85)                  | (103,989)                  | -                   | (105,872)                 | 365          | (105,507)        |
| Dividend paid   | -  | -             | -                          | -                            | -                              | -                     | -                          | (41,117)            | (41,117)                  | -            | (41,117)         |
| Transactions with owners  | -  | -             | -                          | -                            | -                              | -                     | -                          | (41,117)            | (41,117)                  | -            | (41,117)         |
| At 31st December, 2015  | <b>918,978</b>                                   | <b>-</b>      | <b>-</b>                   | <b>367<sup>#</sup></b>       | <b>24,556<sup>#</sup></b>      | <b>32<sup>#</sup></b> | <b>284,992<sup>#</sup></b> | <b>-</b>            | <b>1,228,925</b>          | <b>1,048</b> | <b>1,229,973</b> |

<sup>#</sup> The aggregate amount of these balances of HK\$309,947,000 (2014: HK\$456,936,000) represents the reserves in the consolidated statement of financial position.

## NOTES TO THE FINANCIAL INFORMATION

### 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 provisions 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 and the Hong Kong Companies Ordinance

#### 2.1 *Adoption of revised HKFRSs – effective 1st January, 2015 and the Hong Kong Companies Ordinance*

In the current year, the Group has applied for the first time the following revised 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, 2015.

|                     |   |
|---------------------|---|
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2010–2012 Cycle |
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2011–2013 Cycle |

The adoption of these revised HKFRSs has no significant impact on the Group’s financial statements.

In addition, the Company has adopted the amendments to the Listing Rules relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Chapter 622) (the “Hong Kong Companies Ordinance”) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

The financial information relating to the financial years ended 31st December, 2015 and 2014 included in this announcement of annual results does not constitute the Company’s statutory annual financial statements for those financial years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follow:

The Company has delivered the financial statements for the year ended 31st December, 2014 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31st December, 2015 in due course. The Company’s auditor has reported on those financial statements for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

## 2. Adoption of New or Revised HKFRSs and the Hong Kong Companies Ordinance (Cont'd)

### 2.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

|   |  |
|---|--|
| HKFRS 9   | Financial Instruments <sup>2</sup>   |
| Amendments to HKFRS 10 and HKAS 28 (2011)           | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup> |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) | Investment Entities: Applying the Consolidation Exception <sup>1</sup>                             |
| Amendments to HKFRS 11                              | Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>                          |
| Amendments to HKAS 1                                | Disclosure Initiative <sup>1</sup>   |
| Amendments to HKAS 27 (2011)                        | Equity Method in Separate Financial Statements <sup>1</sup>  |
| HKFRSs (Amendments)                                 | Annual Improvements to HKFRSs 2012–2014 Cycle <sup>1</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2016

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2018

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the Board so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

## 3. Revenue and segment information

Revenue from the investments in listed and unlisted financial instruments recognised during the year is as follows:

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interest income from available-for-sale financial assets | 11,167                  | 17,389                  |
| Dividend income  |                         |                         |
| – listed investments                                     | 21,760                  | 15,290                  |
| – unlisted investments                                   | –                       | 1,050                   |
| Interest income from bank deposits                       | 856                     | 2,951                   |
|  | <b>33,783</b>           | <b>36,680</b>           |

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 instrument investments. Accordingly, segment disclosures are not presented.

#### 4. Other net (loss)/income

|   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Fair value (loss)/gain on financial assets and liabilities at fair value through profit or loss | (71,078)                | 111,843                 |
| Exchange loss, net  | (1,120)                 | (660)                   |
| Sundry income   | 743                     | 1,407                   |
| Realised gain on redemption/disposal of available-for-sale financial assets                     | 3,547                   | 13,638                  |
|   | <u>(67,908)</u>         | <u>126,228</u>          |

#### 5. Finance costs

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interest on bank borrowings wholly repayable within five years | <u>13</u>               | <u>–</u>                |

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

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| (Loss)/profit before income tax is arrived at after charging/(crediting):                    |                         |                         |
| Auditor's remuneration   | 262                     | 256                     |
| Employee benefit expense (including Directors' emoluments)                                   | 2,826                   | 3,391                   |
| Management fee   | 20,424                  | 20,361                  |
| Performance fee  | –                       | 21,444                  |
| Impairment on amounts due from joint ventures  | 33,738                  | 2,796                   |
| Impairment on interest in an associate   | –                       | 1,703                   |
| Total interest income derived from financial assets not at fair value through profit or loss | <u>(12,023)</u>         | <u>(21,254)</u>         |

*Note:* Administrative and other operating expenses consist mainly of employee benefit expense, management fee, performance fee, impairment on amounts due from joint ventures and impairment on interest in an associate included above.

#### 7. Income tax expense

No Hong Kong profits tax has been provided for the year ended 31st December, 2015 and 2014 as certain subsidiaries of the Group has no estimated assessable profits and certain subsidiaries of the Group has sufficient tax losses brought forward to set off the estimated assessable profits for both years.

During the year ended 31st December, 2014, Hong Kong profits tax had been provided at the rate of 17.5% on the under-estimated assessable profits arising in prior years.

|   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Underprovision in respect of prior year | <u>–</u>                | <u>1,827</u>            |
| Income tax expense                      | <u>–</u>                | <u>1,827</u>            |



## 8. Dividend

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Dividend recognised as distributions during the year:                                |                         |                         |
| Final dividend for 2014 paid of HK1 cent (2014: for 2013 paid of HK1 cent) per share | <u>41,117</u>           | <u>41,117</u>           |
| Final dividend proposed of Nil (2014: HK1 cent) per share                            | <u>–</u>                | <u>41,117</u>           |

The Board proposes to preserve cash for investment activities and does not recommend any dividend (2014: HK1 cent per share, totalling approximately HK\$41,117,000) for the year ended 31st December, 2015.

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

The calculation of basic (loss)/earnings per share is based on the loss attributable to the owners of the Company of approximately HK\$103,989,000 (2014: profit approximately HK\$87,105,000) and on the weighted average number of 4,111,704,320 (2014: 4,111,704,320) ordinary shares in issue during the year.

Diluted (loss)/earnings per share for the years ended 31st December, 2015 and 2014 is the same as the basic (loss)/earnings per share as the Company had no dilutive potential ordinary shares during the years ended 31st December, 2015 and 2014.

## 10. Available-for-sale financial assets

|   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>Non-current</b>                        |                         |                         |
| Unlisted equity securities, at fair value | 80,687                  | 68,442                  |
| Unlisted equity securities, at cost       | 62,008                  | 31,024                  |
| Listed debt securities, at fair value     | 17,425                  | 32,744                  |
| Unlisted debt securities, at fair value   | <u>–</u>                | <u>149,746</u>          |
|   | <b>160,120</b>          | <b>281,956</b>          |
| <b>Current</b>                            |                         |                         |
| Unlisted debt securities, at fair value   | <u>49,158</u>           | <u>–</u>                |
| Total                                     | <u><b>209,278</b></u>   | <u><b>281,956</b></u>   |

## 11. Trade and other receivables and prepayment

|                                   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|-----------------------------------|-------------------------|-------------------------|
| Trade receivables ( <i>Note</i> ) | –                       | 9,419                   |
| Other receivables                 | 25,360                  | 21,113                  |
| Prepayment                        | 449                     | 449                     |
|                                   | <u>25,809</u>           | <u>30,981</u>           |

*Note:*

There is no specific credit term granted and the Group allows a credit period up to the settlement dates of their respective transactions. The following is an ageing analysis of the trade receivables, based on the date of contract note, at the reporting date:

|                 | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|-----------------|-------------------------|-------------------------|
| Within one year | <u>–</u>                | <u>9,419</u>            |

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

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Equity securities held for trading                   |                         |                         |
| – Listed in Hong Kong                                | 619,164                 | 719,433                 |
| – Listed outside Hong Kong                           | 52,526                  | 94,812                  |
|  | <u>671,690</u>          | <u>814,245</u>          |
| Market value of listed securities                    | 671,690                 | 814,245                 |
| Derivative financial instruments                     |                         |                         |
| – Warrants listed outside Hong Kong, at market value | 692                     | 2,222                   |
|  | <u>672,382</u>          | <u>816,467</u>          |

## 13. 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:

|                 | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|-----------------|-------------------------|-------------------------|
| Within one year | <u>–</u>                | <u>10,272</u>           |

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

|   | <b>2015</b>            | 2014            |
|---|------------------------|-----------------|
|   | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
| Derivative financial instruments                          |                        |                 |
| – Call options embedded in bonds and notes, at fair value | <b>2,139</b>           | 9,368           |
| – Equity forward contracts, at fair value                 | <b>6,823</b>           | 498             |
|   | <b>8,962</b>           | 9,866           |

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

The calculation of the net asset value per share is based on the consolidated net assets attributable to the owners of the Company of approximately HK\$1,228,925,000 (2014: approximately HK\$1,375,914,000) and 4,111,704,320 (2014: 4,111,704,320) ordinary shares in issue as at 31st December, 2015.

## OVERVIEW

The Group recorded a loss for the year ended 31st December, 2015 primarily arising from its investments in equities.

## FINANCIAL KEY PERFORMANCE INDICATORS

The Group recorded a net loss attributable to the owners of the Company in the amount of HK\$104.0 million (2014: profit HK\$87.1 million) for the year ended 31st December, 2015, comprising losses of HK\$96.0 million from equity related investments (2014: profit of HK\$105.6 million) offset partly by profit contribution of HK\$18.0 million from bond investments (2014: HK\$27.7 million).

As at 31st December, 2015, the Group's net assets attributable to the owners of the Company decreased by 10.7% to HK\$1,228.9 million. In comparison, the Hang Seng Index and the Hang Seng China Enterprises Index dropped by 7.2% and 19.4% respectively during 2015. This is the second time since 2008 the Group underperforms the Hang Seng Index.

## INVESTMENT REVIEW

As at 31st December, 2015, the Group's major investments were as follows:

| <b>Investments</b>                      | <b>Description</b>  |
|---|---|
| Listed Equities and Warrants            | HK\$672.4 million of a portfolio of listed shares and warrants in 29 companies  |
| Fixed Income                            | HK\$64.4 million of fixed income instruments, issued by three companies listed in Hong Kong   |
| Investment Funds                        | HK\$111.7 million in six investment funds   |
| Indirect Investment in Listed Equity    | HK\$5.1 million in one indirect investment in overseas listed equity  |
| Direct Investments in Unlisted Equities | HK\$11.8 million in three direct investments in unlisted equities   |
| Equity Forward Contracts                | Nine equity forward contracts, the underlying stocks of which include Agricultural Bank of China Limited, AIA Group Limited, Anhui Conch Cement Company Limited, Bank of China Limited, Brilliance China Automotive Holdings Limited, China Shenhua Energy Company Limited and Hong Kong Exchanges and Clearing Limited |

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

The Group's portfolio of investments comprises securities in Hong Kong, Taiwan, Malaysia, United States, Japan, Singapore and the People's Republic of China (the "PRC"). The value of our portfolio decreased in 2015.

The listed company we invest in Taiwan is engaged in the businesses of dry bulk shipping and department store in China. The former experienced another difficult year due to the continuous slowdown in sector, and the latter suffered from loss of market share to online shopping. It also recorded significant investment losses due to corrections in the stock markets. The market value of the Group's investment in Taiwan declined and an impairment of HK\$33.7 million was recognised in 2015.

The five most profitable securities in our portfolio during the year are Guotai Junan International Holdings Limited (provision in dealing and broking, loans and financing), China Taiping Insurance Holdings Company Limited (an insurance company in the PRC), Beijing Enterprises Water Group Limited (sewage and water treatment plants contractor, sewage treatment, water treatment and distributor), National Agricultural Holdings Limited (software developer and provision of financial leasing business in the PRC) and Sam Woo Construction Group Limited (provision of foundation works and ancillary services).

The five biggest losses in our portfolio during the year are Ping An Insurance (Group) Company of China, Ltd. (an insurance company in the PRC), Boyaa Interactive International Limited (developer and operator of online card and board games), First Steamship Co., Ltd. (department stores operator in the PRC and provision of dry bulk carrier shipping), Maanshan Iron & Steel Company Limited (China's iron and steel manufacturer) and CGN Power Co., Ltd. (nuclear power stations operator).

## **DIVIDEND**

The Board proposes to preserve cash for investment activities and does not recommend any dividend for the year ended 31st December, 2015 (2014: HK1 cent per share).

## **CLOSURE OF REGISTER OF MEMBERS**

The forthcoming annual general meeting of the Company is scheduled to be held on Tuesday, 24th May, 2016 (the "AGM"). The register of members of the Company will be closed on Monday, 23rd May, 2016 and Tuesday, 24th May, 2016, during which period no transfer of shares of the Company will be registered. To be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 20th May, 2016.

## **PROSPECTS, INVESTMENT BASIS AND STRATEGY**

We are research based, company focused and without sector preference. Our approach has been to identify securities that are undervalued, and offer prospects of improvement over the medium to long term. The relatively modest size of our company allows us to take advantage of investing in smaller companies with relatively lower turnover. The bond portfolio is designed to offer a buffer to counter the volatility of our equities investment, but had from time to time proved to be an important profit contributor.

In 2015, Hong Kong stock market experienced one of the most dramatic trajectories in recent years. After the strong rally in second quarter following China A-share market stellar performance, Hang Seng Index suffered a severe setback in second half, more than erasing all of the gain made in first half. Hang Seng Index was down 7.2% in 2015.

The rather unexpected reversal was triggered by the Chinese government's abrupt attempt to stall the rampant growth in margin financing, leading to the collapse of the A-share market in July 2015. This was aggravated by the sudden devaluation of Renminbi in August 2015 initiated by the People's Bank of China, adversely affecting investors' confidence.

At present, we are cautious about risk assets including equities. Hang Seng Index and Hang Seng China Enterprises Index have been down by 6.4% and 9.2% respectively this year up to the time of writing. While Renminbi has been relatively stable since the devaluation in August 2015, decision of the Federal Reserve of United States to raise interest rate in December 2015 further worsened the Renminbi outlook. Expectation of further depreciation of Renminbi remains, and has triggered strong capital outflow from China recently, depleting foreign exchange reserve at an alarming pace. Until expectation of Renminbi depreciation fades (either by reversal of strong US dollar or one-off devaluation of Renminbi), our priority would be capital preservation by holding a high level of cash, and to tread carefully in risk assets.

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

As at 31st December, 2015, the Group had cash and cash equivalents of approximately HK\$313.9 million (2014: approximately HK\$244.6 million) and security deposits of approximately HK\$6.3 million (2014: approximately HK\$0.5 million), totalling approximately HK\$320.2 million (2014: approximately HK\$245.1 million), investments of approximately HK\$889.7 million (2014: approximately HK\$1,139.3 million) and no bank borrowings as at 31st December, 2015 and 2014. 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 "Shareholders"). 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, 2015, was 0% (2014: 0%).

## **FOREIGN EXCHANGE EXPOSURE**

As at 31st December, 2015, the majority of the Group's investments were either denominated in Hong Kong dollars or United States dollars. Exposure to foreign currency exchange rates arises out of the Group's overseas investments and cash balances, including New Taiwan dollars, Renminbi, Malaysian ringgit, Thai baht, Singapore 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.

## **GUARANTEE**

The Company has given guarantees to financial institutions to secure banking facilities available to its wholly-owned subsidiaries in the amount not exceeding HK\$140.0 million (2014: HK\$140.0 million).

## **STAFF COSTS**

The Group's total staff costs (including Directors' emoluments) for the year ended 31st December, 2015 amounted to approximately HK\$2.8 million (2014: approximately HK\$3.4 million).

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including review of the annual report for the year ended 31st December, 2015. In addition, the Audit Committee has also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function for the year ended 31st December, 2015.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has applied the principles and adopted code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules as its own code on corporate governance practices throughout the financial year ended 31st December, 2015.

In the opinion of the Board, the Company has complied with the code provisions of the CG Code during the accounting year.

## **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 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, 2015 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA 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**  
*Company Secretary*

Hong Kong, 17th March, 2016

*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 a Non-Executive Director; and Mr. Albert Ho, Mr. Peter Lee Yip Wah and Mr. Louie Chun Kit are Independent Non-Executive Directors.*