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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 2018 AUDITED 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, 2018 are as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31st December, 2018*

	<i>Notes</i>	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Revenue	3	<b>28,128</b>	23,756
Other net (loss)/income	4	<b>(36,493)</b>	175,889
Administrative and other operating expenses	5	<b>(28,434)</b>	(31,998)
Share of loss of associates		<b>(104)</b>	(975)
		<hr/>	<hr/>
<b>(Loss)/profit before income tax</b>	5	<b>(36,903)</b>	166,672
Income tax expense	6	–	–
		<hr/>	<hr/>
<b>(Loss)/profit for the year</b>		<b>(36,903)</b>	166,672
		<hr/>	<hr/>
<b>(Loss)/profit for the year attributable to:</b>			
Owners of the Company		<b>(43,567)</b>	166,667
Non-controlling interests		<b>6,664</b>	5
		<hr/>	<hr/>
		<b>(36,903)</b>	166,672
		<hr/>	<hr/>
<b>(Loss)/earnings per share attributable to the owners of the Company (HK cents)</b>			
– Basic	8	<b>(1.06)</b>	4.05
		<hr/>	<hr/>
– Diluted		<b>(1.06)</b>	4.05
		<hr/>	<hr/>
Turnover – gross proceeds and revenue	3	<b>731,400</b>	722,628
		<hr/>	<hr/>

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

*For the year ended 31st December, 2018*

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
(Loss)/profit for the year	<b>(36,903)</b>	166,672
<b>Other comprehensive (expenses)/income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Change in fair value of financial assets at fair value through other comprehensive income ("FVOCI")	<b>(2,060)</b>	–
Reclassification adjustment for realisation upon redemption of financial assets at FVOCI	<b>(2,994)</b>	–
Reclassification adjustment for realisation upon disposal of an associate	<b>(19)</b>	–
Change in fair value of available-for-sale financial assets	–	18,431
Reclassification adjustment for realisation upon redemption of available-for-sale financial assets	–	2,952
Share of other comprehensive income of an associate	–	228
	<hr/>	<hr/>
<b>Other comprehensive (expenses)/income for the year, net of tax</b>	<b>(5,073)</b>	21,611
	<hr/>	<hr/>
<b>Total comprehensive (expenses)/income for the year</b>	<b>(41,976)</b>	188,283
	<hr/>	<hr/>
<b>Total comprehensive (expenses)/income for the year attributable to:</b>		
Owners of the Company	<b>(48,640)</b>	188,179
Non-controlling interests	<b>6,664</b>	104
	<hr/>	<hr/>
	<b>(41,976)</b>	188,283
	<hr/>	<hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31st December, 2018*

	<i>Notes</i>	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interests in associates		<b>808</b>	3,133
Amount due from an associate		<b>9,736</b>	9,564
Financial assets at FVOCI	9	<b>102,869</b>	–
Financial assets at fair value through profit or loss (“FVPL”)	10	<b>157,555</b>	–
Available-for-sale financial assets	11	<b>–</b>	217,551
		<b>270,968</b>	230,248
<b>Current assets</b>			
Available-for-sale financial assets	11	<b>–</b>	86,564
Other receivables and prepayment		<b>489</b>	162
Financial assets at FVPL	10	<b>464,035</b>	584,734
Cash and cash equivalents		<b>387,053</b>	464,208
		<b>851,577</b>	1,135,668
<b>Current liabilities</b>			
Trade and other payables and accrued expenses	12	<b>19,334</b>	9,715
Amount due to a holding company		<b>341</b>	341
Amount due to a fellow subsidiary		<b>4,575</b>	7,462
Financial liabilities at FVPL	13	<b>–</b>	4,921
		<b>24,250</b>	22,439
<b>Net current assets</b>		<b>827,327</b>	1,113,229
<b>Total assets less current liabilities</b>		<b>1,098,295</b>	1,343,477
<b>Net assets</b>		<b>1,098,295</b>	1,343,477

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 31st December, 2018

	<i>Notes</i>	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		<b>918,978</b>	918,978
Reserves		<b>171,635</b>	423,481
		<b>1,090,613</b>	1,342,459
Non-controlling interests		<b>7,682</b>	1,018
<b>Total equity</b>		<b>1,098,295</b>	1,343,477
<b>Net asset value per share attributable to the owners of the Company (HK\$)</b>	<i>14</i>	<b>0.27</b>	0.33

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2018

	Equity attributable to the owners of the Company							Non-controlling interests	Total equity
	Share capital	Capital contribution reserve	Investment revaluation reserve	Translation reserve	Retained earnings	Dividend reserve	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1st January, 2017	918,978	367	23,618	(110)	211,427	–	1,154,280	914	1,155,194
Profit for the year	–	–	–	–	166,667	–	166,667	5	166,672
Other comprehensive income	–	–	21,383	129	–	–	21,512	99	21,611
Total comprehensive income for the year	–	–	21,383	129	166,667	–	188,179	104	188,283
Interim dividend declared	–	–	–	–	(205,585)	205,585	–	–	–
At 31st December, 2017 and 1st January, 2018	918,978	367 <sup>#</sup>	45,001 <sup>#</sup>	19 <sup>#</sup>	172,509 <sup>#</sup>	205,585 <sup>#</sup>	1,342,459	1,018	1,343,477
Impact on initial application HKFRS 9	–	–	(41,489)	–	43,868	–	2,379	–	2,379
Adjusted balance at 1st January, 2018	918,978	367	3,512	19	216,377	205,585	1,344,838	1,018	1,345,856
Loss for the year	–	–	–	–	(43,567)	–	(43,567)	6,664	(36,903)
Other comprehensive expenses	–	–	(5,054)	(19)	–	–	(5,073)	–	(5,073)
Total comprehensive (expenses)/income for the year	–	–	(5,054)	(19)	(43,567)	–	(48,640)	6,664	(41,976)
Interim dividend paid	–	–	–	–	–	(205,585)	(205,585)	–	(205,585)
At 31st December, 2018	918,978	367 <sup>#</sup>	(1,542) <sup>#</sup>	–	172,810 <sup>#</sup>	–	1,090,613	7,682	1,098,295

<sup>#</sup> The aggregate amount of these balances of HK\$171,635,000 (2017: HK\$423,481,000) 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”).

The financial information relating to the financial years ended 31st December, 2018 and 2017 included in this announcement of annual results 2018 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, 2017 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, 2018 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

#### *2.1(a) Adoption of revised HKFRSs – effective 1st January, 2018*

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, 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 financial statements except for HKFRS 9. Details of the changes in accounting policies are discussed in note 2.1(b). In addition, HKFRS 15 – Revenue from contracts with customers which is also effective for the annual period beginning on 1st January, 2018 has no impact on the Group’s financial statements.

## 2. Adoption of New or Revised HKFRSs (Cont'd)

### 2.1(b) HKFRS 9 – Financial instruments

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement for annual periods beginning on or after 1st January, 2018. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The adoption of HKFRS 9 from 1st January, 2018 has results in changes in accounting policies of the Group and 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 <i>HK\$'000</i>	Impact on initial application of HKFRS 9 <i>HK\$'000</i>	At 1st January, 2018 <i>HK\$'000</i>
Available-for-sale financial assets	217,551	(217,551)	–
Financial assets at FVPL	–	170,989	<b>170,989</b>
Financial assets at FVOCI	–	48,705	<b>48,705</b>
<b>Total non-current assets</b>	<b>230,248</b>	<b>2,143</b>	<b>232,391</b>
Available-for-sale financial assets	86,564	(86,564)	–
Financial assets at FVOCI	–	81,879	<b>81,879</b>
<b>Total current assets</b>	<b>1,135,668</b>	<b>(4,685)</b>	<b>1,130,983</b>
Financial liabilities at FVPL	(4,921)	4,921	–
<b>Total current liabilities</b>	<b>(22,439)</b>	<b>4,921</b>	<b>(17,518)</b>
<b>Net current assets</b>	<b>1,113,229</b>	<b>236</b>	<b>1,113,465</b>
<b>Total assets less current liabilities</b>	<b>1,343,477</b>	<b>2,379</b>	<b>1,345,856</b>
<b>Net assets</b>	<b>1,343,477</b>	<b>2,379</b>	<b>1,345,856</b>
Reserves	423,481	2,379	<b>425,860</b>
<b>Total equity attributable to owners of the Company</b>	<b>1,342,459</b>	<b>2,379</b>	<b>1,344,838</b>
<b>Total Equity</b>	<b>1,343,477</b>	<b>2,379</b>	<b>1,345,856</b>

## 2. Adoption of New or Revised HKFRSs (Cont'd)

### 2.1(b) HKFRS 9 – Financial instruments (Cont'd)

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

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

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.



## 2. Adoption of New or Revised HKFRSs (Cont'd)

### 2.1(b) HKFRS 9 – Financial instruments (Cont'd)

#### (i) Classification of financial assets and financial liabilities (Cont'd)

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 (“ECLs”), 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.

## 2. Adoption of New or Revised HKFRSs (Cont'd)

### 2.1(b) HKFRS 9 – Financial instruments (Cont'd)

#### (i) Classification of financial assets and financial liabilities (Cont'd)

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
<b>Financial assets at FVPL</b>				
Equity securities (Note (i))	–	168,610	2,379	<b>170,989</b>
<b>Financial assets at FVOCI</b>				
Debt securities (Note (ii))	–	130,584	–	<b>130,584</b>
<b>Financial liabilities at FVPL</b>				
Derivative financial instruments (Note (ii))	(4,921)	4,921	–	–
<b>Financial assets classified as available-for-sale under HKAS 39 (Notes (i) &amp; (ii))</b>	<b>304,115</b>	<b>(304,115)</b>	<b>–</b>	<b>–</b>

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. These securities 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 not to separate out the embedded derivative from the debt host contract and 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 "ECLs model". HKFRS 9 requires the Group to recognise ECLs for other receivables, financial assets at amortised costs and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current year.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months 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.

## 2. Adoption of New or Revised HKFRSs (Cont'd)

### 2.1(b) HKFRS 9 – Financial instruments (Cont'd)

#### (ii) Impairment of financial assets (Cont'd)

##### 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.

For debt financial assets and other financial assets, the ECLs are based on the 12-months ECLs. The 12-months 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 most of the issuers' credit ratings 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.

## 2. Adoption of New or Revised HKFRSs (Cont'd)

### 2.1(b) HKFRS 9 – Financial instruments (Cont'd)

#### (ii) Impairment of financial assets (Cont'd)

Impact of the ECL model

##### (a) Impairment of debt investments

All of the Group's debt investments at FVOCI, included listed and unlisted debt securities, are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months 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 amount due from an associate and other receivables on 1st January, 2018 and during the year ended 31st December, 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 year.
- 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.

## 2. Adoption of New or Revised HKFRSs (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.

HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>3</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>4</sup> The amendments were originally intended to be effective for periods beginning on or after 1st January, 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

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. Turnover and Revenue

Turnover represents revenue of the Group of HK\$28,128,000 (2017: HK\$23,756,000) and the gross proceeds from disposal of held-for-trading investments which includes equity securities held-for-trading and derivative financial instruments held-for-trading of the Group of HK\$703,272,000 (2017: HK\$698,872,000).

Revenue from the Group's principal activities recognised during the year is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest income from financial assets at FVOCI	12,886	–
Interest income from bank deposits	1,855	933
Interest income from available-for-sale financial assets	–	14,118
	<hr/>	<hr/>
Total interest income derived from financial assets not at FVPL	14,741	15,051
Dividend income		
– Listed investments	13,378	8,705
– Unlisted investments	9	–
	<hr/>	<hr/>
	<b>28,128</b>	<b>23,756</b>
	<hr/>	<hr/>

### 3. Turnover and Revenue (Cont'd)

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

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Fair value (loss)/gain on financial assets and liabilities at FVPL	<b>(60,156)</b>	173,307
Reversal of impairment loss on interest in an associate	<b>15,398</b>	–
Realised gain on redemption of financial assets at FVOCI	<b>7,017</b>	–
Exchange gain, net	<b>590</b>	1,609
Realised gain on redemption of available-for-sale financial assets	–	90
Sundry income	<b>658</b>	883
	<b>(36,493)</b>	175,889

### 5. (Loss)/Profit before Income Tax

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
(Loss)/profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	<b>299</b>	284
Employee benefit expense (including Directors' emoluments)	<b>3,261</b>	4,364
Management fee	<b>17,824</b>	19,288
Performance fee	–	1,916
Reversal of impairment loss on interest in an associate	<b>(15,398)</b>	–

*Note:* Administrative and other operating expenses consist mainly of employee benefit expense, management fee and performance fee included above.

## 6. Income Tax Expense

No Hong Kong profits tax has been provided for the year ended 31st December, 2018 as the Group had no estimated assessable profits.

No Hong Kong profits tax had been provided for the year ended 31st December, 2017 as certain subsidiaries of the Group had no estimated assessable profits and certain subsidiaries of the Group had sufficient tax losses brought forward to set off the estimated assessable profits.

## 7. Dividend

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Dividend declared		
Interim dividend of Nil (2017: HK\$0.05 per share (in lieu of a final dividend) declared subsequent to the end of the reporting period)	–	205,585
Dividend recognised as distribution during the year		
2017 interim dividend (in lieu of a final dividend) of HK\$0.05 per share (2017: Nil)	<b>205,585</b>	–

The Board proposes to preserve cash for investment activities and does not recommend any dividend (2017: HK\$0.05 per share, totaling approximately HK\$205,585,000) for the years ended 31st December, 2018.

The amount of the interim dividend (in lieu of a final dividend) for the year ended 31st December, 2017 declared after the end of the reporting period, which has been calculated by reference to 4,111,704,320 ordinary shares in issue on 19th March, 2018, had not been recognised as a liability as at 31st December, 2017.

## 8. (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\$43,567,000 (2017: profit of approximately HK\$166,667,000) and on the weighted average number of 4,111,704,320 (2017: 4,111,704,320) ordinary shares in issue during the year.

Diluted (loss)/earnings per share for the years ended 31st December, 2018 and 2017 is the same as the basic (loss)/earnings per share as the Company had no potential ordinary shares during the years ended 31st December, 2018 and 2017.

**9. Financial Assets at FVOCI**

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current		
Listed debt securities, at fair value		
– Listed outside Hong Kong	<b>56,185</b>	–
– Listed in Hong Kong	<b>38,937</b>	–
Unlisted debt securities, at fair value	<b>7,747</b>	–
	<hr/>	<hr/>
Total	<b>102,869</b>	–
	<hr/>	<hr/>

**10. Financial Assets at FVPL**

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current		
Unlisted equity securities, at fair value	<b>157,555</b>	–
	<hr/>	<hr/>
Current		
Equity securities held for trading, at fair value		
– Listed in Hong Kong	<b>403,551</b>	434,476
– Listed outside Hong Kong	<b>60,484</b>	150,258
	<hr/>	<hr/>
Market value of listed securities	<b>464,035</b>	584,734
	<hr/>	<hr/>
	<b>621,590</b>	584,734
	<hr/>	<hr/>



**11. Available-for-sale Financial Assets**

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current		
Unlisted equity securities, at fair value	–	106,910
Unlisted equity securities, at cost	–	61,700
Listed debt securities, at fair value		
– Listed in Hong Kong	–	40,245
– Listed outside Hong Kong	–	8,696
	<u>–</u>	<u>217,551</u>
Current		
Unlisted debt securities, at fair value	–	86,564
	<u>–</u>	<u>86,564</u>
Total	<u>–</u>	<u>304,115</u>

**12. Trade and Other Payables and Accrued Expenses**

The following is an ageing analysis of the trade payables, based on the date of contract note, at the reporting date:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within one year	<u>17,973</u>	<u>–</u>

**13. Financial Liabilities at FVPL**

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Derivative financial instruments, at fair value		
– Call options embedded in bonds and notes	–	4,921
	<u>–</u>	<u>4,921</u>

**14. 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\$1,090,613,000 (2017: approximately HK\$1,342,459,000) and 4,111,704,320 (2017: 4,111,704,320) ordinary shares in issue as at 31st December, 2018.

## OVERVIEW

The Group recorded a loss for the year ended 31st December, 2018 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 approximately HK\$43.6 million (2017: profit of approximately HK\$166.7 million) for the year ended 31st December, 2018, comprising loss of approximately HK\$42.1 million from equity related investments (2017: profit of approximately HK\$171.8 million) and profit contribution of approximately HK\$20.6 million from bond investments (2017: approximately HK\$20.5 million).

As at 31st December, 2018, the Group's net assets attributable to the owners of the Company decreased by 3.4% (after taking into account the dividend payment of HK\$205.6 million) to approximately HK\$1.09 billion. In comparison, the Hang Seng Index and the Hang Seng China Enterprises Index dropped by 13.6% and by 13.5% respectively during 2018.

## INVESTMENT REVIEW

As at 31st December, 2018, the Group's major investments were as follows:

<b>Investments</b>	<b>Description</b>
Listed Equities	HK\$464.0 million of a portfolio of listed shares in 18 companies
Fixed Income	HK\$102.9 million of fixed income instruments issued and/or guaranteed by an overseas government and five companies listed in Hong Kong and overseas
Investment Funds	HK\$118.6 million in seven investment funds
Sub-participation in Unlisted Investment	Sub-participation of HK\$39.0 million in an unlisted investment
Direct Investments in Unlisted Equities	HK\$10.5 million in two direct investments in unlisted equities

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

The five most profitable investments in our securities portfolio during the year were KWG Group Holdings Limited (property developer), PC Partner Group Limited (electronics and personal computer parts manufacturer), China Education Group Holdings Limited (provision of private higher education service), Grand Ming Group Holdings Limited (building construction, property leasing and property development) and Huaneng Renewables Corporation Limited (wind power and solar power generation).

The five biggest losses in our securities portfolio during the year were AAC Technologies Holdings Inc. (miniaturized acoustic components manufacturer), New China Life Insurance Company Limited (life insurance services and products provider), Yangtze Optical Fibre and Cable Joint Stock Limited Company (optical fiber preforms, optical fibers and optical fiber cables manufacturer), New Oriental Education & Technology Group Inc. (provision of private educational services in China) and China Unicom (Hong Kong) Limited (provision of telecommunications services).

## **DIVIDEND**

The board of Directors of the Company proposes to preserve cash for investment activities and does not recommend any dividend for the year ended 31st December, 2018 (2017: interim dividend of HK\$0.05 per share (in lieu of a final dividend)).

## **CLOSURE OF REGISTER OF MEMBERS**

The forthcoming annual general meeting of the Company is scheduled to be held on Tuesday, 21st May, 2019 (the “AGM”). The register of members of the Company will be closed from Thursday, 16th May, 2019 to Tuesday, 21st May, 2019, 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 Wednesday, 15th May, 2019.

## **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. Our 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.

2018 was unkind to the markets. Investors have been worried about interest rate hikes in the United States, a deleveraging China and the trade war between United States and China. At the time of writing, Hang Seng Index has recovered by 13.4% this year. The Federal Reserve of the United States explicitly said that it will be patient in further raising interest rates in 2019. China has shelved the deleveraging campaign and has been marginally loosening monetary conditions and implementing fiscal policy to support the economy. Moreover, there are signs that the United States is not as hawkish as expected in the trade war, lest it will hurt its economy and stock market. These developments have led to optimism returning in the capital market. However, we remain cautious. The China government is still reluctant to adopt a sufficiently dovish monetary policy (that is, cutting benchmark interest rate and increasing total credit growth rate), given the constraint that the Renminbi depreciation expectation is still strong. The successive interest rate hike by the Federal Reserve in the past three years has provided a support for the United States dollar, which will in turn depress the risk appetite. We will keep monitoring the economic data and policy tones of the United States and China to assess the appropriate timing of adding risk assets.

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

As at 31st December, 2018, the Group had cash and cash equivalents of approximately HK\$387.1 million (2017: approximately HK\$464.2 million), investments of approximately HK\$735.0 million (2017: approximately HK\$895.6 million) and no bank borrowings as at 31st December, 2018 and 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. 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, 2018, was 0% (2017: 0%).

## **FOREIGN EXCHANGE EXPOSURE**

As at 31st December, 2018, 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 Renminbi, Malaysian ringgit, Thai baht 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**

As at 31st December, 2018, the Company has given guarantee to a financial institution to secure banking facilities available to a wholly-owned subsidiary in the amount not exceeding HK\$40.0 million (2017: HK\$40.0 million).

## **STAFF COSTS**

The Group's total staff costs (including Directors' emoluments) for the year ended 31st December, 2018 amounted to approximately HK\$3.3 million (2017: approximately HK\$4.4 million).

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed risk management, internal controls and financial reporting matters, including review of the annual report for the year ended 31st December, 2018. 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, internal audit and financial reporting function for the year ended 31st December, 2018.

## **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, 2018.

In the opinion of the Board, the Company has complied with the code provisions of the CG Code during the year ended 31st December, 2018.

## **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, 2018 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, 20th March, 2019

*As at the date of this announcement, the composition of the Board is as follows: Mr. Warren Lee Wa Lun (Chairman) and Mr. Mark Wong Tai Chun are Executive Directors; Mr. Arthur George Dew is a Non-Executive Director; and Mr. Albert Ho, Mr. Peter Lee Yip Wah and Mr. Louie Chun Kit are Independent Non-Executive Directors.*