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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 2019 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, 2019 are as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Revenue	3	30,320	28,128
Other net income/(loss)	4	12,160	(36,493)
Administrative and other operating expenses	5	(25,084)	(28,434)
Impairment losses on financial assets at fair value through other comprehensive income (“FVOCI”)		(1,949)	–
Share of loss of associates		(763)	(104)
Finance costs		(212)	–
<b>Profit/(loss) before income tax</b>	5	<b>14,472</b>	<b>(36,903)</b>
Income tax expense	6	–	–
<b>Profit/(loss) for the year</b>		<b>14,472</b>	<b>(36,903)</b>
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the Company		14,472	(43,567)
Non-controlling interests		–	6,664
		<b>14,472</b>	<b>(36,903)</b>
<b>Earnings/(loss) per share attributable to the owners of the Company (HK cents)</b>			
– Basic	8	<b>0.35</b>	<b>(1.06)</b>
– Diluted		<b>0.35</b>	<b>(1.06)</b>
Turnover – gross proceeds and revenue	3	<b>272,084</b>	731,400

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

*For the year ended 31st December, 2019*

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit/(loss) for the year	<b>14,472</b>	(36,903)
<b>Other comprehensive income/(expenses)</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Change in fair value of financial assets at FVOCI offset by impairment losses	<b>4,883</b>	(2,060)
Reclassification adjustment for realisation upon disposal/ redemption of financial assets at FVOCI	<b>1,076</b>	(2,994)
Reclassification adjustment for realisation upon disposal of an associate	–	(19)
	<hr/>	<hr/>
<b>Other comprehensive income/(expenses) for the year, net of tax</b>	<b>5,959</b>	(5,073)
	<hr/>	<hr/>
<b>Total comprehensive income/(expenses) for the year</b>	<b>20,431</b>	(41,976)
	<hr/>	<hr/>
<b>Total comprehensive income/(expenses) for the year attributable to:</b>		
Owners of the Company	<b>20,431</b>	(48,640)
Non-controlling interests	–	6,664
	<hr/>	<hr/>
	<b>20,431</b>	(41,976)
	<hr/>	<hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2019

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interests in associates		<b>23,417</b>	10,544
Financial assets at FVOCI	<i>9</i>	<b>157,448</b>	102,869
Financial assets at fair value through profit or loss ("FVPL")	<i>10</i>	<b>257,966</b>	157,555
		<u><b>438,831</b></u>	<u>270,968</u>
<b>Current assets</b>			
Financial assets at FVOCI	<i>9</i>	<b>8,030</b>	–
Trade and other receivables and prepayment	<i>11</i>	<b>1,016</b>	489
Financial assets at FVPL	<i>10</i>	<b>583,804</b>	464,035
Cash and cash equivalents		<b>86,132</b>	387,053
		<u><b>678,982</b></u>	<u>851,577</u>
<b>Current liabilities</b>			
Trade and other payables and accrued expenses	<i>12</i>	<b>1,548</b>	19,334
Amount due to a related company		<b>4,902</b>	–
Amount due to a holding company		<b>319</b>	341
Amount due to a fellow subsidiary		<b>–</b>	4,575
		<u><b>6,769</b></u>	<u>24,250</u>
<b>Net current assets</b>		<u><b>672,213</b></u>	<u>827,327</u>
<b>Total assets less current liabilities</b>		<u><b>1,111,044</b></u>	<u>1,098,295</u>
<b>Net assets</b>		<u><b>1,111,044</b></u>	<u>1,098,295</u>

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

As at 31st December, 2019

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 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>192,066</b>	171,635
		<b>1,111,044</b>	1,090,613
Non-controlling interests		–	7,682
<b>Total equity</b>		<b>1,111,044</b>	1,098,295
<b>Net asset value per share attributable to the owners of the Company (HK\$)</b>	<i>13</i>	<b>0.27</b>	0.27

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2019

	Equity attributable to the owners of the Company						Non-controlling interests	Total equity	
	Share capital HK\$'000	Capital contribution reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	Dividend reserve HK\$'000	Total HK\$'000	HK\$'000	
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 and 1st January, 2019	<b>918,978</b>	<b>367<sup>#</sup></b>	<b>(1,542)<sup>#</sup></b>	-	<b>172,810<sup>#</sup></b>	-	<b>1,090,613</b>	<b>7,682</b>	<b>1,098,295</b>
Profit for the year	-	-	-	-	14,472	-	14,472	-	14,472
Other comprehensive income	-	-	5,959	-	-	-	5,959	-	5,959
Total comprehensive income for the year	-	-	5,959	-	14,472	-	20,431	-	20,431
Disposal of a subsidiary	-	-	-	-	-	-	-	(7,682)	(7,682)
Transactions with owners	-	-	-	-	-	-	-	(7,682)	(7,682)
At 31st December, 2019	<b>918,978</b>	<b>367<sup>#</sup></b>	<b>4,417<sup>#</sup></b>	-	<b>187,282<sup>#</sup></b>	-	<b>1,111,044</b>	-	<b>1,111,044</b>

<sup>#</sup> The aggregate amount of these balances of HK\$192,066,000 (2018: HK\$171,635,000) 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, 2019 and 2018 included in this announcement of annual results 2019 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, 2018 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, 2019 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 Adoption of new/revised HKFRSs – effective 1st January, 2019

In the current year, 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 period beginning on 1st January, 2019.

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

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

## 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.

Amendments to HKFRS 3	Definition of a Business <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>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>1</sup>
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1st January, 2020*

<sup>2</sup> *Effective for annual period beginning on or after 1st January, 2021*

<sup>3</sup> *The amendments were originally intended to be effective for periods beginning on or after 1st January, 2018. The effective date has now been deferred/removed. Early application of the amendments continues 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\$30,320,000 (2018: HK\$28,128,000) and the gross proceeds from disposal of held-for-trading investments of the Group of HK\$241,764,000 (2018: HK\$703,272,000).

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

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Interest income from financial assets at FVOCI	<b>11,575</b>	12,886
Interest income from bank deposits	<b>1,204</b>	1,855
	<hr/>	<hr/>
Total interest income derived from financial assets not at FVPL	<b>12,779</b>	14,741
Distribution from perpetual securities	<b>1,646</b>	–
Dividend income		
– Listed investments	<b>12,999</b>	13,378
– Unlisted investments	<b>2,896</b>	9
	<hr/>	<hr/>
	<b>30,320</b>	28,128
	<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 Income/(Loss)

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Net gain/(loss) including interest income on financial assets at FVPL	11,398	(60,156)
Realised (loss)/gain on disposal/redemption of financial assets at FVOCI	(37)	7,017
Exchange (loss)/gain, net	(641)	590
Sundry income	1,278	658
Gain on disposal of a subsidiary	162	–
Reversal of impairment loss on interest in an associate	–	15,398
	<u>12,160</u>	<u>(36,493)</u>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit/(loss) before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	314	299
Employee benefit expense (including Directors' emoluments)	3,410	3,261
Management fee	16,335	17,824
Impairment losses on financial assets at FVOCI	1,949	–
Reversal of impairment loss on interest in an associate	–	(15,398)
	<u>–</u>	<u>(15,398)</u>

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

### 6. Income Tax Expense

No Hong Kong profits tax had been provided for the year ended 31st December, 2019 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.

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



## 7. Dividend

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Dividend recognised as distributions during the year:		
Nil (2018: interim dividend (in lieu of a final dividend) of HK\$0.05 per share)	<u>–</u>	<u>205,585</u>

The Board proposes to preserve cash for investment activities and does not recommend any dividend for the years ended 31st December, 2019 and 2018.

## 8. Earnings/(Loss) per Share Attributable to the Owners of the Company

The calculation of basic earnings/(loss) per share is based on the profit attributable to the owners of the Company of approximately HK\$14,472,000 (2018: loss of approximately HK\$43,567,000) and on the ordinary shares of the Company in issue during the year of 4,111,704,320 (2018: 4,111,704,320).

Diluted earnings/(loss) per share for the years ended 31st December, 2019 and 2018 is the same as the basic earnings/(loss) per share as the Company had no potential ordinary shares during the years ended 31st December, 2019 and 2018.

## 9. Financial Assets at FVOCI

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Non-current</b>		
Listed debt securities		
– Listed outside Hong Kong	<b>112,434</b>	56,185
– Listed in Hong Kong	<b>45,014</b>	38,937
Unlisted debt securities	<u>–</u>	<u>7,747</u>
	<b><u>157,448</u></b>	<u>102,869</u>
<b>Current</b>		
Listed debt securities		
– Listed in Hong Kong	<u><b>8,030</b></u>	<u>–</u>
	<b><u>165,478</u></b>	<u>102,869</u>

## 10. Financial Assets at FVPL

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Non-current</b>		
Listed debt securities	8,851	–
Listed perpetual securities	61,280	–
Unlisted equity securities	187,835	157,555
	<u>257,966</u>	<u>157,555</u>
<b>Current</b>		
Equity securities held for trading		
– Listed outside Hong Kong	296,431	60,484
– Listed in Hong Kong	287,373	403,551
	<u>583,804</u>	<u>464,035</u>
Market value of listed equity securities held for trading	583,804	464,035
	<u>841,770</u>	<u>621,590</u>

## 11. Trade and Other Receivables and Prepayment

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivable ( <i>Note</i> )	541	–
Prepayment	449	449
Other receivables	26	40
	<u>1,016</u>	<u>489</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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within one year	<u>541</u>	<u>–</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>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within one year	<u>–</u>	<u>17,973</u>

**13. 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\$1,111,044,000 (2018: approximately HK\$1,090,613,000) and 4,111,704,320 (2018: 4,111,704,320) ordinary shares in issue as at 31st December, 2019.

## OVERVIEW

The Group recorded a profit for the year ended 31st December, 2019 primarily arising from its investments in investment funds and bonds.

## FINANCIAL KEY PERFORMANCE INDICATORS

The Group recorded a net profit attributable to the owners of the Company in the amount of approximately HK\$14.5 million (2018: loss of approximately HK\$43.6 million) for the year ended 31st December, 2019, comprising profit of approximately HK\$25.3 million from equity related investments (2018: loss of approximately HK\$42.1 million) and profit contribution of approximately HK\$11.8 million from bond investments (2018: approximately HK\$20.6 million).

As at 31st December, 2019, the Group's net assets attributable to the owners of the Company increased by 1.9% to approximately HK\$1.11 billion. In comparison, the Hang Seng Index and the Hang Seng China Enterprises Index advanced by 9.1% and by 10.3% respectively during 2019.

Being over-cautious on the China economy, we had relatively low net exposure to risk assets, causing the underperformance.

## INVESTMENT REVIEW

As at 31st December, 2019, the Group's major investments were as follows:

<b>Investments</b>	<b>Description</b>
Listed Equities	HK\$583.8 million of a portfolio of listed shares in 23 companies
Fixed Income	HK\$235.6 million of fixed income instruments issued and/or guaranteed by an overseas government, 13 listed in Hong Kong and overseas companies and unlisted companies
Investment Funds	HK\$133.7 million in 7 investment funds
Sub-participation in Unlisted Investment	Sub-participation of HK\$54.1 million in an unlisted investment
Direct Investments in Unlisted Equities	HK\$23.4 million in one direct investment in unlisted equities

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

The Group's fixed income investments and unlisted equities investments, including funds, contributed most of the profit in 2019 notwithstanding the value of its listed equities investments declined during the year.

The five most profitable investments in our securities portfolio during the year were New Oriental Education & Technology Group Inc. (provision of private educational services in China), sub-participation in Kovan Limited (a company participating in financial activities), Springs China Opportunities Feeder Fund (a fund investing in companies listed in Mainland China and in overseas listed Chinese companies), Citigroup Inc. (global bank) and CVC Capital Partners Asia IV Associates L.P. (an Asia Pacific region private equity investment fund).

The five biggest losses in our securities portfolio during the year were CSOP Hang Seng Index Daily (-1x) Inverse Product (a futures-based product), Tatung Co., Ltd (comprehensive enterprise), A.Plus Group Holdings Limited (provision of financial printing services in Hong Kong), Tai Hing Group Holdings Limited (operation and management of restaurants) 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, 2019 (2018: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The forthcoming annual general meeting of the Company is scheduled to be held on Tuesday, 19th May, 2020 (the "AGM"). The register of members of the Company will be closed from Thursday, 14th May, 2020 to Tuesday, 19th May, 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 13th May, 2020.

## **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.

2019 is a reversal of 2018. The Federal Reserve of the United States and the China governments realized that they had over-tightened monetary conditions in 2018. The subsequent monetary and fiscal policies turned benign in 2019 and favourable towards risk assets. At the start of 2020, however, the coronavirus has dealt a blow to the China economy with a low visibility on prognosis. To meet the growth target of gross domestic product, it is likely that the China government will accelerate debt-financed public investments to mitigate the sudden drop in the private investments and private consumption caused by the nationwide preventive measures to contain the virus in first half of 2020. Therefore, the national debt level and money supply is likely to rise and put a strain on the Renminbi again, which is unkind to China related risk assets. We expect the stock market of Hong Kong will be flat at best in first half in 2020 and we will only consider accumulating stocks with decent growth profile and attractive valuations. As said in the interim report of 2019, we had started our bond portfolio with medium yield and have been increasing its allocation. Its performance has been satisfactory so far.

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

As at 31st December, 2019, the Group had cash and cash equivalents of approximately HK\$86.1 million (2018: approximately HK\$387.1 million), investments of approximately HK\$1,030.6 million (2018: approximately HK\$735.0 million) and no bank borrowings as at 31st December, 2019 and 2018. The liquidity position of the Group enables us to respond to further investment opportunities that are expected to generate better returns for the Shareholders. 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, 2019, was 0% (2018: 0%).

## **FOREIGN EXCHANGE EXPOSURE**

As at 31st December, 2019, 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 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, 2019, 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\$62.3 million (2018: HK\$40.0 million).

## **STAFF COSTS**

The Group's total staff costs (including Directors' emoluments) for the year ended 31st December, 2019 amounted to approximately HK\$3.4 million (2018: approximately HK\$3.3 million).

## **EVENT AFTER THE REPORTING PERIOD**

### **Impact of Novel Coronavirus Outbreak to the Group**

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has dealt a big blow on the global business environment. In preparing the consolidated financial statements, the Group applies fair value to measure its financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. In 2020, fair value of the Group's financial assets at fair value may be subject to fluctuations due to the COVID-19 outbreak. In view of the development and spread of COVID-19 subsequent to the date of this announcement, further changes in economic conditions arising thereof may have negative impact on the financial results of the Group, the extent of which could not be estimated as at the date of this announcement. The Group will keep monitoring to the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

## **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, 2019. 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, 2019.

## **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, 2019.

In the opinion of the Board, the Company has complied with the code provisions of the CG Code during the year ended 31st December, 2019.

## **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, 2019 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, 19th March, 2020

*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.*