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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 2020 ANNUAL 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, 2020 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December, 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	3	48,454	30,320
Other net income	4	139,122	12,160
Administrative and other operating expenses		(54,222)	(25,084)
Reversal of impairment losses/(impairment losses) on financial assets at fair value through other comprehensive income (“FVOCI”)		96	(1,949)
Share of gain/(loss) of associates		149	(763)
Finance costs		(119)	(212)
Profit before income tax	5	133,480	14,472
Income tax expense	6	–	–
Profit for the year attributable to the owners of the Company		133,480	14,472
Earnings per share attributable to the owners of the Company (HK cents)	8		
– Basic		3.25	0.35
– Diluted		3.25	0.35
Turnover – gross proceeds and revenue	3	415,343	272,084

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

For the year ended 31st December, 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year	133,480	14,472
Other comprehensive (expenses)/income		
<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	(837)	4,883
Reclassification adjustment for realisation upon disposal/ redemption of financial assets at FVOCI	(401)	1,076
Other comprehensive (expenses)/income for the year, net of tax	(1,238)	5,959
Total comprehensive income for the year attributable to the owners of the Company	132,242	20,431

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Interests in associates		23,567	23,417
Financial assets at FVOCI	9	56,322	157,448
Financial assets at fair value through profit or loss ("FVPL")	10	258,717	257,966
		338,606	438,831
Current assets			
Trade and other receivables and prepayment	11	3,799	1,016
Financial assets at FVOCI	9	146,961	8,030
Financial assets at FVPL	10	574,070	583,804
Cash and cash equivalents		213,825	86,132
		938,655	678,982
Current liabilities			
Other payables and accrued expenses		1,974	1,548
Amount due to a holding company		341	319
Amount due to a related company		31,660	4,902
		33,975	6,769
Net current assets		904,680	672,213
Total assets less current liabilities		1,243,286	1,111,044
Net assets		1,243,286	1,111,044

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 31st December, 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		918,978	918,978
Reserves		324,308	192,066
Total equity		<u>1,243,286</u>	<u>1,111,044</u>
Net asset value per share attributable to the owners of the Company (HK\$)	<i>12</i>	<u>0.30</u>	<u>0.27</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2020

	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	Retained earnings HK\$'000	Total HK\$'000	HK\$'000	HK\$'000
At 1st January, 2019	918,978	367	(1,542)	172,810	1,090,613	7,682	1,098,295
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 and 1st January, 2020	918,978	367[#]	4,417[#]	187,282[#]	1,111,044	-	1,111,044
Profit for the year	-	-	-	133,480	133,480	-	133,480
Other comprehensive expenses	-	-	(1,238)	-	(1,238)	-	(1,238)
Total comprehensive income for the year	-	-	(1,238)	133,480	132,242	-	132,242
At 31st December, 2020	918,978	367[#]	3,179[#]	320,762[#]	1,243,286	-	1,243,286

[#] The aggregate amount of these balances of approximately HK\$324,308,000 (2019: approximately HK\$192,066,000) 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, 2020 and 2019 included in this announcement of annual results 2020 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, 2019 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, 2020 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, 2020

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, 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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 HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁴
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1st January, 2021

² Effective for annual periods beginning on or after 1st January, 2022

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1st January, 2022

⁴ Effective for annual periods beginning on or after 1st January, 2023

⁵ The amendments shall be applied prospectively to the sale or contribution of assets occurring in 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. Turnover and Revenue

Turnover represents revenue of the Group of approximately HK\$48,454,000 (2019: approximately HK\$30,320,000) and the gross proceeds from disposal of held-for-trading investments of the Group of approximately HK\$366,889,000 (2019: approximately HK\$241,764,000).

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

	2020	2019
	HK\$'000	HK\$'000
Interest income from financial assets at FVOCI	20,033	11,575
Interest income from bank deposits	185	1,204
Total interest income derived from financial assets not at FVPL	20,218	12,779
Distribution from perpetual securities	5,482	1,646
Dividend income		
– Listed investments	16,295	12,999
– Unlisted investments	6,459	2,896
	48,454	30,320

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Net gain including interest income on financial assets at FVPL	136,640	11,398
Realised gain/(loss) on disposal/redemption of financial assets at FVOCI	1,827	(37)
Sundry income	1,540	1,278
Exchange loss, net	(885)	(641)
Gain on disposal of a subsidiary	–	162
	<u>139,122</u>	<u>12,160</u>

5. Profit before Income Tax

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	331	314
Employee benefit expense (including Directors' emoluments)	4,187	3,410
Management fee	16,549	16,335
Performance fee	26,603	–
(Reversal of impairment losses)/impairment losses on financial assets at FVOCI	(96)	1,949
	<u>(96)</u>	<u>1,949</u>

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 had been provided for the years ended 31st December, 2020 and 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.

7. Dividend

The Board proposes to preserve cash for investment activities and does not recommend any dividend for the years ended 31st December, 2020 and 2019.

8. Earnings per Share Attributable to the Owners of the Company

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company of approximately HK\$133,480,000 (2019: approximately HK\$14,472,000) and on the ordinary shares of the Company in issue during the year of 4,111,704,320 shares (2019: 4,111,704,320 shares).

Diluted earnings per share for the years ended 31st December, 2020 and 2019 is the same as the basic earnings per share as the Company had no potential ordinary shares during the years ended 31st December, 2020 and 2019.

9. Financial Assets at FVOCI

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current		
Listed debt securities		
– Listed outside Hong Kong	30,797	112,434
– Listed in Hong Kong	25,525	45,014
	<u>56,322</u>	<u>157,448</u>
Current		
Listed debt securities		
– Listed outside Hong Kong	88,510	–
– Listed in Hong Kong	43,053	8,030
Unlisted debt securities	15,398	–
	<u>146,961</u>	<u>8,030</u>
	<u>203,283</u>	<u>165,478</u>

10. Financial Assets at FVPL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current		
Unlisted equity securities	173,043	187,835
Listed perpetual securities	76,688	61,280
Listed debt securities	8,986	8,851
	<u>258,717</u>	<u>257,966</u>
Current		
Equity securities held for trading		
– Listed in Hong Kong	338,818	287,373
– Listed outside Hong Kong	155,229	296,431
Debt securities held for trading – Listed in Hong Kong	80,023	–
	<u>574,070</u>	<u>583,804</u>
	<u>832,787</u>	<u>841,770</u>

11. Trade and Other Receivables and Prepayment

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivable (<i>Note</i>)	3,349	541
Prepayment	449	449
Other receivables	1	26
	3,799	1,016

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within one year	3,349	541

12. 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\$1,243,286,000 (2019: approximately HK\$1,111,044,000) and on the ordinary shares of the Company in issue as at 31st December, 2020 of 4,111,704,320 shares (2019: 4,111,704,320 shares).

OVERVIEW

The Group recorded a profit for the year ended 31st December, 2020 primarily arising from its investments in equities, investment funds and sub-participation.

FINANCIAL KEY PERFORMANCE INDICATORS

The Group recorded a net profit attributable to the owners of the Company in the amount of approximately HK\$133.5 million (2019: approximately HK\$14.5 million) for the year ended 31st December, 2020, comprising profit of approximately HK\$80.3 million from investment in equity securities and associates (2019: loss of approximately HK\$2.4 million), profit of HK\$70.9 million from investment funds and sub-participation (2019: approximately HK\$27.7 million) and profit contribution of approximately HK\$33.9 million from bond investments (2019: approximately HK\$11.8 million).

As at 31st December, 2020, the Group's net assets attributable to the owners of the Company increased by 11.9% to approximately HK\$1.24 billion. In comparison, the Hang Seng Index and the Hang Seng China Enterprises Index decreased by 3.4% and by 3.8% respectively during 2020.

INVESTMENT REVIEW

As at 31st December, 2020, the Group's major investments were as follows:

Investments	Description
Listed Equities	HK\$494.0 million of a portfolio of listed shares in 26 companies
Fixed Income	HK\$369.0 million of fixed income instruments issued and/or guaranteed by two governments and 18 companies (listed in Hong Kong and overseas and unlisted)
Investment Funds	HK\$173.0 million in 7 investment funds
Direct Investments in Unlisted Equities	HK\$23.6 million in one direct investment in unlisted equities

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

The Group's listed and unlisted equities investments, including funds investment, contributed most of the profit in 2020.

The five most profitable investments in our securities portfolio during the year were Tatung Co., Ltd (comprehensive enterprise), Sub-participation in Kovan Limited (a company participating in financial activities), New Oriental Education & Technology Group Inc. (provision of private educational services in China), Springs China Opportunities Feeder Fund (a fund investing in companies listed in Mainland China and in overseas listed Chinese companies) and Alibaba Group Holding Limited (provision of online and mobile retail commerce in China).

The five biggest losses in our securities portfolio during the year were China Unicom (Hong Kong) Limited (provision of telecommunications services), China Railway Group Limited (provision of infrastructure construction business in China), Dream International Limited (plush stuffed toys, ride-on toys and plastic figures manufacturer), Fountain Set (Holdings) Limited (a knitted fabric and garments manufacturer) and Citigroup Inc. (global bank).

DIVIDEND

The Board proposes to preserve cash for investment activities and does not recommend any dividend for the year ended 31st December, 2020 (2019: Nil).

SIGNIFICANT INVESTMENTS HELD AND PROSPECTS

As at 31st December, 2020, the Group held the following significant investments:

1. New Oriental Education & Technology Group Inc. (“New Oriental”)

As at 31st December, 2020, the Group held 56,000 shares of New Oriental, representing approximately 0.03% of New Oriental issued shares and total investment cost of New Oriental was approximately HK\$39.2 million. New Oriental and its subsidiaries are principally engaged in private educational services in China.

Fair value of shares held in New Oriental as at 31st December, 2020 of approximately HK\$80.7 million represents 6.3% of the Group’s total assets. No realised gain/loss and dividend income was recorded but unrealised profit of approximately HK\$27.8 million from New Oriental was recognised during the year.

Performance: for the first six months ended 30th November, 2020, New Oriental group reported revenue of US\$1,874 million, representing a 1% increase year-on-year due to the increase in total student enrollments in academic subjects tutoring and test preparation courses in the relevant period. The net profit attributable to New Oriental for the same period decreased by 13% year-on-year to US\$229 million.

Prospects: according to the management of New Oriental, New Oriental group is in good recovery progress and continues to take market share from other players post COVID-19.

Investment strategy: as the share price of New Oriental had reached the fair value, the Company sold all holdings of New Oriental already at the date of this announcement.

2. The Government of the Hong Kong Special Administrative Region of the People's Republic of China iBond due 2023 (“iBond 2023”)

As at 31st December, 2020, the Group held HK\$76.8 million nominal value of iBond 2023 and total investment cost of iBond 2023 was approximately HK\$79.1 million.

Fair value of iBond 2023 held by the Group as at 31st December, 2020 of approximately HK\$80.0 million represents 6.3% of the Group's total assets. Realised gain of approximately HK\$0.3 million and unrealised gain of approximately HK\$0.9 million from iBond 2023 were recognised during the year.

Performance: the issue price of iBond 2023 was 100 and as at 31st December, 2020, the price quoted on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) was 103.9. At this price, the yield to maturity of iBond 2023 was approximately 0.6%, compared with the face coupon rate of 2%.

Prospects: in view of the very strong financial position of The Government of the Hong Kong Special Administrative Region of the People's Republic of China, iBond 2023 can provide a steady interest income to investors.

Investment strategy: we consider iBond 2023 as a risk-free security with interest income higher than cash. It is an alternative investment for the Group's treasury management. The Group will increase or reduce the holdings, depending on the investment environment.

3. Springs China Opportunities Feeder Fund (“Springs China”)

As at 31st December, 2020, total investment cost of Springs China held by the Group was approximately HK\$7.8 million. Springs China principally invests in companies primarily listed in Mainland China and Hong Kong, and overseas listed Chinese companies.

Fair value of Springs China held by the Group as at 31st December, 2020 of approximately HK\$69.6 million represents 5.5% of the Group's total assets. No realised gain/loss and dividend income was recorded but unrealised profit of approximately HK\$26.6 million from Springs China was recognised during the year.

Performance: for the financial year 2020, the value of Springs China went up significantly by 62%.

Prospects: the investment manager of Springs China see opportunities on two fronts, that is, structural opportunities from subsectors with reasonable valuation and good risk and reward profiles; and companies that are in the promising fields with consistent innovation capabilities in the emerging sectors. In relation to risk mitigation, Springs China will stay clear of stocks riding high on overheated market sentiment and keep a close eye on external uncertainties.

Investment strategy: we take a long-term view on Springs China and intend to hold our stake.

In 2020, the COVID-19 dealt a blow to the world and the global economy suffered severely. As a result, the Federal Reserve of the United States adopted an ultra-loose monetary policy. The performances among securities of different sectors diverged significantly. Structural growth stocks, which benefitted significantly from the plunge in risk-free rate and left relatively unscathed amid the uncertainty, were phenomenal, while cyclical and value stocks, which suffered from the hard hit economy, were mediocre.

In 2021, more people, in particular those in developed countries, are expected to be vaccinated against COVID-19 and the fiscal stimulus in the United States is gaining traction. The potential speedy economic recovery and pickup in inflation is in favour of cyclical and value stocks, as opposed to growth stocks. In view of this development, our equity portfolio is now tilted towards cyclical and value stocks which investors neglected in 2020. Meanwhile, our bond portfolio with medium yield continues to provide a stable income stream amid the volatile investment environment.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 31st December, 2020, the Group had cash and cash equivalents of approximately HK\$213.8 million (2019: approximately HK\$86.1 million), investments of approximately HK\$1,059.6 million (2019: approximately HK\$1,030.6 million) and no bank borrowings as at 31st December, 2020 and 2019. The liquidity position of the Group enables us to respond to further investment opportunities that are expected to generate better returns for the shareholders of the Company. The Group's gearing ratio, calculated by reference to the ratio of total borrowings to total equity attributable to the owners of the Company as at 31st December, 2020, was 0% (2019: 0%).

FOREIGN EXCHANGE EXPOSURE

As at 31st December, 2020, 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, 2020, 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\$62.0 million (2019: HK\$62.3 million).

STAFF COSTS

The Group's total staff costs (including Directors' emoluments) for the year ended 31st December, 2020 amounted to approximately HK\$4.2 million (2019: approximately HK\$3.4 million).

THE IMPACT OF COVID-19 DURING THE CURRENT REPORTING YEAR

The COVID-19 pandemic has developed rapidly in 2020 and led to the suspension of economic activities in varying degrees globally. While certain industries have suffered from more direct and profound disturbances, the impact on the financial industry in which the Group is engaged has been rather modest during the year under review. Since COVID-19 pandemic continues to evolve, the Group cannot predict the extent or quantify the exact effects on its operations in the near future. Having said that, up to the date of this announcement, the management has not identified any areas that could have a material impact on the Group's financial performance or position as at 31st December, 2020.

EVENT AFTER THE REPORTING PERIOD

Proposed Privatisation

On 11th December, 2020, the offeror, Bright Clear Limited (the "Offeror"), requested the Board to put forward to the shareholders of the Company the proposal (the "Proposal") which involve the proposed privatisation of the Company in consideration of the scheme consideration of HK\$0.21 per scheme share, which will be payable by the Offeror to scheme shareholders in cash. For details of the Proposal, please refer to the scheme document jointly issued by the Company, the Offeror and Allied Group Limited dated 11th February, 2021 (the "Scheme Document"). Capitalised terms used herein shall have the same meaning as they were defined in the Scheme Document unless the context otherwise specified.

On 12th March, 2021, at the meeting of the Scheme Shareholders (the "Court Meeting"), the resolution to approve the Scheme was approved by the Disinterested Scheme Shareholders other than the Offeror and any person(s) acting in concert or presumed to be acting in concert with the Offeror under the Takeovers Code present and voting either in person or by proxy at the Court Meeting.

On 12th March, 2021, at an extraordinary general meeting of the Company ("EGM"), the special resolution to approve, including but not limited to, the Proposal (including the Scheme), the implementation of the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange following the Scheme becoming effective was approved by the Shareholders present and voting either in person or by proxy at the EGM.

According to the Proposal, it is expected that the High Court hearing of the petition for the sanction of the Scheme will be held on 20th April, 2021. If all conditions of the Proposal and the Scheme have been fulfilled or waived (as applicable), the Scheme will become effective on 22nd April, 2021 and the expected withdrawal of the listing of the Shares on the Stock Exchange would become effective on 23rd April, 2021.

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 results and the audited consolidated financial statements of the Group and the independent auditor's report thereon for the year ended 31st December, 2020. 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, 2020.

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, 2020.

In the opinion of the Board, the Company has complied with the code provisions of the CG Code during the year ended 31st December, 2020.

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 listed 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, 2020 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.

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

Hong Kong, 18th March, 2021

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.