



**Shenyin Wanguo (H.K.) Limited**  
**申銀萬國(香港)有限公司**

SECURITIES RESEARCH

CORPORATE FINANCE

SECURITIES BROKERAGE & DEALING

SECURITIES FINANCING

Interim Report  
2003  
中期報告

## Results

The Directors of Shenyin Wanguo (H.K.) Limited (the “Company”) are pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2003 together with comparative figures for the corresponding period of last year as follows:

### Condensed Consolidated Profit and Loss Account

	Notes	Six months ended 30 June	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000 Restated
TURNOVER	3	75,721	136,279
Other revenue and gains		229	19,472
Cost of trading securities sold		(37,029)	(80,667)
Staff costs		(22,122)	(28,030)
Provision for bad and doubtful debts		–	(4,000)
Interest expenses for financial services operations		(2,855)	(5,501)
Depreciation and amortisation expenses		(4,992)	(6,222)
Other operating expenses, net		(17,615)	(24,265)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	(8,663)	7,066
Finance costs	5	(25)	(30)
Share of profits/(losses) of:			
Jointly-controlled entities		12,303	12,904
An associate		–	(24)
PROFIT BEFORE TAX		3,615	19,916
Tax	6	(1,809)	(2,748)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		1,806	17,168
EARNINGS PER SHARE	7		
Basic		0.34 cents	3.30 cents
Diluted		N/A	3.17 cents

## Condensed Consolidated Balance Sheet

	Notes	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000 Restated
<b>NON-CURRENT ASSETS</b>			
Fixed assets		10,352	14,162
Stock and Futures Exchange trading rights		5,475	5,897
Other assets		6,721	6,035
Interests in jointly-controlled entities		172,038	173,854
Goodwill		59,452	60,199
Long term receivable	9	182,767	182,767
Long term investments	10	4,632	4,984
Deferred tax assets		664	654
		<u>442,101</u>	<u>448,552</u>
<b>CURRENT ASSETS</b>			
Short term investments		79,317	60,267
Accounts receivable	11	120,305	88,831
Loans and advances		203,506	267,691
Tax recoverable		2,070	2,023
Deposits, prepayments and other receivables		5,170	5,636
Bank balances held on behalf of customers		549,056	333,597
Cash and cash equivalents		28,855	35,150
		<u>988,279</u>	<u>793,195</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	12	638,141	394,404
Other payables and accruals		19,486	18,161
Interest-bearing bank and other borrowings		119,923	172,717
		<u>777,550</u>	<u>585,282</u>
<b>NET CURRENT ASSETS</b>		<u>210,729</u>	<u>207,913</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>652,830</u>	<u>656,465</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		(1,340)	(1,473)
		<u>651,490</u>	<u>654,992</u>
<b>CAPITAL AND RESERVES</b>			
Issued capital		265,380	265,380
Reserves		386,110	384,304
Proposed final dividend		–	5,308
		<u>651,490</u>	<u>654,992</u>

## Condensed Consolidated Statement of Changes in Equity

	Share		Capital reserve	General reserve	Retained profits	Proposed	Total
	Issued capital	premium account				final dividend	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2003							
As previously reported (audited)	265,380	314,740	15	138	68,757	5,308	654,338
Prior year adjustments:							
SSAP 12 "Income taxes"	-	-	-	-	654	-	654
As restated	265,380	314,740	15	138	69,411	5,308	654,992
Final 2002 dividend declared	-	-	-	-	-	(5,308)	(5,308)
Net profit for the period (unaudited)	-	-	-	-	1,806	-	1,806
<b>At 30 June 2003 (unaudited)</b>	<b>265,380</b>	<b>314,740</b>	<b>15</b>	<b>138</b>	<b>71,217</b>	<b>-</b>	<b>651,490</b>
At 1 January 2002							
As previously reported (audited)	259,880	314,740	15	138	63,396	5,198	643,367
Prior year adjustments:							
SSAP 12 "Income taxes"	-	-	-	-	678	-	678
As restated	259,880	314,740	15	138	64,074	5,198	644,045
Final 2001 dividend declared	-	-	-	-	-	(5,198)	(5,198)
Net profit for the period (unaudited)	-	-	-	-	17,168	-	17,168
<b>At 30 June 2002 (unaudited)</b>	<b>259,880</b>	<b>314,740</b>	<b>15</b>	<b>138</b>	<b>81,242</b>	<b>-</b>	<b>656,015</b>

## Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000 Restated
Net cash inflow/(outflow) from operating activities	52,640	(91,482)
Net cash inflow/(outflow) from investing activities	(700)	46,590
Net cash inflow/(outflow) from financing activities	(64,440)	40,873
DECREASE IN CASH AND CASH EQUIVALENTS	(12,500)	(4,019)
Cash and cash equivalents at beginning of period	32,700	36,359
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>20,200</u>	<u>32,340</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances	13,943	20,922
Time deposits with original maturity of less than three months when acquired	14,912	22,606
Bank overdrafts	(8,655)	(11,188)
	<u>20,200</u>	<u>32,340</u>

## Notes to Condensed Financial Statements

### 1. Principal Accounting Policies

This unaudited condensed consolidated interim financial report has been prepared in accordance with the requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is in compliance with the Statements of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2002 except for the adoption of SSAP 12 (Revised) “Income taxes”. This SSAP principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax is provided using the income statement liability method on all significant differences to the extent it is probable that the liability will crystallise in the foreseeable future, a deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The principal impacts of the revision of this SSAP are that opening retained profits at 1 January 2003 and 1 January 2002 have been increased by HK\$654,000 and HK\$678,000 respectively, and the comparative amount in respect of taxation for the prior period has been reduced by HK\$68,000.

### 2. Segment Information

The Group’s operating business can be analysed primarily by business segments. The summarised details of the business segments are as follows:

- (a) securities trading and investment holding
- (b) securities broking and dealing
- (c) securities financing and direct loan
- (d) investment advisory services

The Group’s inter-segment sales and transfers are transacted with reference to terms and conditions as used for such similar transactions with third parties.

## 2. Segment Information (continued)

The following table represents unaudited turnover and results for the Group's business segments for the period ended 30 June.

	Securities trading and investment holding		Securities broking and dealing		Securities financing and direct loan		Investment advisory services		Eliminated on consolidation		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Restated		Restated		Restated		Restated		Restated		Restated	
Segment turnover:												
External customers	42,290	87,591	16,765	25,367	14,302	19,085	2,364	4,236	–	–	75,721	136,279
Inter-segment	–	–	–	–	–	–	1,253	1,342	(1,253)	(1,342)	–	–
Total	42,290	87,591	16,765	25,367	14,302	19,085	3,617	5,578	(1,253)	(1,342)	75,721	136,279
Segment results	(1,614)	11,530	(15,124)	(10,061)	10,134	6,971	(83)	1,795	–	–	(6,687)	10,235
Unallocated expenses											(1,976)	(3,169)
Profit/(loss) from operating activities											(8,663)	7,066
Finance costs											(25)	(30)
Share of profits/(losses) of:												
Jointly-controlled entities	12,303	12,904									12,303	12,904
An associate	–	(24)									–	(24)
Profit before tax											3,615	19,916
Tax	(1,819)	(1,910)	(29)	(843)			39	5			(1,809)	(2,748)
Net profit from ordinary activities attributable to shareholders											1,806	17,168

### 3. Turnover

Turnover represents the aggregate of sales proceeds from securities and futures contracts trading, gross interest income from securities financing and direct loans, commission and brokerage income less rebates, fees for the rendering of services, and dividend income. Revenue from the following activities has been included in turnover:

	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Financial services:		
Sales proceeds from securities and futures contracts trading	<b>40,991</b>	81,670
Interest income from securities financing and direct loans	<b>12,773</b>	17,310
Commission and brokerage income	<b>16,721</b>	25,003
Rendering of services	<b>2,364</b>	4,236
	<u><b>72,849</b></u>	<u>128,219</u>
Others:		
Bank interest income	<b>1,529</b>	1,776
Dividend income from Listed equity investments	<b>1,260</b>	665
Unlisted equity investment – an unconsolidated subsidiary	–	5,216
Others	<b>83</b>	403
	<u><b>2,872</b></u>	<u>8,060</u>
	<u><b>75,721</b></u>	<u>136,279</u>

#### 4. Profit/(Loss) From Operating Activities

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Depreciation	3,823	5,097
Amortisation of goodwill	747	704
Amortisation of intangible assets	422	421
Net realised gain on trading of listed equity investments	(3,965)	(1,120)
Gain on disposal of subsidiaries	–	(19,225)
Net unrealised loss on listed equity investments	<u>3,033</u>	<u>7,260</u>

#### 5. Finance Costs

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Interest on bank loans and overdrafts	<u>25</u>	<u>30</u>

#### 6. Tax

No Hong Kong profits tax has been provided because the Group companies either did not generate any assessable profits in Hong Kong, or had available tax losses brought forward to offset the assessable profits generated during the period (2002: Nil).

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000 Restated
Underprovision/(overprovision) in prior year	(47)	828
Deferred tax	(10)	(68)
Share of tax attributable to jointly-controlled entities	<u>1,866</u>	<u>1,988</u>
	<u>1,809</u>	<u>2,748</u>

## 7. Earnings Per Share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the unaudited net profit from ordinary activities attributable to shareholders for the period of HK\$1,806,176 (2002: HK\$17,167,988) and the weighted average of 530,759,126 (2002: 519,759,126) ordinary shares in issue during the period.

### (b) Diluted earnings per share

No diluted earnings per share was presented for the current period because there was no dilutive potential ordinary share during the period following the cancellation of the convertible note and the exercise of all share options in 2002.

Diluted earnings per share for the period ended 30 June 2002 was based on the unaudited net profit from ordinary activities attributable to shareholders for the period of HK\$17,167,988 and the interest accrued on the convertible note for the period of HK\$1,258,521. The weighted average number of ordinary shares used in the calculation comprised the 519,759,126 ordinary shares in issue during the period, as used in the basic earnings per share calculation, the weighted average of 5,516,451 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all options outstanding during the period, and the weighted average of 56,716,226 ordinary shares assumed to have been issued on the full conversion of the convertible note outstanding during the period.

## 8. Interim Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2003 (2002: Nil).

## 9. Long Term Receivable

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Amounts receivable	292,767	292,767
Less: Provision for doubtful debts	<u>(110,000)</u>	<u>(110,000)</u>
Long term receivable	<u><u>182,767</u></u>	<u><u>182,767</u></u>

### 9. Long Term Receivable (continued)

The receivable is due from Century City International Holdings Limited (“CCIH”) and its subsidiaries (collectively the “CC Group”). As the directors consider that the receivable is unlikely to be recovered within the next twelve months, it has been classified as a long term receivable. The amounts receivable from the CC Group bear interest ranging from prime rate plus 3.05% to 4% (2002: prime rate plus 3.05% to 4%) per annum, and no interest has been recognised due to the uncertainty of the recoverability of the receivable.

### 10. Long Term Investments

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Listed equity investments in Hong Kong at fair value	<u><b>4,632</b></u>	<u>4,984</u>

The market value of the Group’s long term listed equity investments at the date of approval of these unaudited condensed financial statements and 2002’s annual financial statements were HK\$11,691,831 and HK\$4,728,841 respectively.

### 11. Accounts Receivable

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Accounts receivable	<b>139,536</b>	108,062
Less: Provisions for doubtful debts – specific	<u><b>(19,231)</b></u>	<u>(19,231)</u>
	<u><b>120,305</b></u>	<u>88,831</u>

An aged analysis of accounts receivable is as follows:

Current to 30 days	<b>106,080</b>	75,971
31 to 60 days	<b>1,711</b>	8,315
61 to 90 days	<b>2,426</b>	1,506
Over 90 days	<u><b>29,319</b></u>	<u>22,270</u>
	<u><b>139,536</b></u>	<u>108,062</u>

The Group allows a credit period up to the settlement dates of respective securities and commodities transactions or a credit period mutually agreed with the contracting parties.

## 12. Accounts Payable

An aged analysis of accounts payable is as follows:

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Current to 30 days	<u><u>638,141</u></u>	<u><u>394,404</u></u>

## 13. Commitments

### (a) Capital commitments

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Contracted, but not provided for	<u><u>1,203</u></u>	<u><u>1,400</u></u>

### (b) Operating lease commitments as a lessee

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Within one year	<b>8,115</b>	8,646
In the second to fifth years, inclusive	<u><u>6,363</u></u>	<u><u>10,253</u></u>
	<u><u>14,478</u></u>	<u><u>18,899</u></u>

## 14. Connected and Related Party Transactions

There were no significant connected and related party transactions between the Group and related parties during the period.

## 15. Comparative Amounts

Certain comparative amounts have been restated due to the adoption of SSAP 12 (Revised) as explained in note 1. In addition, certain comparative amounts have been reclassified to conform with the current period's presentation.

## Management Discussion and Analysis

### Business Review

In the first half of the year, the Group recorded an unaudited net profit attributable to shareholders of HK\$1.8 million (2002: HK\$17 million), representing a decrease of 89% over 2002 while the turnover of the Group fell approximately by HK\$60 million to HK\$76 million on a year-on-year comparison (2002: HK\$136 million).

The Group continued to focus on its stockbroking and dealing businesses on Hong Kong, Shanghai, Shenzhen and some other Asian stock exchanges. On 1 April 2003, the minimum brokerage commission was abolished in Hong Kong as scheduled, which had a noticeable but small effect on our business during the period. On the other hand, to sharpen our competitive edge to cope with the ever-intensifying market conditions, the North Point branch was closed in March as an implementation of stringent cost control. The stockbroking business contributed HK\$17 million to the Group's turnover while the number of clients increased by 10% for the six months ended 30 June 2003.

In respect of corporate finance services, due to the outbreak of Severe Acute Respiratory Syndrome ("SARS") and poor market conditions for the period under review, fund raising activities undertaken by Shenyin Wanguo Capital (H.K.) Limited, a wholly owned subsidiary of the Company, were adversely affected. On the other hand, it continued to provide financial advisory services to several listed companies, including Guorun Holdings Limited, in relation to their notifiable transactions.

### Market Review

Hong Kong's economy during the first half of 2003 was adversely affected by the slow growth in the global economy as a result of high oil prices and the outbreak of the war in Iraq. The local business environment was further affected by onset of SARS, weakening property market, worsening structural fiscal deficit and weak investment and consumer confidence, leading to persistent high unemployment and deflation. On a seasonal quarter-to-quarter comparison, real GDP growth contracted by 3.7% in the second quarter, down for the second consecutive quarter, meaning that the territory fell into a technical recession. The unemployment rate, measured over the three months to May, rose to 8.3%, its highest in 30 years.

**Market Review** (continued)

With a nervous political environment due to the war in Iraq, negative economic growth, a worsening structural fiscal deficit and unfavourable investment sentiment prevailing in the global market, the business environment was extremely harsh for the securities and the investment banking industry in Hong Kong for the period under review. For the first six months of the year, the average daily turnover on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") dropped by 5% to HK\$6,956 million, compared with HK\$7,341 million in the same period of last year, reflecting the continued weakness in the equity market. The drop in market activity could also be attributed to the slowdown of turnover velocity and the poor market performance. The Hang Seng Index closed at 9,577 at end-June 2003, which was 10% lower than that at end-June 2002.

B-share activity remained subdued during the first six months of the year. A moratorium on new issues remained in place. The B-share indices on the Shanghai and Shenzhen Stock Exchanges reached highs (and lows) of 130.2 (111.2) and 232.7 (184.9), respectively, during the period. The average daily turnover of the B-shares declined to RMB136.7 million and RMB179.8 million from RMB308.6 million and RMB180.4 million on the Shanghai and Shenzhen Stock Exchanges, respectively, over the same period as last year.

**Looking Ahead**

Our Group is a Hong Kong based securities firm, specializing in the brokerage of listed stocks in indigenous PRC companies. As such, whilst in the second half of the year Hong Kong will continue to face daunting challenges, such as deciding on how to tackle the future fiscal deficits; continuing deflation; high unemployment and minimal or negative economic growth, nevertheless there have been specific positive factors which have led to a recent rekindling of interest in Hong Kong listed China stocks, thereby helping to benefit our brokerage business. These factors started in May, coinciding with the recedence of SARS in Hong Kong. After the recedence of SARS, the stock markets in Asia, and in particular Hong Kong's, rebounded strongly. Our Group's brokerage business strongly recovered during May as well, in tandem. However, because the strong recovery in our brokerage business started only in May, this phenomenon was not fully reflected in the period under review. Because of the speed of recovery, though, we remain sanguine about prospects for the Group for the second half of the year.

### Looking Ahead (continued)

One of the positive factors described above was the formal implementation of the Qualified Foreign Institutional Investor Scheme (“QFII”), first announced in November 2002. The first entrants to QFII provided a positive investment environment for investment in China stocks. Another major factor was the confirmation that the majority of the Hong Kong listed China companies were well on their way to reaping benefits from capital investment made over the previous two to three years. The benefits were clearly evident in their financial reports for the financial year 2002 and the first quarter of the financial year 2003.

More recently, in the wider Hong Kong economy, improved local consumer confidence has been clearly evident, as indicated by improved retail sales figures, sales of residential properties, and tourism. There are other factors which will bode Hong Kong well for the future.

First is the signing of the long-awaited Closer Economic Partnership Arrangement (“CEPA”) with China on 29 June 2003 which will take effect on 1 January 2004. CEPA allows Hong Kong companies to access to the Mainland market before competitors from elsewhere and eliminates substantial trade and investment barriers between Hong Kong and the Mainland, thus strengthening Hong Kong companies first mover advantage. Under CEPA, the Mainland supports Chinese banks in relocating their international treasury and foreign exchange trading centres to Hong Kong. Chinese banks are also encouraged to expand their banking business in Hong Kong through acquisition. In the process of financial reform on the Mainland, the financial intermediaries in Hong Kong will be fully utilized. In a nutshell, CEPA would strengthen Hong Kong’s role as an international financial centre for China and the region.

In addition, attention should be paid to the possible launch in the foreseeable future of the Qualified Domestic Institutional Investor Scheme (“QDII”). It is likely that QDII would allow Mainland individuals and corporations, which are believed to hold about US\$150 billion in foreign exchange deposits, to channel some of those funds into the Hong Kong stock market, thereby benefitting the entire economy as a whole.

**Looking Ahead** (continued)

On one hand, our Group shall continue to focus proactively on tapping business opportunities to provide financial advisory and capital raising services to predominately PRC corporations, strengthening our traditional stockbroking business and maintaining high liquidity to respond to opportunities which may appear at any moment. Further, we shall continue to recruit sales professionals to sustain a growth in our market share and our operating revenue amidst the on-going keen competition in the industry. On the other hand, we will remain conservative on our approach to our proprietary share trading, the provision of margin finance to clients and business expansion.

**Capital Structure**

During the period, there was no change to the share capital of the Company. The total number of the issued ordinary shares as at 30 June 2003 was 530,759,126 shares. Total equity attributable to shareholders was HK\$651 million.

**Liquidity, Financial Resources and Gearing Ratio**

As at 30 June 2003, the Group had a cash holding of HK\$28.9 million and marketable securities of HK\$79.3 million. As at 30 June 2003, the Group's total unutilised banking facilities amounted to HK\$401 million, of which HK\$112 million could be drawn down without the need of completion of condition precedent.

As at 30 June 2003, the Group had outstanding bank loans amounting to HK\$113 million, of which HK\$111 million was repayable within one year. The liquidity ratio (current assets to current liabilities) and gearing ratio (borrowings to net asset value) as at 30 June 2003 were 1.27 and 0.19 respectively.

The Group has sufficient financial resources for its day to day operations as well as spare capacity to take advantage of any investment opportunities when they arise.

### **Significant Investment Held, Material Acquisition and Disposal**

During the period, the Group continued to derive a stable earnings stream from its 26.19% interest in The New China Hong Kong Highway Limited, which in turn held a 60% interest in Sichuan Chengmian Expressway Company Limited. The investment had a carrying value of HK\$231 million as at 30 June 2003.

During the period, there was no material acquisition and disposal of subsidiaries or associated companies.

### **Charges on the Group's Asset**

The Group's interest in jointly-controlled entities has been charged to a bank as security for a short-term loan facility. As at 30 June 2003, the amount of the Group's borrowings outstanding under this loan facility was HK\$65 million.

The Group's interests in land and buildings in Hong Kong have been pledged to banks to secure the Group's long-term bank loans. As at 30 June 2003, the outstanding loan was HK\$1.6 million.

### **Risk Management**

The Group has properly put credit management policies in place which address the approval of clients' trading and credit limits, regular reviews of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The policies are documented in the Operational Manual which is updated regularly.

The management closely monitors the market condition so that precautionary measures will be taken to eliminate the risk that the Group may encounter. As at 30 June 2003, the advances to customers included direct loans of HK\$10 million (31 December 2002: HK\$33 million) and margin financing of HK\$211 million (31 December 2002: HK\$252 million). All direct loans were advanced to financial industry sector (31 December 2002: 39% to financial industry sector and 61% to property development sector), according to the business activities of the borrowers. In respect of margin financing, 17% (31 December 2002: 18%) was attributable to corporate borrowers, while the remaining was attributable to individual borrowers.

### **Exposure to Fluctuations in Exchange Rates and Any Related Hedges**

The Group's exposure to fluctuations in exchange rates arises from its dealings in overseas stock markets. Such dealings are entered into on behalf of clients of the Group and accounted for a small portion of the Group's turnover. A material portion of such overseas transactions are denominated in United States dollars. The pegged exchange rate between USD and HKD kept the Group's exchange risk exposure to a minimum and thus, no hedging was required. Exchange gains and/or losses are dealt with in the profit and loss account. The Group closely monitors its foreign currency positions and takes necessary measures if the situations so justify.

### **Contingent Liabilities**

There were no material contingent liabilities as at 30 June 2003.

### **Future Plans for Material Investments or Capital Assets**

Except the future plans as disclosed in the paragraph of "Looking Ahead", the Group had no other future plans for material investments or capital assets as at 30 June 2003.

### **Employees and Training**

As at 30 June 2003, the total number of full-time employees was 115. The total staff costs for the period (excluding directors' fees) amounted to approximately HK\$22 million.

The Group is committed to professional training for its employees. In compliance with the relevant requirement of the Securities & Futures Commission, the Group will organise a Continuous Professional Training seminar in late September 2003 for all licensed staff members.

### Disclosure under Practice Note 19

As at 30 June 2003 and 31 December 2002, the Group had amounts receivable from Century City International Holdings Limited (“CCIH”) and its subsidiaries (collectively the “CC Group”) in the aggregate amount of HK\$292,767,388. A provision of HK\$110,000,000 was made against this receivable in last year. The net amount of HK\$182,767,388 represented approximately 28% of the Group’s net assets at the balance sheet date. The aggregate balance comprises receivables arising from securities and options trading, a claim under an indemnity in relation to the acquisition of the interests in jointly-controlled entities and accrued interest income. These receivables are guaranteed by CCIH, partially secured by listed securities and are due for repayment. The amounts receivable from the CC Group bear interest ranging from prime rate plus 3.05% to 4% per annum but no interest has been recognised due to the uncertainty of the recoverability of the receivable.

### Additional Information

#### Directors’ Interests in Share Capital

As at 30 June 2003, the interests or short positions of the Directors and chief executives of the Company in shares, underlying shares of equity derivatives and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“the Model Code”) were as follows:

#### Long Positions in Ordinary Shares of the Company

Name of Director	Nature of Interest	Number of Ordinary Shares	Approximate % of Shareholding
Lee Man Chun Tony	Personal	1,300,000	0.24%

### Directors' Interests in Share Capital (continued)

All the aforesaid ordinary shares were beneficially owned by the director concerned. The percentage shown was the number of shares the relevant director was interested expressed as a percentage of the number of issued shares of 530,759,126 shares as at 30 June 2003.

Saved as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2003, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required pursuant to the Listing Rules or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### Substantial Shareholders

So far as is known to any Directors or chief executives of the Company, as at 30 June 2003, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

#### Long Positions in Ordinary Shares of the Company

Name of Shareholder	Number of Ordinary Shares	Approximate % of Shareholding
Shenyin Wanguo Holdings (B.V.I.) Limited ("SWHBVI")	268,334,875*	50.56%
Venture-Some Investments Limited ("VSI")	268,334,875*	50.56%
Shenyin Wanguo (H.K.) Holdings Limited ("SWHKH")	268,334,875*	50.56%
Shenyin & Wanguo Securities Co., Ltd. ("SWSC")	270,379,875*	50.94%

\* SWHBVI was held directly as to 50.51% by VSI. VSI was wholly owned by SWHKH. SWHKH was wholly owned by SWSC. Hence, VSI, SWHKH and SWSC were deemed to be interested in the same parcel of 268,334,875 shares held by SWHBVI under SFO. SWSC also held 2,045,000 shares in the Company.

### **Substantial Shareholders** (continued)

Save as disclosed above, as at 30 June 2003, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

### **Code of Best Practice**

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

### **Audit Committee**

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors and one non-executive director of the Company. The unaudited condensed consolidated interim financial statements have been reviewed by the audit committee.

### **Purchase, Redemption and Sale of Listed Shares**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed shares during the period.

By Order of the Board

**Jiang Guofang**

Chairman

Hong Kong, 18 September 2003