



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



INTERIM REPORT **2004**

## 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 2004 together with comparative figures for the corresponding period of last year.

### Condensed Consolidated Profit and Loss Account

		Six months ended 30 June	
		2004	2003
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
TURNOVER	3	842,860	75,721
Other revenue and gains		229	229
Cost of trading securities sold		(789,905)	(37,029)
Staff costs		(20,351)	(22,122)
Interest expenses for financial services operations		(1,165)	(2,855)
Write-back of impairment provisions/ (impairment provisions) on long term investments		4,007	(352)
Depreciation and amortisation expenses		(3,639)	(4,992)
Other operating expenses, net		(29,014)	(17,263)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	3,022	(8,663)
Finance costs	5	(21)	(25)
Share of profits of:	6		
Jointly-controlled entities		–	12,303
Associates		9,044	–
PROFIT BEFORE TAX		12,045	3,615
Tax	7	(2,864)	(1,809)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		9,181	1,806
EARNINGS PER SHARE	8		
Basic		1.73 cents	0.34 cents
Diluted		N/A	N/A

## Condensed Consolidated Balance Sheet

		30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Fixed assets		5,655	7,997
Stock and Futures Exchange trading rights		4,633	5,054
Other assets		6,006	6,438
Interests in jointly-controlled entities	6	–	168,823
Interests in associates	6	161,148	–
Goodwill		57,902	58,693
Long term receivable	10	182,767	182,767
Long term investments	11	13,268	10,367
Deferred tax assets		470	470
		<u>431,849</u>	<u>440,609</u>
<b>CURRENT ASSETS</b>			
Short term investments		59,148	80,068
Accounts receivable	12	254,123	585,716
Loans and advances		141,214	266,286
Tax recoverable		31	1,579
Deposits, prepayments and other receivables		6,620	4,617
Bank balances held on behalf of customers		696,103	930,993
Cash and cash equivalents		36,183	37,708
		<u>1,193,422</u>	<u>1,906,967</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	13	915,289	1,521,912
Other payables and accruals		24,766	33,879
Interest-bearing bank borrowings		277	105,273
		<u>940,332</u>	<u>1,661,064</u>
<b>NET CURRENT ASSETS</b>			
		<u>253,090</u>	<u>245,903</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>684,939</u>	<u>686,512</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		(1,063)	(1,202)
		<u>683,876</u>	<u>685,310</u>
<b>CAPITAL AND RESERVES</b>			
Issued capital		265,380	265,380
Reserves		418,496	409,315
Proposed final dividend		–	10,615
		<u>683,876</u>	<u>685,310</u>

## Condensed Consolidated Statement of Changes in Equity

	Share		Capital reserve	General reserve	Proposed		Total
	Issued capital	premium account			Retained profits	final dividend	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2004 (audited)	265,380	314,740	15	138	94,422	10,615	685,310
Final 2003 dividend declared	-	-	-	-	-	(10,615)	(10,615)
Net profit for the period (unaudited)	-	-	-	-	9,181	-	9,181
<b>At 30 June 2004 (unaudited)</b>	<b>265,380</b>	<b>314,740</b>	<b>15</b>	<b>138</b>	<b>103,603</b>	<b>-</b>	<b>683,876</b>
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 – restatement of deferred tax	-	-	-	-	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>

## Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2004	2003
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net cash inflow from operating activities	112,321	52,640
Net cash inflow/(outflow) from investing activities	1,904	(700)
Net cash outflow from financing activities	<u>(115,750)</u>	<u>(64,440)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,525)	(12,500)
Cash and cash equivalents at beginning of period	<u>37,708</u>	<u>32,700</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><b>36,183</b></u>	<u><b>20,200</b></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	22,758	13,943
Time deposits with original maturity of less than three months when acquired	13,425	14,912
Bank overdrafts	<u>—</u>	<u>(8,655)</u>
	<u><b>36,183</b></u>	<u><b>20,200</b></u>

## Notes to Condensed Financial Statements

### 1. Principal Accounting Policies

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and are in compliance with the Statements of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

The accounting policies and basis of preparation adopted in these unaudited condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2003.

### 2. Segment Information

The Group’s operating businesses 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 used for 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	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Segment turnover:												
External customers	786,408	42,290	36,021	16,765	16,847	14,302	3,584	2,364	-	-	842,860	75,721
Inter-segment	-	-	-	-	-	-	1,360	1,253	(1,360)	(1,253)	-	-
Total	<u>786,408</u>	<u>42,290</u>	<u>36,021</u>	<u>16,765</u>	<u>16,847</u>	<u>14,302</u>	<u>4,944</u>	<u>3,617</u>	<u>(1,360)</u>	<u>(1,253)</u>	<u>842,860</u>	<u>75,721</u>
Segment results	<u>(18,598)</u>	<u>(1,614)</u>	<u>8,151</u>	<u>(15,124)</u>	<u>14,079</u>	<u>10,134</u>	<u>1,227</u>	<u>(83)</u>	<u>-</u>	<u>-</u>	<u>4,859</u>	<u>(6,687)</u>
Unallocated expenses											<u>(1,837)</u>	<u>(1,976)</u>
Profit/(loss) from operating activities											<u>3,022</u>	<u>(8,663)</u>
Finance costs											<u>(21)</u>	<u>(25)</u>
Share of profits of jointly-controlled entities		12,303										12,303
Associates	9,044	-									9,044	-
Profit before tax	<u>(1,364)</u>	<u>(1,819)</u>	<u>(1,500)</u>	<u>(29)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39</u>	<u>-</u>	<u>-</u>	<u>12,045</u>	<u>3,615</u>
Tax											<u>(2,864)</u>	<u>(1,809)</u>
Net profit from ordinary activities attributable to shareholders											<u>9,181</u>	<u>1,806</u>

### 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>2004</b>	2003
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Financial services:		
Sales proceeds from securities and futures contracts trading	785,218	40,991
Interest income from securities financing and direct loans	16,713	12,773
Commission and brokerage income	36,114	16,721
Rendering of services	3,220	2,364
	<u>841,265</u>	<u>72,849</u>
Others:		
Bank interest income	134	1,529
Dividend income from listed equity investments	1,170	1,260
Others	291	83
	<u>1,595</u>	<u>2,872</u>
	<u><u>842,860</u></u>	<u><u>75,721</u></u>

**4. Profit/(Loss) from Operating Activities**

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

	<b>Six months ended 30 June</b>	
	<b>2004</b>	2003
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Depreciation	2,427	3,823
Amortisation of goodwill	791	747
Amortisation of Stock and Futures Exchange trading rights	421	422
Net realised losses/(gains) on trading of listed equity investments and futures contracts	4,687	(3,965)
Net unrealised losses on listed equity investments	7,794	3,033
	<u>7,794</u>	<u>3,033</u>

**5. Finance Costs**

	<b>Six months ended 30 June</b>	
	<b>2004</b>	2003
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans and overdrafts	21	25
	<u>21</u>	<u>25</u>

**6. Jointly-Controlled Entities and Associates**

During the period, the jointly-controlled entities became subsidiaries of another corporation. Accordingly, the Group's interests in these entities have been reclassified as interests in associates.

## 7. Tax

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax was made during the six months ended 30 June 2003 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 that period.

	<b>Six months ended 30 June</b>	
	<b>2004</b>	2003
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Provision for the period	<b>1,500</b>	–
Overprovision in prior period	–	(47)
Deferred tax	–	(10)
Share of tax attributable to jointly-controlled entities	–	1,866
Share of tax attributable to associates	<b>1,364</b>	–
	<u><b>2,864</b></u>	<u>1,809</u>

## 8. 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\$9,181,218 (2003: HK\$1,806,176) and the weighted average of 530,759,126 (2003: 530,759,126) ordinary shares in issue during the period.

### (b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2004 and 2003 have not been presented because there were no dilutive potential ordinary shares in existence during these periods.

**9. Interim Dividend**

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2004 (2003: Nil).

**10. Long Term Receivable**

	<b>30 June</b>	31 December
	<b>2004</b>	2003
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Amounts receivable	<b>292,767</b>	292,767
Less: Provision for doubtful debts	<b>(110,000)</b>	(110,000)
	<b><u>182,767</u></b>	<u>182,767</u>

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 12 months, it has been classified as a long term receivable. The amounts receivable from the CC Group bear interest at rates ranging from the prime rate plus 3.05% to 4% (2003: prime rate plus 3.05% to 4%) per annum, however no interest has been recognised due to the uncertainty of the recoverability of the receivable.

**11. Long Term Investments**

	<b>30 June</b>	31 December
	<b>2004</b>	2003
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Listed equity investments in Hong Kong		
at fair value	<b><u>13,268</u></b>	<u>10,367</u>

The market values of the Group’s long term listed equity investments at the date of approval of these unaudited condensed financial statements and of 2003’s annual financial statements were HK\$13,989,148 and HK\$20,097,863 respectively.

**12. Accounts Receivable**

	<b>30 June</b>	31 December
	<b>2004</b>	2003
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Accounts receivable	<b>273,354</b>	604,947
Less: Provisions for doubtful debts – specific	<b>(19,231)</b>	(19,231)
	<u><b>254,123</b></u>	<u>585,716</u>

An aged analysis of accounts receivable is as follows:

Current to 30 days	<b>239,517</b>	571,681
31 to 60 days	<b>1,100</b>	2,469
61 to 90 days	<b>1,742</b>	551
Over 90 days	<b>30,995</b>	30,246
	<u><b>273,354</b></u>	<u>604,947</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.

**13. Accounts Payable**

An aged analysis of accounts payable is as follows:

	<b>30 June</b>	31 December
	<b>2004</b>	2003
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Current to 30 days	<b>915,289</b>	1,521,912

**14. Commitments****(a) Capital commitments**

	<b>30 June</b>	31 December
	<b>2004</b>	2003
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Contracted, but not provided for	<u>1,339</u>	<u>1,200</u>

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

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June</b>	31 December
	<b>2004</b>	2003
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>6,864</b>	8,114
In the second to fifth years, inclusive	<u>952</u>	<u>3,145</u>
	<u><b>7,816</b></u>	<u>11,259</u>

**15. Connected and Related Party Transactions**

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

**16. Comparative Amounts**

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\$9.2 million (2003: HK\$1.8 million), representing an increase of 408% over 2003 while the turnover of the Group raised approximately by HK\$767 million to HK\$843 million on a year-on-year comparison (2003: HK\$76 million).

The Group continued to focus on its stockbroking and dealing businesses covering principally Hang Seng Index constituent stocks, Hang Seng China-Affiliated Corporations Index constituent stocks and Hang Seng China Enterprises Index constituent stocks listed on the Stock Exchange of Hong Kong as well as B shares listed on the Shenzhen and Shanghai Stock Exchanges. The stockbroking business contributed HK\$36 million to the Group's turnover while the number of clients increased by approximately 6% for the six months ended 30 June 2004.

In respect of corporate finance services, the significant improvement in market sentiment as compared to the corresponding period last year had resulted in more fund raising activities undertaken by Shenyin Wanguo Capital (H.K.) Limited, a wholly owned subsidiary of the Company. It acted as sponsor to the listing of the H shares of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and participated in the offering of B shares of BOE Technology Group Co., Ltd. and H shares of China Shipping Container Lines Company Limited. In the area of advisory services, it acted as financial advisers to several listed companies including Jiangsu Expressway Company Limited and Shanghai Zendai Property Limited.

**Business Review** (continued)

On the asset management front, as the investment manager, Shenyin Wanguo Asset Management (Asia) Limited, together with Aizawa Securities Co., Ltd. in Japan, have successfully launched the SYWG Aizawa China “A” Share Number 1 Fund (the “Fund”) in Japan in June. The Fund is the first open ended unit trust in Japan that invests entirely in the China “A” share market through the Qualified Foreign Institutional Investor Scheme with a fund size of US\$24 million.

**Market Review**

The economy has continued to build momentum after rebounding from the impact of SARS last year. Along with the strong economic rebound in the second half of last year, Hong Kong’s deflationary situation that exerts considerable pressure on the overall economy and people’s livelihood has been showing signs of improvement. According to the Hong Kong’s Composite Consumer Price Index (“CCPI”), overall consumer prices fell by 0.1% in June 2004 from a year earlier, distinctly smaller than the 0.9% decrease in May. The CCPI went up for 5 months in a row since the beginning of this year from -1.5% to -0.1%. Continuous narrowing of the decline in the CCPI represents the steady improvement of consumption demand in Hong Kong.

On top of that, China’s Individual Visit Scheme has boosted retail, tourist and restaurant industries and the turnover of consumer durables and luxury goods such as electronic appliances, cosmetics, watches, gold and jewelry have remarkably increased. In summary, Hong Kong’s economic growth in the first half of this year is not only strong but comprehensive as well. All expenditure components have recorded respectable growth. The Hong Kong economy has exhibited a strong, broad-based upturn. In the first quarter of 2004, real Gross Domestic Product grew by 6.8% from a year earlier. The unemployment rate fell from a historic high of 8.7% in the three months ended July 2003 to 7% in the three months ended this May.

**Market Review** (continued)

In conjunction with the ameliorating economic environment, the Hong Kong stock market experienced a rebound in the first six months of 2004. In the six months ending June this year, the turnover value of the Hong Kong stock market was HK\$2,035 billion, representing a year-on-year increase of 142%. The benchmark Hang Seng Index closed at 12,285 at end-June 2004, which was 28% higher than that at end-June 2003. By period end, the Hang Seng China Enterprises Index ended 4,291 points, representing an increase of 57% when compared to the corresponding period last year.

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 122.2 (82.7) and 315.8 (235.3), respectively, during the period. The average daily turnover of the B-shares increased to RMB152.1 million and RMB290.6 million from RMB136.7 million and RMB179.8 million on the Shanghai and Shenzhen Stock Exchanges, respectively, over the same period as last year.

**Looking Ahead**

While the Hong Kong economy appears poised for solid growth this year with the momentum gathering force under the Mainland and Hong Kong Closer Economic Partnership Arrangement “CEPA” and further relaxation on outbound travel from Mainland China in the offing, market sentiment appears to remain mixed. There should be little doubt that the growth rate in Hong Kong will slow down in the second half of the year due to the high base in the first half year and the ongoing uncertainties. As a small and open economy, Hong Kong is susceptible to external shocks. The way the global economy moves is of vital importance. Investors are concerned about the efficacy of macro economic measures implemented for adjusting the Mainland economy, the likelihood of interest rate rises in the United States and the forthcoming US Presidential Election. In addition, volatility in the currency and commodity markets could have a dampening effect on market sentiment.

**Looking Ahead** (continued)

As such, on one hand, in the second half of the year Hong Kong will continue to face daunting challenges; on the other hand, the many favourable internal elements should be able to offset many of the negative impacts of external uncertainties, and Hong Kong will probably bid farewell to the deflation that has haunted the territory for almost six years and attain positive economic growth in the second half year of 2004.

Our Group is a Hong Kong based securities firm, specializing in the brokerage of stocks of listed indigenous PRC companies. Although we expect an upward economic growth, we remain wary of the economy's vulnerability to external shocks as the economic transformation is still underway. Apart from those known uncertainties such as rate hikes and oil price surges, there are others such as the geopolitical climate, the ongoing war on terrorism and structural deficiencies embedded in the global economy and markets.

In this kind of environment, we have been taking a conservative approach in our proprietary share trading, provision of margin financing to clients and business expansion while prudent cost controls remain in place. At the same time, 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 work closely with our parent company, Shenyin & Wanguo Securities Co. Ltd., in co-marketing efforts, on several fronts, in order to strengthen existing, and establish new, institutional brokerage business for our Group and our parent company and we shall continue to recruit sales professionals to sustain a growth in our market share and our operating revenue amidst stiff competition in the industry.

## Capital Structure

During the period, there was no change to the share capital of the Company. As at 30 June 2004, the total number of the issued ordinary shares was 530,759,126 shares and total equity attributable to shareholders was HK\$684 million.

## Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2004, the Group had a cash holding of HK\$36.2 million and short term marketable securities of HK\$59.1 million. As at 30 June 2004, the Group's total unutilised banking facilities amounted to HK\$445 million, of which HK\$107 million could be drawn down without the need of notice nor completion of condition precedent.

As at 30 June 2004, the Group had outstanding bank loans amounting to HK\$1.3 million, of which HK\$0.3 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 2004 were 1.27 and 0.002 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 ("NCHK"), which in turn held a 60% interest in Sichuan Chengmian Expressway Co., Ltd. ("SCECL"). In accordance with the terms of the joint venture agreement, from 22 December 2003 to 21 December 2008, NCHK is entitled to 60% (before 22 December 2003: 100%) of the net profit generated by SCECL which are derived from the financial statements of SCECL prepared under generally accepted accounting principles in the People's Republic of China. The investment had a carrying value of HK\$219 million, including the goodwill of HK\$58 million, as at 30 June 2004.

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

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

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 2004, the outstanding loan was HK\$1.3 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 reviewed and 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 2004, the advances to customers included direct loans of HK\$0.4 million (31 December 2003: Nil) and margin financing of HK\$158.4 million (31 December 2003: HK\$284 million). All direct loans were advanced to individual borrowers. In respect of margin financing, 12% (31 December 2003: 7%) 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 share 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 is 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 2004.

### **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 2004.

### **Employees and Training**

As at 30 June 2004, the total number of full-time employees was 127. The total staff costs for the period (excluding directors’ fees) amounted to approximately HK\$20 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 September 2004 for all licensed staff members.

### **Disclosure under Listing Rule 13.20**

As at 30 June 2004, 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, representing approximately 18% of the Group’s total assets at the balance sheet date and 74% of the Company’s total market capitalisation calculated based on the average closing price for the 5 business days immediately preceding 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 associates and accrued interest income. These receivables are guaranteed by CCIH, partially secured by listed securities and are due for repayment. As the Directors consider that the receivable is unlikely to be recovered within the next 12 months, the amount has been classified

**Disclosure under Listing Rule 13.20** (continued)

as a long term receivable and a provision of HK\$110,000,000 was made during the year ended 31 December 2002. The amounts receivable from the CC Group bear interest at rates ranging from the prime rate plus 3.05% to 4% per annum, however no interest has been recognised due to the uncertainty of the recoverability of the receivable.

**Additional Information****Directors' Interests and Short Positions in Shares and Underlying Shares**

As at 30 June 2004, the interests and short positions of the Directors in the shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise 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**

<b>Name of Director</b>	<b>Number of ordinary shares directly beneficially owned</b>	<b>Approximate percentage of the Company's shares in issue</b>
Lee Man Chun Tony	1,300,000	0.24

Saved as disclosed above, none of the Directors of the Company had, as at 30 June 2004, registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Directors' Rights to Acquire Shares or Debentures

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As at 30 June 2004, the following interests of 5% or more of the shares of the Company were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:—

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

Name	Number of ordinary shares held	Approximate percentage of the Company's shares in issue
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 the SFO. SWSC also held 2,045,000 shares in the Company.

## **Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares** (continued)

Save as disclosed above, as at 30 June 2004, no person, other than one director of the Company, whose interest is set out in the section "Directors' Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to 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 (the "Code") as set out in Appendix 14 of the Listing Rules, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's articles of association.

## **Audit Committee**

The Company has an audit committee which was established in accordance with the requirements of the Code, 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 or Sale of Listed Securities of the Company**

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

On Behalf of the Board

**Feng Guorong**

Chairman

Hong Kong, 16 August 2004