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Corporate Information

DIRECTORS

Executive Directors

Feng Guorong (*Chairman*)
Lee Man Chun Tony (*Chief Executive Officer*)
Ying Niankang
Guo Chun

Non-executive Directors

Lu Wenqing
Chang Pen Tsao
Qu Zihai

Independent Non-executive Directors

Ng Wing Hang Patrick
Kwok Lam Kwong Larry

AUDIT COMMITTEE

Lu Wenqing (*Chairman*)
Ng Wing Hang Patrick
Kwok Lam Kwong Larry

COMPANY SECRETARY

Yip Sin Ho

PRINCIPAL BANKERS

Asia Commercial Bank Limited
Bank of America (Asia) Limited
Bank of China
Dah Sing Bank Limited
DBS Bank (Hong Kong) Limited
Liu Chong Hing Bank Limited
Standard Chartered Bank
The Hong Kong and
Shanghai Banking Corporation Limited

AUDITORS

Ernst & Young

SOLICITORS

Baker & McKenzie

REGISTERED OFFICE

28/F Citibank Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

SHARE REGISTRARS & TRANSFER OFFICE

Tengis Limited
G/F BEA Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Chairman's Statement

I have pleasure in presenting to the shareholders the annual report of Shenyin Wanguo (H.K.) Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2003.

RESULTS

The economic conditions in Hong Kong in the period under review were mixed with discouraging circumstances in the first half of the year followed by a remarkable pick up in the second half of the year. For the year ended 31 December 2003, the Group recorded a net profit attributable to shareholders of approximately HK\$36 million, representing an increase of 235% over 2002. The turnover rose by 139% to HK\$590 million approximately (2002: HK\$247 million). The basic earnings per share increased by 229% to HK6.71 cents as compared to HK2.04 cents (restated) a year earlier.

DIVIDEND

The directors have resolved to recommend the payment of a final dividend of HK2 cents per ordinary share in respect of 2003, to shareholders whose names appear on the register of members of the Company on 21 May 2004. This proposed dividend will be paid on or about 28 May 2004 subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

REVIEW OF MARKET IN 2003

The year of 2003 was a year marked by contrasting economic circumstances, an unusual year for Hong Kong and its people. The first half of the year was extremely challenging as a result of the outbreak of the Severe Acute Respiratory Syndrome ("SARS"), poor domestic economic conditions, weak investment and consumer confidence, persistent high unemployment rate, perturbing deflationary pressure and continued weakness in the property market. The second half year saw the end of SARS and signs of returning confidence and economic health in Hong Kong with the enthusiasm about the signing of the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA"), which serves to bolster the economic ties of Hong Kong with Mainland China. The local economy was further vitalized by the launch of the "individual visit" scheme for Mainland tourists.

The collapse in demand during the SARS epidemic triggered aggressive discounting and pushed the Consumer Price Index down sharply in May, June and July. The Hong Kong economy rebounded strongly in the second half of the year. The government's official update in November suggested 3% Gross Domestic Product growth and a mere 2% decline in the Composite Consumer Price Index for 2003.

Chairman's Statement

REVIEW OF MARKET IN 2003 *(Continued)*

The ups and downs of Hong Kong during 2003 were mirrored in its securities market. In the first half of the year, trading activity and index level declined substantially. However, a significant strengthening in growth was evident in the third quarter, when positive investment sentiment had been driven by abundant liquidity and perceived synchronized recovery in global economic growth. The turnover value of the Hong Kong stock market for the whole year was HK\$2,545.7 billion, representing an increase of 59% over the previous year. By year end, the benchmark Hang Seng Index had risen 35% over the start of the year, the highest and lowest points during the period were 12,594 points on 12 December and 8,409 points on 25 April. The turnover value of the Hang Seng China Enterprises Index Constituents increased 203% to HK\$385.7 billion over a year. By year end, the Hang Seng China Enterprises Index ended 5,020 points, representing an increase of 152% when compared to the beginning of the year.

In 2003, China's B share markets saw mixed performances, compared to 2002. Shanghai's and Shenzhen's B share indices ended the year down 6.5% and up 47.1% respectively. Average daily turnover of B shares on both Shanghai and Shenzhen Stock Exchanges declined to RMB119.5 million and increased to RMB256.3 million respectively as compared to RMB217.8 million and RMB139.4 million in 2002. On the other hand, the domestic A share markets perked up during the year, buoyed by China's booming economy. A general recovery in operating profitability, the introduction of the Qualified Foreign Institutional Investors' Scheme, and more sanguine view over the proposed reduction of state-owned shares, helped lift Shanghai's and Shenzhen's A share indices to end the year up 13.4% and 21.8% respectively.

FUTURE PLAN & PROSPECTS

The past year has seen patchy economic growth. Hong Kong was badly affected in the first half of 2003 by SARS and continued weakness in export demand. However, by the second half, there had been a turnaround, and providing the global economy performs as expected, the outlook of Hong Kong's economy in 2004 is sanguine.

There are good reasons for optimism. We are seeing a robust recovery in the global economy and stronger-than-expected economic growth in the Mainland. As a Hong Kong based securities firm specializing in the brokerage of listed stocks in indigenous PRC companies, these trends will definitely help to benefit our brokerage business. Furthermore, continued reform and liberalization in the Mainland hasten the reduction of asymmetry in the mobility of money and people, i.e. investors and consumers, between the Mainland and the rest of the world. Hong Kong stands to benefit to a much greater extent than others.

Chairman's Statement

FUTURE PLAN & PROSPECTS *(Continued)*

Another positive momentum is the World Trade Organization accession, a brief discussion of which had been made in our Annual Report of last year. With greater foreign ownership in telecommunications, banking, insurance and other sectors, more Mainland firms would be attracted to seek a listing in Hong Kong to tap overseas funds. Besides, restructuring of Mainland China's state-owned enterprises is likely to boost the mergers and acquisitions sector as the enterprises prepare themselves for intensified foreign competition. Restructured Mainland companies will rely more on equity finance for expansion as part of the regional trend, and Hong Kong is expected to be the main beneficiary of such demand.

Against this backdrop, the financial markets have been excited about the better economic prospects. It is anticipated that following the signing of the six Annexes to the main text of CEPA, the dynamic benefits such as trade-creating and investment-inducing effects will gradually be seen in the coming months. For instance, one major progress in financial business under the CEPA framework was the signing of a Memorandum of Cooperation concerning the operation of personal Renminbi (RMB) business in Hong Kong. The development of RMB business in Hong Kong will lay the foundation for Hong Kong to become an offshore RMB centre and enhance Hong Kong's role as an international financial centre. All in all, CEPA would not only pave the way for Hong Kong enterprises to tap Mainland's vast domestic market, but also provide an incentive for foreign companies to conduct strategic investments in Hong Kong.

With the hope of Hong Kong shaking off deflation and attaining positive economic growth in 2004, the mood of the community is improving. Our group shall seize every opportunity to provide financial advisory and capital raising services to PRC Corporations and to strengthen our traditional stockbroking business, while maintaining high liquidity to respond to opportunities which may appear at any moment for significant growth in Hong Kong and the PRC market to enhance our market share. Further, we shall continue to expand our sales professionals to cope with the on-going keen competition in the industry. But markets are unpredictable, we would continue to manage risk prudently in our proprietary share trading, provision of margin finance and business expansions.

Finally, all members of the Board of Directors and myself would like to express our sincere gratitude to Mr Jiang Guofang for his valuable contribution and support as Chairman of the Group during his term of office. Taking this opportunity, we would also like to thank all our staff for their dedication and hard work in weathering the hard times and our shareholders and clients for their trust and support over the past year.

Feng Guorong

Chairman

Hong Kong

16 April 2004

Management Discussion & Analysis of Performance

REVIEW OF OPERATIONS

Securities Trading and Broking

In 2003, Shenyin Wanguo Securities (H.K.) Limited (“SW Securities”), a wholly-owned subsidiary of the Company, continued to conduct securities trading and broking businesses, which largely cover Hang Seng Index constituent stocks, Hang Seng China-Affiliated Enterprise Index constituent stocks, H shares as well as B shares listed on the Shenzhen and Shanghai stock exchanges. The whole stockbroking sector suffered badly in the first half of the year as a result of the outbreak of SARS, followed by a remarkable pick up in the second half of the year. In such circumstances, SW Securities, a leading player of Mainland stocks in Hong Kong, was capable of tapping the regenerated buying interest in China-related stocks in the second half of 2003. A number of marketing campaigns were organised timely in 2003 with a view to market the China-related stocks to clients and market practitioners. The stockbroking business contributed to approximately HK\$53 million to the Group’s turnover in 2003 with the number of clients growing 56% for the year ended 31 December 2003.

Securities Financing

In 2003, the Group recorded interest income of approximately HK\$31.3 million (2002: HK\$37.1 million), a drop of 15.6%, mainly due to the reduction in average level of margin financing and direct loans and lower interest rate level. Amidst the weakening credit environment in 2003, we continued to exercise caution in the granting of securities financing packages to clients, carefully monitored its credit policy in this regard, performed regular reviews and assessments on individual cases on the basis of the gearing level, the portfolio contents and credit considerations relevant to individual borrower.

Corporate Finance

Our corporate finance activities are carried out by Shenyin Wanguo Capital (H.K.) Limited (“SW Capital”), a wholly-owned subsidiary of the Company. In 2003, SW Capital actively participated in the underwriting of new issues, including that of Lianhua Supermarket Holdings Co., Ltd., Weiqiao Textile Company Limited and PICC Property and Casualty Company Limited. With regard to corporate advisory services, SW Capital was appointed as financial adviser to Long Far Pharmaceutical Holdings Limited and Guorun Holdings Limited (currently known as Geely Automobile Holdings Limited). SW Capital was also appointed as independent financial adviser in relation to a number of companies including Angang New Steel Company Limited, Shougang Concord International Enterprises Company Limited and Shougang Concord Technology Holdings Limited.

Management Discussion & Analysis of Performance

REVIEW OF OPERATIONS *(Continued)*

Securities Research

Our securities trading and broking businesses are supported by a securities research team. With the support of the Company's single largest shareholder, Shenyin & Wanguo Securities Co., Ltd. ("S&W"), which is one of the leading securities companies in China, our securities research team is a specialist in the securities market in China and produces regular reports on the securities market in China covering the macroeconomy, market strategy as well as comments on individual China-related enterprises listed on the Hong Kong, Shanghai and Shenzhen stock exchanges. Our research team also produces detailed company analyses from time to time and on an ad hoc basis, which are circulated to our clients. In 2003, a total of 14 investment analysts from S&W joined our exchange programs. They familiarised themselves with the local economy and stock market during their visits in Hong Kong. We believe that the exchange programs are beneficial to the collaboration between S&W and us on research and investment banking fronts.

Asset Management

Year 2003 saw the gradual building up of client base, particularly corporate client portfolios. In addition, relationships building with selective financial institutions in Asia started to bear fruit with various new product development projects reaching final negotiation stage.

The post SARS market recovery in second half 2003 triggered a structural market re-rating of China equities, H shares in particular and Red Chips as well as Private Enterprises to a lesser extent. In addition, a number of qualified foreign institutional investors have commenced investment in the A share market since second quarter, leading to re-rating of major blue chip A share companies which in turn revived the A share index from a multi-quarter decline.

New share listing activities in Hong Kong have been exceptionally strong both in terms of number and value in the second half. Performance of most of the new issues since listing has been rewarding while Shenyin Wanguo Asset Management (Asia) Limited, through participating in some of these issues, has generated satisfactory returns to the clients' portfolios.

Management Discussion & Analysis of Performance

CAPITAL STRUCTURE

During the year, there was no change to the share capital of the Company. As at 31 December 2003, the total number of the issued ordinary shares was 530,759,126 shares and total equity attributable to shareholders was HK\$685 million.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2003, the Group had a cash holding of HK\$37.7 million and marketable securities of HK\$80.1 million. As at 31 December 2003, the Group's total unutilised banking facilities amounted to HK\$425 million, of which HK\$139 million could be drawn down without the need of notice nor completion of condition precedent.

As at 31 December 2003, the Group had outstanding bank loans amounting to HK\$106.5 million, of which HK\$105.3 million was repayable within one year. The liquidity ratio (current assets to current liabilities) and gearing ratio (borrowings to net asset value) as at 31 December 2003 were 1.15 (2002: 1.36) and 0.16 (2002: 0.27) 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 year, 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 Co., Ltd. The investment had a carrying value of HK\$228 million as at 31 December 2003.

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

Management Discussion & Analysis of Performance

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 31 December 2003, the amount of the Group's borrowings outstanding under this loan facility was HK\$105 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 31 December 2003, the outstanding loan was HK\$1.5 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 31 December 2003, all advances to customers of HK\$284 million were margin financing (2002: direct loans of HK\$33 million and margin financing of HK\$252 million) of which 7% (2002: 18%) was attributable to corporate borrowers with the remaining 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 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 31 December 2003.

Management Discussion & Analysis of Performance

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Except the future plans as disclosed in the paragraph of “Future Plan & Prospects” in the Chairman’s Statement, the Group had no other future plans for material investments or capital assets as at 31 December 2003.

EMPLOYEES AND TRAINING

As at 31 December 2003, the total number of full-time employees was 114. The total staff costs for the year (excluding directors’ fees) amounted to approximately HK\$45 million.

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

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company consists of investment holding. Details of the principal activities of the principal subsidiaries and the jointly-controlled entities are set out in notes 18 and 19, respectively, to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 77.

The directors recommend the payment of a final dividend of HK2 cents per ordinary share in respect of the year, to shareholders on the register of members on 21 May 2004. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

Report of the Directors

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results, assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and adjusted for the effects of the retrospective changes in accounting policy affecting income tax, as detailed in note 2 to the financial statements, is set out below.

	Year ended 31 December				
	2003 HK\$	2002 HK\$ (Restated)	2001 HK\$ (Restated)	2000 HK\$	1999 HK\$ (Restated)
RESULTS					
TURNOVER	589,505,339	247,418,435	368,685,498	509,203,763	188,453,849
Other revenue and gains	534,216	19,757,148	1,051,522	54,401,591	2,414,728
Write-back of prior years' accrued interest expenses on settlement of other loans and convertible note	—	12,000,000	51,795,688	—	—
Gain on cancellation of convertible note	—	92,000,000	—	—	—
Cost of trading securities sold	(466,435,173)	(143,273,322)	(246,217,375)	(370,595,322)	(57,363,330)
Staff costs	(45,175,337)	(51,125,946)	(49,983,857)	(52,076,776)	(35,659,129)
Provision for bad and doubtful debts	—	(119,400,000)	(1,500,000)	(1,500,000)	—
Interest expenses for financial services operations	(4,893,127)	(9,939,030)	(19,462,220)	(72,654,858)	(37,722,444)
Write-back of impairment provisions/(impairment provisions) on long term investments	5,382,802	(6,286,190)	(56,401,830)	—	—
Depreciation and amortisation expenses	(8,881,128)	(11,966,359)	(12,018,368)	(8,467,533)	(4,786,096)
Other operating expenses, net	(56,043,553)	(40,482,768)	(31,013,767)	(47,324,862)	(35,630,470)

Report of the Directors

FIVE YEAR FINANCIAL SUMMARY (Continued)

	2003 HK\$	Year ended 31 December			
		2002 HK\$ (Restated)	2001 HK\$ (Restated)	2000 HK\$	1999 HK\$ (Restated)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	13,994,039	(11,298,032)	4,935,291	10,986,003	19,707,108
Finance costs	(48,576)	(58,539)	(922,853)	(4,918,544)	(7,934,216)
Share of profits/(losses) of:					
Jointly-controlled entities	25,676,793	26,651,089	17,123,750	19,303,405	13,843,841
An associate	—	(24,386)	23,894	—	—
PROFIT BEFORE TAX	39,622,256	15,270,132	21,160,082	25,370,864	25,616,733
Tax	(3,996,417)	(4,625,659)	(3,185,366)	(31,475)	(51,068)
PROFIT BEFORE MINORITY INTERESTS	35,625,839	10,644,473	17,974,716	25,339,389	25,565,665
Minority interests	—	—	—	171,783	(1,409,973)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	35,625,839	10,644,473	17,974,716	25,511,172	24,155,692

Report of the Directors

FIVE YEAR FINANCIAL SUMMARY (Continued)

	As at 31 December				
	2003 HK\$	2002 HK\$ (Restated)	2001 HK\$ (Restated)	2000 HK\$ (Restated)	1999 HK\$ (Restated)
ASSETS, LIABILITIES AND MINORITY INTERESTS					
Total assets	2,347,576,106	1,241,747,219	1,478,907,983	1,455,383,201	1,572,878,571
Total liabilities	(1,662,266,268)	(586,755,629)	(834,863,275)	(829,553,209)	(970,899,918)
Minority interests	—	—	—	—	(2,514,670)
	685,309,838	654,991,590	644,044,708	625,829,992	599,463,983

FIXED ASSETS

Details of movements in the fixed assets of the Group are set out in note 15 to the financial statements.

SHARE CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year.

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 year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

Report of the Directors

DISTRIBUTABLE RESERVES

At 31 December 2003, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinances amounted to HK\$13,817,972, of which HK\$10,615,183 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$314,739,683, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

The Group is a provider of financial service. In the opinion of directors, it is therefore of no value to disclose details of the Group's suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Feng Guorong	<i>(Chairman, appointed on 13 February 2004)</i>
Jiang Guofang	<i>(Chairman, resigned on 13 February 2004)</i>
Lee Man Chun Tony	<i>(Chief Executive Officer)</i>
Ying Niankang	
Guo Chun	

Non-executive directors

Lu Wenqing	
Chang Pen Tsao	
Qu Zihai	<i>(appointed on 9 April 2003)</i>
Xu Zhigang	<i>(resigned on 8 March 2003)</i>

Report of the Directors

DIRECTORS *(Continued)*

Independent non-executive directors

Ng Wing Hang Patrick
Kwok Lam Kwong Larry

Subsequent to the balance sheet date, on 13 February 2004, Mr Jiang Guofang resigned as the Chairman and an executive director of the Company. On the same date, Mr Feng Guorong was appointed as the Chairman and an executive director of the Company.

In accordance with Article 95 of the Company's Articles of Association, Mr Feng Guorong will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

In accordance with Article 104(A) of the Company's Articles of Association, Messrs Lee Man Chun Tony and Lu Wenqing will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP

Executive directors

Feng Guorong, aged 54, was appointed as an Executive Director and Chairman of the Company in February 2004. He is also the Vice Chairman and Chief Executive Officer of Shenyin & Wanguo Securities Co., Ltd. He holds a PhD in Economics and obtained qualification for employed as senior securities management personnel from China Securities Regulatory Commission. Prior to joining the Group, he worked as officer at the President's Affairs Office of the Industrial and Commercial Bank of China, Shanghai Branch as well as the People's Bank of China, Shanghai Branch. He had also participated in the founding of China Everbright Bank, Shanghai Branch and worked as Governor, he also worked as Managing Director and Deputy Governor at China Everbright Bank, Main Branch. He also participated in the drafting of early securities rules and regulations in the new China and had more than 21 years' experience in financial management. He also has in-depth study in risk management of financial enterprises.

Report of the Directors

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Continued)*

Executive directors *(Continued)*

Lee Man Chun Tony, aged 50, was appointed as a Director and Chief Executive Officer of the Company in July 2000. He is a Fellow of the Association of Chartered Certified Accountants and an Associate of the Hong Kong Society of Accountants. He has more than 20 years' experience in accounting, finance and banking. He held senior positions with Standard Chartered Bank and Sanwa International Finance Ltd. before he joined the Group in 1995.

Ying Niankang, aged 52, was appointed as an Executive Director of the Company in August 1997. He was a Deputy General Manager of the International Business Division of Shenyin & Wanguo Securities Co., Ltd. and has more than 10 years' experience in corporate finance. He was the Chief of Division of Technology & Economics, Department of Project Management, College of Civil Engineering, in Shanghai between 1983 and 1991. He holds a Master's Degree and a Bachelor's Degree from the Department of Industrial Economics at Shanghai University of Finance and Economics.

Guo Chun, aged 39, was appointed as an Executive Director of the Company in May 2000. He began his career with the Industrial & Commercial Bank of China, Shanghai Branch in 1983. Other than the banking business, he has been working in the securities industry of the People's Republic of China ("PRC") since 1987. In 1990, he joined the former Shanghai Shenyin Securities Co., Ltd. He has had more than 10 years' extensive experience in stockbroking and investment banking in the PRC and served as a regional superintendent in Shanghai. He was appointed as the Deputy Managing Director of Shenyin Wanguo (H.K.) Holdings Limited on secondment to Hong Kong in early 1997 after the merger of Shanghai Shenyin Securities Co., Ltd. and Shanghai International Securities Co., Ltd. He holds a Master's Degree in Business Administration from Murdoch University, Perth, Australia.

Non-executive directors

Lu Wenqing, aged 45, is a Non-executive Director of the Company and the Assistant President and the Managing Director of the International Business Division of Shenyin & Wanguo Securities Co., Ltd. He graduated from Shanghai University of Finance and Economics. He also holds a Master's Degree in Business Administration from The Asia (Macau) International Open University. Prior to joining the former Shanghai Shenyin Securities Co., Ltd., he served as a senior officer in Shanghai Trust & Investment Corporation of Industrial & Commercial Bank of China and as an attaché of the Chinese Embassy in Gabon.

Report of the Directors

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Continued)*

Non-executive directors *(Continued)*

Chang Pen Tsao, aged 65, is a Non-executive Director of the Company. He is the Founder and Chairman of Taiwan International Securities Group, Global Securities Finance Corp., The Business Development Foundation of The Chinese Straits, Unitech Electronics Corp., and Ideal Bike Corp. Mr Chang is the Chairman of Taiwan Chamber of Commerce and served as a Senator in Taiwan for 9 years and was the Chairman of Kwang Hua Securities Investment & Trust Co., Ltd. He has more than 20 years' experience in legal practice as a lawyer, prosecutor and district judge, as well as in business management, and has more than 10 years' experience in securities investment. He received his L.L.B. Degree from Chung Hsin University, Taiwan in 1967.

Qu Zihai, aged 36, is a director of Shanghai Industrial Financial (Holdings) Co., Ltd. and Deputy Managing Director of SIIC Finance Co., Ltd. He is also a director of Shanghai S.I. Capital Co., Ltd., SIIC Asset Management Co., Ltd. and Shanghai E&P International, Inc., Managing Director of S.S.V.C. Management Co., Ltd., as well as a director of TX Investment Consulting Co., Ltd. Since joining Shanghai Industrial Investment (Holdings) Co., Ltd. In 1998, Mr Qu has involved in investment banking and venture investment businesses. He has accumulated extensive operational experience and has directly engaged in projects involving an aggregate of RMB4 billion. He holds a Master's Degree in Science from Fudan University.

Ng Wing Hang Patrick, aged 51, is an Independent Non-executive Director of the Company. He is a practising Certified Public Accountant in Hong Kong and is the sole proprietor of his certified public accountants firm, Messrs. Patrick Ng & Company. He also serves on the boards of several listed companies in Hong Kong.

Kwok Lam Kwong Larry, J.P., aged 48, is an Independent Non-executive Director of the Company. He is a practising solicitor in Hong Kong and is also qualified to practise as a solicitor in Australia, England and Singapore. He is also qualified as an accountant in Hong Kong and Australia. He graduated from the University of Sydney, Australia with Bachelor's Degrees in Economics and Laws respectively as well as a Master's Degree in Laws. He is currently the Vice-Chairman of the Consumer Council, a member of the Hospital Governing Committee of Kwai Chung Hospital/Princess Margaret Hospital, the Traffic Accident Victims Assistance Advisory Committee and the Trade and Industry Advisory Board in Hong Kong. He is also a member of the Political Consultative Committee of Guangxi in the PRC. In addition, he serves on the boards of several listed companies in Hong Kong.

Report of the Directors

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Continued)*

Senior management

Lee Siu Ming Simon, aged 42, is the Head of Corporate Finance of Shenyin Wanguo Capital (H.K.) Limited. He is a member of The Law Society of Hong Kong and is qualified as a solicitor in Hong Kong and in England and Wales. He practised in the London and Hong Kong offices of Slaughter and May before he became the Deputy Secretary of the Takeovers and Mergers Panel of the Securities and Futures Commission. Prior to joining the Group in 1996, he held a senior position with Standard Chartered Bank in Hong Kong. He holds a Bachelor of Science Degree from the University of Hong Kong and a Bachelor of Law Degree from the University College of the University of London in the United Kingdom.

Wong Che Keung Leslie, aged 39, is the Finance Director of the Group. Mr. Wong once served as the Head of Compliance and subsequently, a Director of Shenyin Wanguo Securities (H.K.) Limited before succeeding to the current position in 2001. Prior to joining the Group in 1996, he worked in the Securities and Futures Commission for 7 years and in the stockbroking and treasury field for a further 2 years. He is a Fellow of the Association of Chartered Certified Accountants. He obtained his Bachelor's Degree in Economics at the University of Hong Kong and a Master's Degree in Business Administration at the Chinese University of Hong Kong.

Philip Chan, aged 41, joined the Group in 1994. He is a Director of Shenyin Wanguo Research (H.K.) Limited and has been based in Hong Kong for 14 years, working first with Mansion House Group Ltd. and later with PBI Securities Hong Kong Ltd. (formerly part of the Dutch ABN-AMRO Group), as an analyst. Prior to working in Hong Kong, he worked in the United Kingdom for 3 years for 2 stockbroking firms as an analyst. He was born in the United Kingdom and obtained his Bachelor's Degree at University College, Cardiff in Wales.

Lo Chak Bong Alfred Bing, aged 42, is a Director of Shenyin Wanguo Asset Management (Asia) Limited. He has 18 years' experience in the investment management industry, starting as an analyst, portfolio manager and subsequently investment director with Fidelity Investments, Union Bancaire Asset Management Asia Limited, Impac Asset Management and Rothschild Asset Management H.K. Limited and has worked in London, Sydney, Singapore as well as Hong Kong. Prior to joining the Group in 2001, he was one of the founding partners of Proactive Enterprise, a private equity and business consultancy group. He holds a Master's Degree in Business Administration from Ohio University, the United States of America.

Report of the Directors

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Continued)*

Senior management *(Continued)*

Yip Sin Ho Victor, aged 39, is the Legal and Compliance Officer and Secretary of the Company. Prior to joining the Group in 2000, he worked as a solicitor in a reputable law firm in Hong Kong. He has Bachelor's Degrees in Economics and in Law. He further obtained his Master's Degree in Law at the University of Hong Kong.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

Report of the Directors

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2003, 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 (the "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 position in ordinary shares of the Company

Name of the Director	Number of ordinary shares directly beneficially owned	Percentage of the Company's shares in issue
Lee Man Chun Tony	1,300,000	0.24

Save as disclosed above, none of the Directors of the Company had, as at 31 December 2003, registered an interest or short position in the shares, underlying shares or debentures 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 year 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.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2003, 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	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.

Save as disclosed above, as at 31 December 2003, 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.

CONNECTED TRANSACTIONS

Details of the connected transactions are set out in note 35 to the financial statements.

PRACTICE NOTE 19 OF THE LISTING RULES (REPLACED BY CHAPTER 13 AS FROM 31 MARCH 2004)

The disclosures required by Practice Note 19 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out in note 21 to the financial statements.

Report of the Directors

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”), as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, 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 purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors and one non-executive director of the Company.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Feng Guorong

Chairman

Hong Kong

16 April 2004

Report of the Auditors



To the members

Shenyin Wanguo (H.K.) Limited

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 26 to 77 which have been prepared in accordance with accounting principles generally accepted in Hong Kong, other than as set out below.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Report of the Auditors

QUALIFIED OPINION ARISING FROM DISAGREEMENT ABOUT ACCOUNTING TREATMENT

As more fully explained in note 21 to the financial statements, the Group's long term receivable stated in the balance sheet represents an amount of HK\$183 million, net of a provision for bad and doubtful debts of HK\$110 million made during the year ended 31 December 2002, due from a debtor which is experiencing liquidity problems. This amount is due for repayment and there have been no settlements in respect thereof up to the date of this report. In our opinion, although the Group has made a provision for bad and doubtful debts of HK\$110 million against the long term receivable as at 31 December 2003, the Group is unlikely to recover the remaining amount of HK\$183 million in full and a further provision should have been made against this receivable in the financial statements. However, due to the absence of sufficient information, it is impracticable to quantify the amount of the sufficient provision to be made and the amount of this provision which should have been charged to the profit and loss accounts of the current and prior years. If sufficient provision had been made, the Group's profit before tax for the current and prior years would have been reduced by the amount of the provision relating to the respective years, and the Company's and Group's net assets at 31 December 2003 would have been reduced by the aggregate amount thereof.

Our auditors' reports dated 20 April 2001, 17 April 2002 and 11 April 2003, on the financial statements of the Group for the years ended 31 December 2000, 2001 and 2002, were also qualified in respect of this long term receivable, which amounted to HK\$286 million as at 31 December 2000 and 2001 and HK\$183 million, net of provision for bad and doubtful debts of HK\$110 million, as at 31 December 2002. Accordingly, some or all of the provision referred to above may relate to prior years.

Except for the absence of a provision against the net long term receivable balance of HK\$183 million referred to above, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

16 April 2004

Consolidated Profit and Loss Account

Year ended 31 December 2003

	Notes	2003 HK\$	2002 HK\$ (Restated)
TURNOVER	5	589,505,339	247,418,435
Other revenue and gains	6	534,216	19,757,148
Write-back of prior years' accrued interest expenses on settlement of other loans and convertible note		—	12,000,000
Gain on cancellation of convertible note		—	92,000,000
Cost of trading securities sold		(466,435,173)	(143,273,322)
Staff costs		(45,175,337)	(51,125,946)
Provision for bad and doubtful debts		—	(119,400,000)
Interest expenses for financial services operations		(4,893,127)	(9,939,030)
Write-back of impairment provisions/ (impairment provisions) on long term investments		5,382,802	(6,286,190)
Depreciation and amortisation expenses		(8,881,128)	(11,966,359)
Other operating expenses, net		(56,043,553)	(40,482,768)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	7	13,994,039	(11,298,032)
Finance costs	10	(48,576)	(58,539)
Share of profits/(losses) of:			
Jointly-controlled entities		25,676,793	26,651,089
An associate		—	(24,386)
PROFIT BEFORE TAX		39,622,256	15,270,132
Tax	11	(3,996,417)	(4,625,659)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	12	35,625,839	10,644,473
DIVIDEND	13		
Proposed final		10,615,183	5,307,591
EARNINGS PER SHARE	14		
Basic		6.71 cents	2.04 cents
Diluted		N/A	1.82 cents

Consolidated Balance Sheet

31 December 2003

	Notes	2003 HK\$	2002 HK\$ (Restated)
NON-CURRENT ASSETS			
Fixed assets	15	7,996,555	14,162,420
Stock and Futures Exchange trading rights	16	5,054,197	5,896,563
Other assets	17	6,437,653	6,035,110
Interests in jointly-controlled entities	19	168,823,382	173,853,864
Goodwill	20	58,693,292	60,198,529
Long term receivable	21	182,767,388	182,767,388
Long term investments	22	10,367,117	4,984,315
Deferred tax assets	23	470,000	654,000
		440,609,584	448,552,189
CURRENT ASSETS			
Short term investments	22	80,068,182	60,267,475
Accounts receivable	24	585,715,894	88,831,033
Loans and advances	25	266,285,691	267,690,613
Tax recoverable		1,579,132	2,023,044
Deposits, prepayments and other receivables		4,617,481	5,636,544
Bank balances held on behalf of customers		930,992,491	333,596,671
Cash and cash equivalents	26	37,707,651	35,149,650
		1,906,966,522	793,195,030
CURRENT LIABILITIES			
Accounts payable	27	1,521,912,454	394,404,258
Other payables and accruals	28	33,878,644	18,161,639
Interest-bearing bank and other borrowings	29	105,272,722	172,716,635
		1,661,063,820	585,282,532
NET CURRENT ASSETS		245,902,702	207,912,498
TOTAL ASSETS LESS CURRENT LIABILITIES — page 28		686,512,286	656,464,687

Consolidated Balance Sheet

31 December 2003

	Notes	2003 HK\$	2002 HK\$ (Restated)
<hr/>			
TOTAL ASSETS LESS CURRENT LIABILITIES — page 27		686,512,286	656,464,687
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	(1,202,448)	(1,473,097)
<hr/>			
		685,309,838	654,991,590
<hr/>			
CAPITAL AND RESERVES			
Issued capital	30	265,379,563	265,379,563
Reserves	31(a)	409,315,092	384,304,436
Proposed final dividend	13	10,615,183	5,307,591
<hr/>			
		685,309,838	654,991,590
<hr/>			

Feng Guorong
Director

Lee Man Chun Tony
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2003

	Notes	Issued share capital HK\$	Share premium account HK\$	Capital reserve HK\$	General reserve HK\$	Retained profits HK\$	Proposed final dividend HK\$	Total HK\$
At 1 January 2002:								
As previously reported		259,879,563	314,739,683	15,043	138,611	63,396,217	5,197,591	643,366,708
Prior year adjustment:								
SSAP 12 — restatement of deferred tax	23	—	—	—	—	678,000	—	678,000
As restated		259,879,563	314,739,683	15,043	138,611	64,074,217	5,197,591	644,044,708
Final 2001 dividend declared		—	—	—	—	—	(5,197,591)	(5,197,591)
Issue of shares	30	5,500,000	—	—	—	—	—	5,500,000
Net profit for the year (as restated)		—	—	—	—	10,644,473	—	10,644,473
Proposed final 2002 dividend	13	—	—	—	—	(5,307,591)	5,307,591	—
At 31 December 2002		265,379,563	314,739,683*	15,043*	138,611*	69,411,099*	5,307,591	654,991,590
At 1 January 2003:								
As previously reported		265,379,563	314,739,683	15,043	138,611	68,757,099	5,307,591	654,337,590
Prior year adjustment:								
SSAP 12 — restatement of deferred tax	23	—	—	—	—	654,000	—	654,000
As restated		265,379,563	314,739,683	15,043	138,611	69,411,099	5,307,591	654,991,590
Final 2002 dividend declared		—	—	—	—	—	(5,307,591)	(5,307,591)
Net profit for the year		—	—	—	—	35,625,839	—	35,625,839
Proposed final 2003 dividend	13	—	—	—	—	(10,615,183)	10,615,183	—
At 31 December 2003		265,379,563	314,739,683*	15,043*	138,611*	94,421,755*	10,615,183	685,309,838
Reserves retained by:								
Company and subsidiaries								
At 31 December 2003		265,379,563	314,739,683	15,043	138,611	94,421,755	10,615,183	685,309,838
Company and subsidiaries								
At 31 December 2002		265,379,563	314,739,683	15,043	138,611	69,411,099	5,307,591	654,991,590

* These reserve accounts comprise the consolidated reserves of HK\$409,315,092 (2002: HK\$384,304,436) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 December 2003

	Notes	2003 HK\$	2002 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		39,622,256	15,270,132
Adjustments for:			
Finance costs	10	48,576	58,539
Bank interest income	5	(2,653,598)	(3,686,117)
Dividend income	5	(1,743,522)	(6,323,289)
Share of profits and losses of jointly-controlled entities and an associate		(25,676,793)	(26,626,703)
(Write-back of impairment provisions)/impairment provisions on long term investments		(5,382,802)	6,286,190
Provision for claims	7	4,000,000	—
Provision for bad and doubtful debts		—	119,400,000
Write-back of prior years' accrued interest expenses on settlement of other loans and convertible note		—	(12,000,000)
Gain on cancellation of convertible note		—	(92,000,000)
Depreciation	7	6,533,525	9,703,957
Amortisation	7	2,347,603	2,262,402
Negative goodwill recognised as income for the year		—	(9,833)
Gain on disposal of subsidiaries and an unconsolidated subsidiary		—	(19,224,728)
Loss on disposal of long term investments		—	342,590
Loss on disposal of fixed assets	7	3,099	280,983
Operating profit/(loss) before working capital changes		17,098,344	(6,265,877)
Increase in long term receivable		—	(6,824,089)
Increase in short term investments		(19,800,707)	(22,767,754)
Decrease/(increase) in accounts receivable		(496,884,861)	56,720,763
Decrease/(increase) in loans and advances		1,404,922	(36,817,165)
Decrease in deposits, prepayments and other receivables		1,019,063	735,021
Decrease/(increase) in bank balances held on behalf of customers		(597,395,820)	20,655,815
Increase/(decrease) in accounts payable		1,127,508,196	(87,418,145)
Increase in other payables and accruals		11,717,005	605,368
Cash generated from/(used in) operations		44,666,142	(81,376,063)
Bank interest received		2,653,598	3,686,117
Dividends received from listed and unlisted equity investments		1,743,522	6,323,289
Interest paid		(48,576)	(58,539)
Dividend received from a jointly-controlled entity		26,847,438	44,920,146
Hong Kong profits tax refunded/(paid)		491,332	(3,344,578)
Net cash inflow/(outflow) from operating activities — page 31		76,353,456	(29,849,628)

Consolidated Cash Flow Statement

Year ended 31 December 2003

	Notes	2003 HK\$	2002 HK\$
Net cash inflow/(outflow) from operating activities — page 30		76,353,456	(29,849,628)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(increase) in other assets		(402,543)	124,765
Purchases of fixed assets	15	(373,759)	(4,383,972)
Proceeds from disposal of long term investments		—	1,119,410
Proceeds from disposal of subsidiaries	32(a)	—	49,726,652
Acquisition of a subsidiary	32(b)	—	552,018
Proceeds from disposal of fixed assets		3,000	5,000
Net cash inflow/(outflow) from investing activities		(773,302)	47,143,873
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares	30	—	5,500,000
Payment on cancellation of convertible note		—	(40,000,000)
New bank loans		—	140,000,000
Repayment of bank loans		(35,264,674)	(45,255,796)
Repayment of other loans		(30,000,000)	(56,000,000)
Repayment of loan from a related party		—	(20,000,000)
Dividend paid		(5,307,591)	(5,197,591)
Net cash outflow from financing activities		(70,572,265)	(20,953,387)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,007,889	(3,659,142)
Cash and cash equivalents at beginning of year		32,699,762	36,358,904
CASH AND CASH EQUIVALENTS AT END OF YEAR		37,707,651	32,699,762
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	25,282,822	12,724,999
Time deposits with original maturity of less than three months when acquired	26	12,424,829	22,424,651
Bank overdrafts, secured	29	—	(2,449,888)
		37,707,651	32,699,762

Balance Sheet

31 December 2003

	Notes	2003 HK\$	2002 HK\$
NON-CURRENT ASSETS			
Interests in subsidiaries	18	598,621,414	622,704,616
CURRENT ASSETS			
Deposits, prepayments and other receivables		1,498,670	1,139,244
Cash and cash equivalents	26	1,094,536	444,506
		2,593,206	1,583,750
CURRENT LIABILITIES			
Other payables and accruals	28	7,277,402	5,715,577
Interest-bearing bank and other borrowings	29	—	30,000,000
		7,277,402	35,715,577
NET CURRENT LIABILITIES		(4,684,196)	(34,131,827)
		593,937,218	588,572,789
CAPITAL AND RESERVES			
Issued capital	30	265,379,563	265,379,563
Reserves	31(b)	317,942,472	317,885,635
Proposed final dividend	13	10,615,183	5,307,591
		593,937,218	588,572,789

Feng Guorong
Director

Lee Man Chun Tony
Director

Notes to the Financial Statements

I. CORPORATE INFORMATION

The registered office of Shenyin Wanguo (H.K.) Limited is situated at 28th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

- securities trading and investment holding
- securities broking and dealing
- securities financing and direct loan
- investment advisory services

In addition, the jointly-controlled entities of the Group were involved in highway operations during the year.

In the opinion of the directors, the ultimate holding company is Shenyin Wanguo Holdings (B.V.I.) Limited, which is incorporated in the British Virgin Islands with limited liability.

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE (“SSAP”)

SSAP 12 (Revised): “Income taxes” is effective for the first time for the current year’s financial statements. SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future; and

Notes to the Financial Statements

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE (“SSAP”) (Continued)

- a deferred tax asset has been recognised for tax losses arising in the current/prior year to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.

Disclosures:

- deferred tax assets and liabilities are presented separately on the balance sheet, whereas previously they were presented on a net basis; and
- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 11 and 23 to the financial statements and include a reconciliation between the accounting profit and the tax expense for the year.

Further details of these changes and the prior year adjustments arising from them are included in the accounting policy for deferred tax in note 3 and in note 23 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention except for the periodic remeasurement of equity investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries

A subsidiary is a company, other than a jointly-controlled entity, in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

- (a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;
- (b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different from the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries or jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset. The goodwill arose on the acquisition of a subsidiary or jointly-controlled entities whose principal activity is the operation of a toll road. The goodwill is amortised by the annuity method, over 26 years, representing the remaining joint venture period of the jointly-controlled entities holding the toll road. In determining the estimated useful life of the goodwill, directors have considered, among other things, the expected term of the economic benefits to be obtained from the jointly-controlled entities. In the opinion of the directors, the amortisation period is reasonable and is reflective of the estimated useful life of such goodwill. The compound rate of the annuity method used for the amortisation of goodwill is 6%.

On disposal of subsidiaries or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date, of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss recognised for an asset in previous years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the consolidated profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the consolidated profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the consolidated profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	2%
Buildings	4%
Leasehold improvements	Over the lease terms
Furniture, fixtures and equipment	15%-33 ¹ / ₃ %
Motor vehicles	25%

The gain or loss on disposal or retirement of a fixed asset recognised in the consolidated profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Other assets

Other assets held on a long term basis are stated at cost less any impairment losses, on an individual basis.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the consolidated profit and loss account on the straight-line basis over the lease terms.

Stock and Futures Exchange trading rights

The eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited and the Hong Kong Futures Exchange Limited (the "Stock and Futures Exchange trading rights"), are stated at cost less accumulated amortisation and any impairment losses. The cost of the trading rights was determined based on the carrying values of the previously held shares in The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited, respectively. Amortisation is calculated on the straight-line basis to write off the cost of the trading rights over their estimated useful lives of 10 years.

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) securities and futures contracts trading profits or losses, on a trade date basis;
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective rate of interest applicable;
- (c) commission and trading revenue, on a trade date basis;
- (d) underwriting commission, when the obligation under the underwriting or sub-underwriting agreement has expired;
- (e) from the rendering of services, as the underlying services are provided; and
- (f) dividend income, when the shareholders' right to receive payment has been established.

Long term investments

Long term investments are non-trading investments in listed equity securities intended to be held on a long term basis. They are stated at their fair values at the balance sheet date, on an individual investment basis.

The gains or losses arising from changes in the fair value of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the consolidated profit and loss account for the period in which the impairment arises.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values at the balance sheet date, on an individual investment basis.

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Short term investments *(Continued)*

The fair values of such listed securities are generally their quoted market prices at the balance sheet date. An appropriate discount to the market prices is made for listed securities not actively traded in a liquid market. The gains or losses arising from changes in the fair value of a security are credited or charged to the consolidated profit and loss account for the period in which they arise.

Loans and advances

Loans and advances to customers and accrued interest thereon are stated in the consolidated balance sheet net of any provision for bad and doubtful debts.

Interest on doubtful advances is credited to a suspense account which is netted in the consolidated balance sheet against the relevant advances.

Bad and doubtful debts

Provision is made against advances and other accounts as and when they are considered doubtful. In addition, an amount is set aside as a general provision for doubtful debts. Loans and advances are stated in the financial statements net of these provisions.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated profit and loss account.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the goodwill or initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and;
- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Dividend

A final dividend proposed by the directors is classified as a separate allocation of retained profits within the capital and reserves section in the balance sheet, until it is approved by the shareholders in a general meeting. When this dividend is approved by the shareholders and declared, it is recognised as a liability.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash at banks and on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash at banks and on hand, including term deposits, which are not restricted as to use.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave the employees entitled and carried forward.

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees. The Group also retains its previous retirement scheme (the “ORSO Scheme”) registered under the Occupational Retirement Scheme Ordinance as a top-up benefit for its employees.

Contributions are made based on a percentage of the employees' relevant income or basic salaries, whichever is greater, and are charged to the consolidated profit and loss account as they become payable in accordance with the rules of the MPF Scheme and the ORSO Scheme. When the contribution is over the statutory maximum requirements, the excess contribution is credited as the employer's voluntary contribution to the ORSO Scheme. The employer's mandatory contributions vest fully with the employees when contributed into the MPF Scheme. The employer's voluntary contributions vest with the employees according to the vesting scale of the ORSO Scheme. Forfeited contributions in respect of employees who leave the Group before their contributions fully vest are available to the Group to offset its future voluntary contributions.

The assets of the MPF Scheme and the ORSO Scheme are held separately from those of the Group in independently administered funds.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the consolidated profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and jointly-controlled entities are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. The summarised details of the business segments are as follows:

- securities trading and investment holding
- securities broking and dealing
- securities financing and direct loan
- investment advisory services

In determining the Group's geographical segments, turnover is attributed to the segments based on the location of the markets, and assets are attributed to the segments based on the location of the assets.

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

Notes to the Financial Statements

4. SEGMENT INFORMATION (Continued)

(a) Business segments

The following tables represent turnover, results and certain assets, liabilities and expenditure information for the Group's business segments.

Group	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
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
		(Restated)		(Restated)				(Restated)				(Restated)
Segment turnover:												
External customers	498,915,615	150,569,855	52,844,880	50,041,490	31,339,656	37,439,762	6,405,188	9,367,328	—	—	589,505,339	247,418,435
Inter-segment	—	—	—	—	—	750,000	3,008,554	2,928,012	(3,008,554)	(3,678,012)	—	—
Total	498,915,615	150,569,855	52,844,880	50,041,490	31,339,656	38,189,762	9,413,742	12,295,340	(3,008,554)	(3,678,012)	589,505,339	247,418,435
Segment results	10,276,976	7,611,685	(17,567,747)	(24,586,329)	23,098,907	9,253,707	2,073,326	1,914,545	—	—	17,881,462	(5,806,392)
Unallocated expenses											(3,887,423)	(5,491,640)
Profit/(loss) from operating activities											13,994,039	(11,298,032)
Finance costs											(48,576)	(58,539)
Share of profits/(losses) of jointly-controlled entities	25,676,793	26,651,089									25,676,793	26,651,089
An associate	—	(24,386)									—	(24,386)
Profit before tax											39,622,256	15,270,132
Tax	(4,044,727)	(3,486,328)	17,136	(1,089,888)	3,174	(49,443)					(3,996,417)	(4,625,659)
Net profit from ordinary activities attributable to shareholders											35,625,839	10,644,473

Notes to the Financial Statements

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following tables represent turnover, assets and capital expenditure information for the Group's geographical segments.

Group

	2003 HK\$	2002 HK\$ (Restated)
Segment turnover:		
The People's Republic of China ("PRC")		
Hong Kong	518,423,574	223,296,916
Mainland China	70,785,370	24,084,960
Others	296,395	36,559
	589,505,339	247,418,435
Segment assets:		
PRC		
Hong Kong	2,114,003,976	1,007,694,826
Mainland China	227,516,674	234,052,393
Others	6,055,456	—
	2,347,576,106	1,241,747,219
Capital expenditure:		
PRC		
Hong Kong	373,759	4,383,972

Notes to the Financial Statements

5. 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:

	Group	
	2003	2002
	HK\$	HK\$
Financial services:		
Sales proceeds from securities and futures contracts trading	497,030,571	144,168,566
Interest income from securities financing and direct loans	28,686,059	33,453,645
Commission and brokerage income	52,776,754	49,552,831
Rendering of services	6,283,425	9,867,328
	584,776,809	237,042,370
Others:		
Bank interest income	2,653,598	3,686,117
Dividend income from:		
Listed equity investments	1,743,522	1,106,887
Unlisted equity investment — an unconsolidated subsidiary	—	5,216,402
Others	331,410	366,659
	4,728,530	10,376,065
	589,505,339	247,418,435

Notes to the Financial Statements

6. OTHER REVENUE AND GAINS

	Group	
	2003	2002
	HK\$	HK\$
Gain on disposal of subsidiaries and an unconsolidated subsidiary (note 32(a))	—	19,224,728
Exchange gains, net	378,216	366,587
Others	156,000	165,833
	534,216	19,757,148

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

		Group	
		2003	2002
	Notes	HK\$	HK\$
Depreciation	15	6,533,525	9,703,957
Amortisation of goodwill	20	1,505,237	1,420,035
Amortisation of Stock and Futures Exchange trading rights	16	842,366	842,367
Staff costs (including directors' remuneration — note 8):			
Wages and salaries		43,586,264	47,620,260
Pension schemes contributions		3,151,874	4,023,372
Less: Forfeited contributions		(1,562,801)	(517,686)
Net pension schemes contributions*		1,589,073	3,505,686
		45,175,337	51,125,946
Interest expenses for financial services operations			
— on bank loans and overdrafts		4,893,127	5,518,585
— on other loans wholly repayable within five years		—	4,420,445
Minimum lease payments under operating leases		10,730,521	10,577,499
Auditors' remuneration		850,000	800,000
Loss on disposal of fixed assets		3,099	280,983
Net realised gains on trading of listed equity investments and futures contracts		(30,595,398)	(895,244)
Net unrealised losses on listed equity investments		17,825,590	4,053,400
Provision for claims^		4,000,000	—

Notes to the Financial Statements

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES (Continued)

* At 31 December 2003, the forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years amounted to approximately HK\$463,050 (2002: HK\$5,014).

^ During the year, certain brokerage clients of the Group's subsidiary, Shenyin Wanguo Securities (H.K.) Limited ("SWSL"), questioned their stockholding and account balances. The Group's management launched an investigation into the matter. SWSL has fidelity insurance cover and, if it is determined that the Group has any liability in respect of these claims, the directors of the Company consider that the claims should be adequately covered by the fidelity insurance and/or existing provisions.

8. DIRECTORS' REMUNERATION

The directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Companies Ordinance, was as follows:

	Group	
	2003	2002
	HK\$	HK\$
Fees:		
Executive directors	—	—
Non-executive directors *	160,000	100,000
	160,000	100,000
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	2,420,000	2,616,000
Bonuses	586,830	—
Pension schemes contributions	227,000	225,600
	3,233,830	2,841,600
	3,393,830	2,941,600

* Except for the above directors' fees paid to the independent non-executive directors, there were no other emoluments payable to them during the year (2002: Nil).

Notes to the Financial Statements

8. DIRECTORS' REMUNERATION (Continued)

The number of directors whose remuneration fell within the following bands is as set out below:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	9	8
HK\$2,500,001 to HK\$3,000,000	—	1
HK\$3,000,001 to HK\$3,500,000	1	—
	10	9

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2002: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2002: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2002: four) non-director, highest paid employees are as follows:

	Group	
	2003 HK\$	2002 HK\$
Salaries, allowances and benefits in kind	5,004,366	5,756,316
Bonuses	447,750	269,853
Pension schemes contributions	467,112	462,482
	5,919,228	6,488,651

Notes to the Financial Statements

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of the non-director, highest paid employees whose remuneration fell within the following bands is as set out below:

	Number of employees	
	2003	2002
HK\$1,000,001 to HK\$1,500,000	3	3
HK\$2,000,001 to HK\$2,500,000	1	1
	4	4

10. FINANCE COSTS

	Group	
	2003 HK\$	2002 HK\$
Interest on bank loans and overdrafts	48,576	58,539

11. TAX

No provision for Hong Kong profits tax has been made as the Group companies either have available tax losses carried forward to offset the assessable profits arising in Hong Kong or did not generate any assessable profits arising in Hong Kong during the year. Provision for Hong Kong profits tax was made at the rate of 16% on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2002. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 December 2003.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Notes to the Financial Statements

II. TAX (Continued)

	2003 HK\$	2002 HK\$
Group:		
Current — Hong Kong		
Charge for the year	—	58,462
Under/(over)provision in prior year	(47,420)	824,225
Deferred (note 23)	184,000	24,000
	136,580	906,687
Share of tax attributable to jointly-controlled entities	3,859,837	3,718,972
	3,996,417	4,625,659

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company, its subsidiaries and jointly-controlled entities are domiciled to the tax expense at the effective tax rate is as follows:

	2003 HK\$	2002 HK\$
Profit before tax	39,622,256	15,270,132
Tax at the statutory tax rate of 17.5% (2002: 16%)	6,933,895	2,443,221
Difference in tax rates in other countries	(666,861)	(97,216)
Adjustments in respect of current tax of previous periods	(47,420)	824,225
Adjustment in respect of deferred tax assets on tax losses of previous periods	—	(345,000)
Effect on opening deferred tax of increase in rates	(61,313)	—
Income not subject to tax	(1,367,335)	(5,240,267)
Expenses not deductible for tax	1,617,527	1,263,160
Tax losses utilised from previous periods	(4,489,376)	(47,611)
Unrecognised deferred tax assets	2,077,300	5,825,147
Tax charge for the year	3,996,417	4,625,659

Notes to the Financial Statements

12. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2003 dealt with in the financial statements of the Company was HK\$10,672,020 (2002: HK\$1,913,143).

13. DIVIDEND

	2003	2002
	HK\$	HK\$
Proposed final — HK2 cents (2002: HK1 cent) per ordinary share	10,615,183	5,307,591

14. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$35,625,839 (2002 restated: HK\$10,644,473) and the weighted average of 530,759,126 (2002: 521,118,030) ordinary shares in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share has been presented for the current year because there was no dilutive potential ordinary shares in existence during the year ended 31 December 2003.

The calculation of diluted earnings per share for the year ended 31 December 2002 was based on the net profit from ordinary activities attributable to shareholders for the year of HK\$10,644,473 (restated). The weighted average number of ordinary shares used in the calculation comprised the 521,118,030 ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 4,112,945 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all options outstanding during the year, and the weighted average of 59,961,590 ordinary shares assumed to have been issued on the full conversion of the convertible note outstanding during the year.

Notes to the Financial Statements

15. FIXED ASSETS

Group

	Land and buildings <i>HK\$</i>	Leasehold improvements <i>HK\$</i>	Furniture, fixtures and equipment <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Total <i>HK\$</i>
Cost:					
At beginning of year	4,095,000	13,859,265	35,561,707	4,520,739	58,036,711
Additions	—	—	373,759	—	373,759
Disposals	—	(613,620)	(86,283)	(267,000)	(966,903)
At 31 December 2003	4,095,000	13,245,645	35,849,183	4,253,739	57,443,567
Accumulated depreciation:					
At beginning of year	1,085,175	12,843,384	25,869,993	4,075,739	43,874,291
Provided during the year	122,850	552,615	5,591,060	267,000	6,533,525
Disposals	—	(613,620)	(80,184)	(267,000)	(960,804)
At 31 December 2003	1,208,025	12,782,379	31,380,869	4,075,739	49,447,012
Net book value:					
At 31 December 2003	2,886,975	463,266	4,468,314	178,000	7,996,555
At 31 December 2002	3,009,825	1,015,881	9,691,714	445,000	14,162,420

The land and buildings are held under long term leases, are situated in Hong Kong and are pledged to banks to secure the Group's long term bank loans (note 29).

Notes to the Financial Statements

16. STOCK AND FUTURES EXCHANGE TRADING RIGHTS

	Group HK\$
<hr/>	
Cost:	
At beginning and end of year	8,011,296
<hr/>	
Accumulated amortisation:	
At beginning of year	2,114,733
Provided during the year	842,366
<hr/>	
At end of year	2,957,099
<hr/>	
Net book value:	
At 31 December 2003	5,054,197
<hr/>	
At 31 December 2002	5,896,563
<hr/>	

17. OTHER ASSETS

	Group	
	2003	2002
	HK\$	HK\$
<hr/>		
Club debentures	2,470,000	2,470,000
Prepayments and deposits	3,967,653	3,565,110
<hr/>		
	6,437,653	6,035,110
<hr/>		

Notes to the Financial Statements

18. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK\$	2002 HK\$
Unlisted shares, at cost	90,910,152	90,910,146
Due from subsidiaries	630,738,840	654,929,760
	721,648,992	745,839,906
Due to subsidiaries	(41,260,024)	(41,367,736)
	680,388,968	704,472,170
Provision for impairment	(81,767,554)	(81,767,554)
	598,621,414	622,704,616

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for amounts due from subsidiaries of HK\$356,571,271 (2002: HK\$281,781,373) and an amount due to a subsidiary of HK\$48,071,175 (2002: Nil) which bear interest at rates ranging from the bank deposit savings rate to the prime rate (2002: bank deposit savings rate to the prime rate plus 2.75%) per annum.

All of the principal subsidiaries, unless otherwise indicated, are incorporated and operate in Hong Kong. Details of the Company's principal subsidiaries at the balance sheet date are as follows:

Name	Nominal value of issued and fully paid share capital	Percentage of ordinary shares held				Principal activities
		Direct		Indirect		
		2003	2002	2003	2002	
Shenyin Wanguo Securities (H.K.) Limited	300,000 ordinary shares of HK\$100 each	100	100	—	—	Securities broking and margin financing

Notes to the Financial Statements

18. INTERESTS IN SUBSIDIARIES (Continued)

Name	Nominal value of issued and fully paid share capital	Percentage of ordinary shares held				Principal activities
		Direct		Indirect		
		2003	2002	2003	2002	
Shenyin Wanguo Finance (H.K.) Limited	25,000,000 ordinary shares of HK\$1 each	100	100	—	—	Provision of financial services
Shenyin Wanguo Capital (H.K.) Limited	600,000 ordinary shares of HK\$10 each	100	100	—	—	Corporate finance
Shenyin Wanguo Futures (H.K.) Limited	8,000,000 ordinary shares of HK\$1 each	100	100	—	—	Futures and options broking
Shenyin Wanguo Brokerage (H.K.) Limited	5,000,000 ordinary shares of HK\$1 each	100	100	—	—	Securities broking
Shenyin Wanguo Research (H.K.) Limited	300,000 ordinary shares of HK\$1 each	100	100	—	—	Provision of securities research services
Shenyin Wanguo Enterprises (H.K.) Limited	15,000,000 ordinary shares of HK\$1 each	100	100	—	—	Provision of management and treasury services
Sparkle Well Limited	2 ordinary shares of HK\$1 each	100	100	—	—	Property holding

Notes to the Financial Statements

18. INTERESTS IN SUBSIDIARIES (Continued)

Name	Nominal value of issued and fully paid share capital	Percentage of ordinary shares held				Principal activities
		Direct		Indirect		
		2003	2002	2003	2002	
Wealthy Limited	2 ordinary shares of HK\$1 each	100	100	—	—	Property holding
Shenyin Wanguo Strategic Investments (H.K.) Limited	10,000 ordinary shares of HK\$1 each	100	100	—	—	Securities trading and investment
First Million Holdings Limited*	1 ordinary share of US\$1	100	100	—	—	Securities trading and investment
Shenyin Wanguo Trading (H.K.) Limited	375,000 ordinary shares of HK\$1 each	100	100	—	—	Securities trading and provision of agency services
Shenyin Wanguo (Holdings) Limited	2 ordinary shares of HK\$1 each	100	100	—	—	Investment holding
Shenyin Wanguo Nominees (H.K.) Limited	1,000 ordinary shares of HK\$1 each	—	—	100	100	Provision of share custodian and nominee services

Notes to the Financial Statements

18. INTERESTS IN SUBSIDIARIES (Continued)

Name	Nominal value of issued and fully paid share capital	Percentage of ordinary shares held				Principal activities
		Direct		Indirect		
		2003	2002	2003	2002	
Shenyin Wanguo Online Limited	2 ordinary shares of HK\$1 each	100	100	—	—	Leasing of computer equipment
Crux Assets Limited*	1 ordinary share of US\$1	—	—	100	100	Investment holding
Shenyin Wanguo Asset Management (Asia) Limited	1,000,000 ordinary shares of HK\$1 each	—	—	100	100	Provision of asset management services

* Incorporated in the British Virgin Islands.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2003 HK\$	2002 HK\$
Share of net assets	168,823,382	173,853,864

Notes to the Financial Statements

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of			Principal activities
			Ownership interest	Voting interest	Profit sharing	
The New China Hong Kong Highway Limited ("NCHK")	Corporate	British Virgin Islands	26.19	26.19	26.19	Investment holding
Sichuan Chengmian Expressway Co., Ltd. ("SCECL")	Corporate	Mainland China	15.71	15.71	26.19	Highway operations

The above investments in jointly-controlled entities are indirectly held by the Company.

NCHK holds a 60% equity interest in SCECL. In accordance with the terms of the revised joint venture agreement of SCECL dated 18 March 1994 and based on the financial statements of the joint venture prepared under generally accepted accounting principles in the PRC, NCHK is entitled to all of the net profit generated by SCECL from the date of registration of SCECL to 21 December 2003. Thereafter, NCHK is entitled to 60% and 50% of the net profit generated by SCECL for the periods from 22 December 2003 to 21 December 2008 and from 22 December 2008 to 21 December 2018, respectively. For the period from 22 December 2018 to the end of the joint venture period on 21 December 2024, NCHK is entitled to 40% of the net profit generated by SCECL.

The interests in jointly-controlled entities have been pledged to secure the Group's bank loans (note 29).

Notes to the Financial Statements

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

Extracts of the financial information of the jointly-controlled entities are as follows:

	NCHK and its subsidiary	
	2003 HK\$	2002 HK\$
Turnover	209,051,720	196,196,178
Profit before tax	98,040,448	101,760,554
Fixed assets	1,538,454,256	1,588,147,162
Current assets	97,386,515	69,904,220
Current liabilities	(14,461,607)	(30,899,329)
Long term liabilities	(54,909,984)	(51,768,720)
Minority interests	(921,859,088)	(911,565,602)
Net assets	644,610,092	663,817,731

20. GOODWILL

	Group HK\$
Cost:	
At beginning and end of year	64,658,842
Accumulated amortisation:	
At beginning of year	4,460,313
Provided for the year	1,505,237
At end of year	5,965,550
Net book value:	
At 31 December 2003	58,693,292
At 31 December 2002	60,198,529

Notes to the Financial Statements

21. LONG TERM RECEIVABLE

	Group	
	2003	2002
	HK\$	HK\$
Amounts receivable	292,767,388	292,767,388
Less: Provision for doubtful debts	(110,000,000)	(110,000,000)
	182,767,388	182,767,388

At 31 December 2003, 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 (2002: HK\$292,767,388), representing approximately 43% (2002: 45%) and 12% (2002: 24%) of the Group's net assets and total assets, respectively, 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.

As the directors consider that the receivable is unlikely to be recovered within the next 12 months, the amount has been classified 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% (2002: 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.

Notes to the Financial Statements

22. INVESTMENTS

	2003	Group 2002
	HK\$	HK\$
Long term investments		
Listed equity investments in Hong Kong at fair value	10,367,117	4,984,315
Short term investments		
Listed equity trading securities at fair value:		
Hong Kong	77,990,142	60,188,073
Overseas	2,078,040	79,402
	80,068,182	60,267,475

The market values of the Group's long term listed equity investments at the balance sheet date and date of approval of these financial statements were approximately HK\$10,367,117 (2002: HK\$4,984,315) and HK\$20,097,863 (2002: HK\$4,728,841), respectively.

The market values of the Group's short term listed equity trading securities at the balance sheet date and date of approval of these financial statements were approximately HK\$84,751,331 (2002: HK\$60,267,475) and HK\$90,378,990 (2002: HK\$60,407,532), respectively.

Certain listed investments of the Group have been pledged to secure the Group's bank borrowings (note 29).

Notes to the Financial Statements

23. DEFERRED TAX ASSETS

The movement in deferred tax assets during the year is as follows:

Group	2003 Losses available for offset against future taxable profit HK\$
<hr/>	
At 1 January 2003	
As previously reported	—
Prior year adjustment:	
SSAP 12 — restatement of deferred tax	654,000
<hr/>	
As restated	654,000
Deferred tax charged to the profit and loss account during the year (<i>note 11</i>)	(184,000)
<hr/>	
Deferred tax assets at 31 December 2003	470,000
<hr/>	
	2002 Losses available for offset against future taxable profit HK\$
<hr/>	
At 1 January 2002	
As previously reported	—
Prior year adjustment:	
SSAP 12 — restatement of deferred tax	678,000
<hr/>	
As restated	678,000
Deferred tax charged to the profit and loss account (<i>note 11</i>)	(24,000)
<hr/>	
Deferred tax assets at 31 December 2002	654,000
<hr/>	

Notes to the Financial Statements

23. DEFERRED TAX ASSETS (Continued)

The Group has tax losses arising in Hong Kong of HK\$264,397,313 (2002: HK\$282,893,547) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the group companies that have been loss-making for some time.

At 31 December 2003, there was no significant unrecognised deferred tax liability (2002: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and joint ventures as the Group has no liability to additional tax should such amounts be remitted due to the availability of double tax relief.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

SSAP 12 (Revised) was adopted during the year, as further explained in note 2 to the financial statements. This change in accounting policy has resulted in an increase in the Group's deferred tax asset as at 31 December 2003 and 2002 by HK\$470,000 and HK\$654,000, respectively. As a consequence, the consolidated net profit from ordinary activities attributable to shareholders for the years ended 31 December 2003 and 2002 have been decreased by HK\$184,000 and HK\$24,000, respectively, and the consolidated retained profits at 1 January 2003 and 2002 have been increased by HK\$654,000 and HK\$678,000, respectively, as detailed in the consolidated statement of changes in equity.

24. ACCOUNTS RECEIVABLE

	Group	
	2003	2002
	HK\$	HK\$
Accounts receivable	604,947,136	108,062,275
Less: Provision for doubtful debts — specific	(19,231,242)	(19,231,242)
	585,715,894	88,831,033

Notes to the Financial Statements

24. ACCOUNTS RECEIVABLE (Continued)

An aged analysis of accounts receivable is as follows:

	2003 HK\$	2002 HK\$
Current to 30 days	571,681,295	75,971,138
31 to 60 days	2,469,333	8,315,546
61 to 90 days	550,643	1,506,017
Over 90 days	30,245,865	22,269,574
	604,947,136	108,062,275

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

25. LOANS AND ADVANCES

	2003 HK\$	Group 2002 HK\$
Loans and advances to customers:		
Secured	280,705,629	260,394,504
Unsecured	3,221,289	23,239,909
Interest receivable	—	1,697,427
	283,926,918	285,331,840
Less: Provision for doubtful debts		
Specific	(17,641,227)	(17,576,319)
General	—	(64,908)
	266,285,691	267,690,613

Notes to the Financial Statements

25. LOANS AND ADVANCES (Continued)

The maturity profile of the loans and advances to customers at the balance sheet date is analysed by the remaining periods to their contractual maturity dates as follows:

	2003 HK\$	2002 HK\$
Repayable on demand	269,590,272	234,463,321
Within three months	—	3,621,087
One year or less, but over three months	—	12,892,163
Undated	14,336,646	34,355,269
	283,926,918	285,331,840

As at 31 December 2003, the total market value of securities pledged as collateral in respect of loans to customers was HK\$869,855,593 (2002: HK\$572,306,348) (note 29).

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Cash and bank balances	25,282,822	12,724,999	1,094,536	444,506
Time deposits with original maturity of less than three months when acquired	12,424,829	22,424,651	—	—
	37,707,651	35,149,650	1,094,536	444,506

Notes to the Financial Statements

27. ACCOUNTS PAYABLE

An aged analysis of accounts payable is as follows:

	Group	
	2003	2002
	HK\$	HK\$
Current to 30 days	1,521,912,454	394,404,258

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Other payables	6,986,521	9,904,733	1,658,159	3,514,577
Accruals	26,892,123	8,256,906	5,619,243	2,201,000
	33,878,644	18,161,639	7,277,402	5,715,577

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Bank overdrafts, secured	—	2,449,888	—	—
Bank loans, secured	106,475,170	141,739,844	—	—
Other loans, unsecured	—	30,000,000	—	30,000,000
	106,475,170	174,189,732	—	30,000,000

Notes to the Financial Statements

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

The maturities of the Group's bank and other borrowings are analysed as follows:

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Bank overdrafts repayable within one year or on demand	—	2,449,888	—	—
Bank loans repayable:				
Within one year or on demand	105,272,722	140,266,747	—	—
In the second year	281,017	272,790	—	—
In the third to fifth years, inclusive	895,390	869,170	—	—
Beyond five years	26,041	331,137	—	—
	106,475,170	141,739,844	—	—
Other loans repayable within one year or on demand	—	30,000,000	—	30,000,000
	106,475,170	174,189,732	—	30,000,000
Portion classified as current liabilities	(105,272,722)	(172,716,635)	—	(30,000,000)
Long term portion	1,202,448	1,473,097	—	—

The secured bank loans and bank overdrafts are secured by the pledge of interests in jointly-controlled entities (note 19), certain listed investments of the Group (note 22) and listed shares held by the Group as security for advances to customers (note 25) and are guaranteed by the Company.

Notes to the Financial Statements

29. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Bank loans of HK\$1,475,170 (2002: HK\$1,739,844) are secured by the pledge of the Group's land and buildings (note 15).

30. SHARE CAPITAL

	Number of ordinary shares of HK\$0.50 each	Company HK\$
Authorised	2,000,000,000	1,000,000,000
Issued and fully paid:		
At 1 January 2002	519,759,126	259,879,563
Issue of shares on exercise of options	11,000,000	5,500,000
At 31 December 2002, 1 January 2003 and 31 December 2003	530,759,126	265,379,563

During the year ended 31 December 2002, the subscription rights attaching to 11,000,000 share options were exercised at the subscription price of HK\$0.50 per share, resulting in the issue of 11,000,000 shares of HK\$0.50 each for a total cash consideration of HK\$5,500,000.

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 29 of the financial statements.

The Group's general reserve represents prior year appropriations of profits which are distributable.

Notes to the Financial Statements

31. RESERVES (Continued)

(b) Company

	Note	Share premium account HK\$	General reserve HK\$	Retained profits HK\$	Total HK\$
At 1 January 2002		314,739,683	656,293	5,884,107	321,280,083
Net profit for the year		—	—	1,913,143	1,913,143
Proposed final 2002 dividend	13	—	—	(5,307,591)	(5,307,591)
At 31 December 2002 and 1 January 2003		314,739,683	656,293	2,489,659	317,885,635
Net profit for the year		—	—	10,672,020	10,672,020
Proposed final 2003 dividend	13	—	—	(10,615,183)	(10,615,183)
At 31 December 2003		314,739,683	656,293	2,546,496	317,942,472

The Company's general reserve represents prior year appropriations of profits which are distributable.

Notes to the Financial Statements

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

	2003 HK\$	2002 HK\$
Net assets disposed of:		
Cash and bank balances	—	400
Deposits	—	2,250
Interest in an unconsolidated subsidiary	—	30,499,674
Due to a Group company	—	(5,800,408)
	—	24,701,916
Gain on disposal (note 6)	—	19,224,728
	—	43,926,644
Satisfied by:		
Amount due to a Group company	—	(5,800,408)
Cash	—	49,727,052
	—	43,926,644

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2003 HK\$	2002 HK\$
Cash consideration, net	—	49,727,052
Cash and bank balances disposed of	—	(400)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	—	49,726,652

The results of these subsidiaries disposed of had no significant impact on the consolidated turnover and profit after tax for the year ended 31 December 2002.

Notes to the Financial Statements

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of a subsidiary

	2003 HK\$	2002 HK\$
Net assets acquired:		
Cash and bank balances	—	1,061,756
Other payables and accruals	—	(63,584)
	—	998,172
Negative goodwill on acquisition	—	(9,833)
	—	988,339
Satisfied by:		
Cash	—	509,738
Reclassification of interest in a subsidiary from interest in an associate	—	478,601
	—	988,339

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	2003 HK\$	2002 HK\$
Cash consideration	—	(509,738)
Cash and bank balances acquired	—	1,061,756
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	—	552,018

The results of the subsidiary acquired had no significant impact on the consolidated turnover and profit after tax for the year ended 31 December 2002.

Notes to the Financial Statements

33. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had the following contingent liabilities:

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Guarantees in respect of bank loans and other facilities granted to subsidiaries	—	—	611,500,000	442,500,000

As at 31 December 2003, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK\$105,000,000 (2002: HK\$27,449,000).

34. COMMITMENTS

(a) Capital commitments

	Group	
	2003 HK\$	2002 HK\$
Contracted, but not provided for	1,200,000	1,400,000

(b) Operating lease commitments as a lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years.

Notes to the Financial Statements

34. COMMITMENTS *(Continued)*

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

At 31 December 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2003	2002
	HK\$	HK\$
Within one year	8,113,905	8,646,374
In the second to fifth years, inclusive	3,144,731	10,252,564
	11,258,636	18,898,938

At the balance sheet date, the Company did not have any significant commitments.

35. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group entered into the following material connected and related party transactions during the year:

- (a) The Group paid research fee of HK\$830,000 (2002: HK\$100,000) to the substantial shareholder of the Company, Shenyin & Wanguo Securities Co., Ltd.
- (b) During the year ended 31 December 2002, the Group utilised the revolving loan facility with a maximum amount of HK\$20,000,000 from and paid the interest expenses totalling HK\$235,890 to Shanghai Shenyin Securities (H.K.) Ltd., of which a director of the Company is also a director. The facility was not utilised during the year.
- (c) During the year ended 31 December 2002, the loan advanced from the substantial shareholder of the Company, Venture-Some Investments Limited, of HK\$20,000,000 was fully repaid.

Notes to the Financial Statements

36. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of a revised SSAP during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated to conform with the current year's presentation.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 April 2004.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Shenyin Wanguo (H.K.) Limited (the “Company”) will be held at the Dragon Room, The Hong Kong Bankers Club at 43rd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong, on Friday, 21 May 2004 at 9:00 a.m. for the following purposes:

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of Directors and Auditors for the year ended 31 December 2003;
2. To declare a final dividend;
3. To re-elect Directors and authorise the Board of Directors to fix their remuneration;
4. To re-appoint Auditors and authorise the Board of Directors to fix their remuneration;
5. As special business to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT:

- (a) subject to sub-paragraph (c) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares, and to make or grant offers, agreements and options which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (b) the approval in sub-paragraph (a) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in sub-paragraph (a) of this Resolution, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined);

Notice of Annual General Meeting

- (ii) the exercise of rights of subscription or conversions attaching to any warrants issued by the Company or any securities which are convertible into shares;
- (iii) any option scheme or similar arrangements for the time being adopted for the grant or issue to officers and/or employees of the Company and/or its subsidiaries of shares or rights to acquire shares of the Company; or
- (iv) any scrip dividend scheme or similar arrangements providing for the allotment of shares of the Company in lieu of the whole or a part of a dividend on such shares in accordance with the Articles of Association of the Company;

shall not exceed 20 per cent of the aggregate nominal value of the share capital of the Company in issue at the date of the passing of this Resolution, and this approval shall be limited accordingly; and

- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares whose names appear on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory applicable to the Company).”

Notice of Annual General Meeting

6. As special business to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT:

- (a) subject to sub-paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$0.50 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the securities of the Company may be listed and is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in sub-paragraph (a) above shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.”

Notice of Annual General Meeting

7. As special business to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“**THAT** conditional upon the passing of Ordinary Resolutions 5 and 6, the general mandate granted to the Directors of the Company to exercise the power of the Company to allot, issue and deal with shares pursuant to Ordinary Resolution 5 set out in the notice convening this Meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution 6 set out in the notice convening this Meeting, provided that such amount shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company at the date of passing of this Ordinary Resolution.”

8. As special business to consider and, if thought fit, pass with or without amendments, the following resolution as a Special Resolution:

“**THAT** the Articles of Association of the Company be and are hereby amended in the following respects:

- (a) by adding the following definitions in Article 2:

“associate”, in relation to any Director, has the meaning ascribed to it under the Listing Rules;

“Hong Kong Stock Exchange” means The Stock Exchange of Hong Kong Limited;

“Listing Rules” shall mean The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time;

- (b) by deleting the existing definition of “writing” or “printing” in Article 2 and substituting therefor the following definition:

“writing” or “printing” shall include printing, lithograph, xerography, photography or other modes of representing or reproducing words in a permanent visible form or, to the extent permitted by and in accordance with the Companies Ordinance and other applicable laws, rules and regulations, any visible substitute for writing (including a communication sent by electronic transmission in any form through any medium), or modes of representing or reproducing words partly in one visible form and partly in another visible form.

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(c) by deleting the words “Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong)” in Article 92(B) and replacing them with the words “Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)”.

(d) by adding the following Article 92(C) immediately after Article 92(B)

“92(C) Where any member, under the Listing Rules, is required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.”

(e) by adding the following sentence at the end of Article 96(A):

“A Director who has appointed a person (including another Director) to be his alternate Director shall not be vicariously liable for any tort committed by the alternate Director.”

(f) by deleting the existing Article 103(A)(ii) and substituting therefor the following:—

“103(A)(ii) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employment with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately, and in such case each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment, or unless either he or any of his associates has any material interest in such resolution. For the avoidance of doubt, where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of only one Director to office or employment with the Company or any company in which the Company is interested, such Director shall not be entitled to vote and be counted in the quorum in respect of such resolution(s).”

(g) by adding the words “or any of his associates” immediately after the words “any Director” in the 6th and 8th line and immediately after the word “he” in the 14th and last line of Article 103(B)(i).

(h) by adding the words “or the interest of any of his associates” immediately after the words “his interest” in the 14th and 17th line of Article 103(B)(i).

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- (i) by deleting the words “he is to his knowledge” in the 3rd and 4th line of Article 103(B)(ii) and replacing with the words “to his knowledge he or any of his associates is”.
- (j) by adding the words “or any of his associates” immediately after the words “the Director” in the 2nd line and immediately after the word “him” in the 4th and 5th line of Article 103(B)(ii)(a).
- (k) by deleting the word “himself” in the 6th line of Article 103(B)(ii)(b) and replacing it with “or any of his associates”.
- (l) by adding the words “or any of his associates” immediately after the words “the Director” in the 5th line of Article 103(B)(ii)(c).
- (m) by adding the words “or any of his associates” immediately after the word “he” in the 2nd line and the words “, whether directly or indirectly,” immediately after the word “only” in the 3rd line of Article 103(B)(ii)(d).
- (n) by adding the words “or any of his associates” immediately after the word “Director” in the 3rd line of Article 103(B)(ii)(e) and deleting the proviso appearing in the 6th to 14th line of Article 103(B)(ii)(e) and substituting therefor the words “provided that he and any of his associates together are not beneficially interested in 5% or more of the issued shares of any class of such company or of the voting rights thereof or of any third company through which such interest is derived”.
- (o) by adding the words “or any of his associates” immediately after the word “Director” in the 5th line of Article 103(B)(ii)(f) and by replacing “.” at the end of Article 103(B)(ii)(f) by “; and/or”.
- (p) by adding the following Article 103(B)(ii)(g) immediately after Article 103(B)(ii)(f):
 - “(g) any contract for the purchase or maintenance for any Director or Directors of insurance against liability.”
- (q) by adding the words “or of any of his associates” immediately after the words “meeting”) in the 3rd line and immediately before the word “concerned” in the 11th line of Article 103(B)(iii).

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- (r) by deleting the words “at least seven days before the date of the general meeting” in the 7th and 8th line of Article 108 and substituting therefor the words “during a period of not less than seven days commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date appointed for the meeting”.
- (s) by deleting the word “special” in the 1st line of Article 110 and replacing it with the word “ordinary”.
- (t) by deleting the existing Article 166(A) and (B) and substituting therefor the following:
 - “166. (A) The Directors shall, from time to time, in accordance with the Companies Ordinance, cause to be prepared and to be laid before the general meeting the relevant financial documents required by the Companies Ordinance. The Directors may also cause to be prepared a summary financial report if they think fit, which may be provided to members any/or debenture holders instead of the relevant financial documents in circumstances permitted by Hong Kong Stock Exchange.
 - (B) Subject to paragraph (C) below, a copy of the relevant financial documents or the summary financial report shall, not less than 21 days before the meeting, be delivered or sent by post to the registered address of every member and debenture holder of the Company, or in the case of a joint holding to the member or debenture holder (as the case may be) whose name stands first in the appropriate register in respect of the joint holding. No accidental non-compliance with the provisions of this Article shall invalidate the proceedings at the meeting.
 - (C) Where a member or debenture holder of the Company has, in accordance with the Companies Ordinance and any rules prescribed by Hong Kong Stock Exchange from time to time, consented to treat the publication of the relevant financial documents and/or the summary financial report on the Company’s computer network as discharging the Company’s obligation under the Companies Ordinance to send a copy of the relevant financial documents and/or the summary financial report, then subject to compliance with the publication and notification requirement of the Companies Ordinance and any rules prescribed by Hong Kong Stock Exchange from time to time, publication by the Company on the Company’s computer network of the relevant financial documents and/or the summary financial report at least 21 days before the date of the meeting shall, in relation to each such member or debenture holder of the Company, be deemed to discharge the Company’s obligations under paragraph (B) above.

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- (D) For the purpose of this Article, “relevant financial documents” and “summary financial report” shall have the meaning ascribed to them in the Companies Ordinance.”
- (u) by deleting the existing Article 170(A) and substituting therefor the following:—
- “170. (A) Any notice or document to be given or issued under these Articles shall be in writing, except that any such notice or document to be given or issued by or on behalf of the Company under these Articles (including any “corporate communication” within the meaning ascribed thereto in the Listing Rules) shall be in writing which may or may not be in a transitory form and may be recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form (including an electronic communication and publication on a computer network) whether having physical substance or not may be served or delivered by the Company by any of the following means subject to and to such extent permitted by and in accordance with the Companies Ordinance, the Listing Rules and any applicable laws, rules and regulations:
- (i) personally;
 - (ii) by sending it through the post in a properly prepaid letter, envelope or wrapper addressed to a member at his registered address as appearing in the register or in the case of another entitled person (as defined in the Companies Ordinance), to such address as he may provide;
 - (iii) by delivering or leaving it at such address as aforesaid;
 - (iv) by advertisement in an English language newspaper and a Chinese language newspaper in Hong Kong in accordance with the Listing Rules;
 - (v) by transmitting it as an electronic communication to the entitled person at such electronic address as he may have provided; or
 - (vi) by publishing it on a computer network.”

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- (v) by deleting the existing Article 171 and substituting therefor the following:

“171. Every member of and holder of debentures of the Company or a person who is entitled to receive notice from the Company under the provisions of the Companies Ordinance or these Articles shall register with the Company an address either in Hong Kong or elsewhere and/or an electronic address to which notices can be served upon him and if any such person shall fail to do so, notice may be served on such person by sending the same in any of the manners mentioned to his last known registered address or electronic address, or if there is none, a notice displayed in the registered office of the Company shall be deemed to be well served on him at the time when it is first so displayed.”

- (w) by deleting the existing Article 172 and substituting therefor the following:

“172. Any notice or document (including any “corporate communication” within the meaning ascribed thereto in the Listing Rules) given or issued by or on behalf of the Company:

- (i) if sent by post, shall be deemed to have been served on the day following that on which the envelope or wrapper containing the same is put into a post office situated within Hong Kong and in proving such service it shall be sufficient to prove that the envelope or wrapper containing the notice or document was properly prepaid, addressed and put into such post office (airmail if posted from Hong Kong to an address outside Hong Kong) and a certificate in writing signed by the Secretary or other person appointed by the Board that the envelope or wrapper containing the notice or document was so properly prepaid, addressed and put into such post office shall be conclusive evidence thereof;
- (ii) if not sent by post but delivered or left at a registered address by the Company, shall be deemed to have been served on the day it was so delivered or left;
- (iii) if published by way of a newspaper advertisement, shall be deemed to have been served on the date on which it is advertised in one English language newspaper and one Chinese language newspaper in Hong Kong;
- (iv) if sent as an electronic communication, shall be deemed to have been served at the time when the notice or document is transmitted electronically provided that no notification that the electronic communication has not reached its recipient has been received by the sender, except that any failure in transmission beyond the sender’s control shall not invalidate the effectiveness of the notice or document being served; and

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- (v) if published on the Company's computer network, shall be deemed to have been served on the day on which the notice or document is published on the Company's computer network to which the entitled person may have access.
- (x) by deleting the words "through the post in a prepaid letter, envelope or wrapper" in the 4th line of Article 173 and substituting therefor the words "in such manner as provided in Article 170(A)".
- (y) by adding the words "electronic address or" immediately after the words "at the" in the 7th line of Article 173.
- (z) by adding the words "(including electronic address)" immediately after the word "address" in the 4th line of Article 174.
- (aa) by deleting the words "by post to, or left at the registered address of any member" in the 1st and 2nd line of Article 175 and substituting therefor the words "in such manner as provided in Article 170(A)".
- (bb) by adding the words "or made electronically" immediately after the word "printed" in the 2nd line of Article 176.
- (cc) by deleting the word "paragraph (c) of the proviso to Section 165" in the 4th and 5th line of Article 181(A) and substituting therefor the words "Section 165(2)".
- (dd) by adding the words "or related company (within the meaning ascribed thereto in Section 165(5) of the Companies Ordinance)" after the word "Company" in the 10th line of Article 181(A).
- (ee) by adding the following as a new Article 181(C):
 - "181(C) The Company may purchase and maintain for any Director, Secretary, officer and auditor of the Company:
 - (i) insurance against any liability to the Company, a related company or any other party in respect of any negligence, default, breach of duty or breach of trust (save for fraud) of which he may be guilty in relation to the Company or a related company; and

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- (ii) insurance against any liability incurred by him in defending any proceedings, whether civil or criminal, taken against him for any negligence, default, breach of duty or breach of trust (including fraud) of which he may be guilty in relation to the Company or a related company.

For the purpose of this Article 181(C), "related company" means any company that is the Company's subsidiary or holding company or a subsidiary of that holding company."

By order of the Board

Yip Sin Ho

Company Secretary

Hong Kong, 28 April 2004

Notes:

1. The register of members of the Company will be closed from Monday, 17 May 2004 to Friday, 21 May 2004, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars, Tengis Limited, at G/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 14 May 2004.
2. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and on a poll, vote on his behalf and such proxy need not be a member of the Company.
3. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notorially certified copy of the power of attorney or authority, must be deposited at the registered office of the Company not later than 48 hours before the time appointed for holding the meeting (or the adjourned meeting as the case may be).
4. Concerning Ordinary Resolutions 5 to 7, the directors wish to state that they have no immediate plans to issue any new shares of the Company or repurchase any existing shares of the Company.
5. An explanatory statement as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in connection with the proposed repurchase mandate under Ordinary Resolution 6 above will be despatched to members together with 2003 Annual Report of the Company.
6. The Articles of Association of the Company are written in English. There is no official Chinese translation in respect thereof. Therefore, the Chinese version of Resolution 8 above on amendments of the Articles of Association is purely a translation only. Should there be any discrepancies, the English version shall prevail.