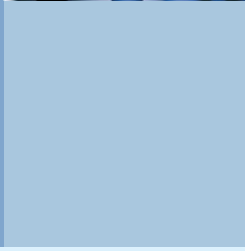
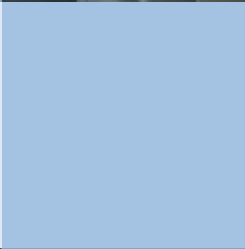
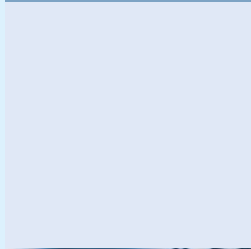
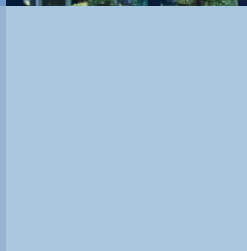
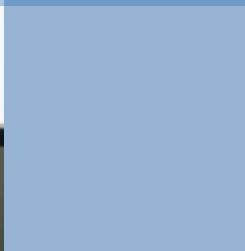




Shenyin Wanguo (H.K.) Limited

申銀萬國(香港)有限公司

(Stock Code: 218)



## RESULTS

The Directors of Shenyin Wanguo (H.K.) Limited (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006 together with comparative figures for the corresponding period of last year.

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
REVENUE	3	159,809	100,196
Other gains		478	75
Cost of trading securities sold		(49,214)	(63,062)
Employee benefits expenses		(31,331)	(20,138)
Depreciation and amortisation expenses		(1,972)	(1,179)
Interest expenses for financial services operations		(152)	(10)
Fair value losses on listed equity investments at fair value through profit or loss		(2,820)	(3,247)
Fair value losses on an unlisted financial instrument at fair value through profit or loss		(9,808)	–
Write-back of impairment for accounts receivable and loans and advances		–	3,200
Other expenses, net		(21,055)	(15,798)
Share of profits of associates		8,694	5,840
PROFIT BEFORE TAX	4	52,629	5,877
Tax	5	(2,400)	(653)
PROFIT FOR THE PERIOD AND ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		50,229	5,224
INTERIM DIVIDEND	6	10,615	–
EARNINGS PER SHARE	7		
Basic		9.46 cents	0.98 cents
Diluted		N/A	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		10,955	9,855
Prepaid land lease payments		1,502	1,522
Stock and Futures Exchange trading rights		4,212	4,212
Other assets		8,177	6,511
Interests in associates		104,207	102,936
Goodwill		57,632	57,632
Financial instruments	8	205,471	207,412
Total non-current assets		<u>392,156</u>	<u>390,080</u>
<b>CURRENT ASSETS</b>			
Equity investments at fair value through profit or loss		11,921	39,887
Accounts receivable	9	183,066	118,935
Loans and advances		241,070	133,847
Tax recoverable		319	1,123
Deposits, prepayments and other receivables		8,126	7,051
Bank balances held on behalf of customers		636,319	503,254
Cash and cash equivalents		93,411	114,015
Total current assets		<u>1,174,232</u>	<u>918,112</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	10	777,270	600,780
Tax payable		1,628	91
Other payables and accruals		33,084	17,502
Total current liabilities		<u>811,982</u>	<u>618,373</u>
<b>NET CURRENT ASSETS</b>		<u>362,250</u>	<u>299,739</u>
<b>Net assets</b>		<u>754,406</u>	<u>689,819</u>
<b>EQUITY</b>			
Issued capital		265,380	265,380
Reserves		478,411	419,131
Proposed/declared dividend		10,615	5,308
Total equity		<u>754,406</u>	<u>689,819</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Available- for-sale investment revaluation reserve HK\$'000	General reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Proposed/ declared dividend HK\$'000	Total Equity HK\$'000
At 1 January 2006 (audited)	265,380	314,740	15	21,342	138	3,097	79,799	5,308	689,819
Realisation of changes in fair value of available-for-sale investments on disposal	-	-	-	(1,657)	-	-	-	-	(1,657)
Changes in fair value of available-for-sale investments	-	-	-	21,323	-	-	-	-	21,323
Total income and expenses recognized directly in equity	-	-	-	19,666	-	-	-	-	19,666
Net profit for the period (unaudited)	-	-	-	-	-	-	50,229	-	50,229
Total income and expenses for the period	-	-	-	19,666	-	-	50,229	-	69,895
Final 2005 dividend declared	-	-	-	-	-	-	-	(5,308)	(5,308)
Interim 2006 dividend declared	-	-	-	-	-	-	(10,615)	10,615	-
<b>At 30 June 2006 (unaudited)</b>	<b>265,380</b>	<b>314,740</b>	<b>15</b>	<b>41,008</b>	<b>138</b>	<b>3,097</b>	<b>119,413</b>	<b>10,615</b>	<b>754,406</b>
At 1 January 2005 (audited)*	265,380	314,740	15	9,961	138	-	58,243	5,308	653,785
Changes in fair value of available-for-sale investments	-	-	-	60,765	-	-	-	-	60,765
Total income and expenses recognized directly in equity	-	-	-	60,765	-	-	-	-	60,765
Net profit for the period (unaudited)	-	-	-	-	-	-	5,224	-	5,224
Total income and expenses for the period	-	-	-	60,765	-	-	5,224	-	65,989
Final 2004 dividend declared	-	-	-	-	-	-	-	(5,308)	(5,308)
<b>At 30 June 2005 (unaudited)</b>	<b>265,380</b>	<b>314,740</b>	<b>15</b>	<b>70,726</b>	<b>138</b>	<b>-</b>	<b>63,467</b>	<b>-</b>	<b>714,466</b>

\* These figures were restated in the consolidated financial statements for the year ended 31 December 2005.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(48,482)	(4,231)
Net cash inflow/(outflow) from investing activities	33,186	(300)
Net cash outflow from financing activities	(5,308)	(5,308)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(20,604)</b>	<b>(9,839)</b>
Cash and cash equivalents at beginning of period	114,015	102,459
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>93,411</b>	<b>92,620</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	26,365	26,264
Time deposits with original maturity of less than three months when acquired	67,046	66,356
	<b>93,411</b>	<b>92,620</b>

# NOTES TO CONDENSED FINANCIAL STATEMENTS

## 1. Principal Accounting Policies

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and are in compliance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation adopted in the preparation of these unaudited condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2005, except that in the current period, the Group has adopted the following revised Hong Kong Financial Reporting Standards ("HKFRSs"), which became effective for the financial year beginning on or after 1 January 2006:

HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts

The adoption of these HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group's interim financial statements.

## 2. Segment Information

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

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

The Group's intersegment sales and transfers are transacted with reference to terms and conditions used for similar transactions with third parties at the then prevailing market prices.

## 2. Segment Information (Continue)

The Group's unaudited revenue and results by business segments for the period ended 30 June are as follows.

	Securities trading and investment holding		Securities broking and dealing		Securities financing and direct loans		Investment advisory services		Eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:												
External customers	80,425	65,747	38,604	19,910	21,185	11,479	19,595	3,060	-	-	159,809	100,196
Intersegment	-	-	-	-	145	285	1,332	1,330	(1,477)	(1,615)	-	-
Total	<u>80,425</u>	<u>65,747</u>	<u>38,604</u>	<u>19,910</u>	<u>21,330</u>	<u>11,764</u>	<u>20,927</u>	<u>4,390</u>	<u>(1,477)</u>	<u>(1,615)</u>	<u>159,809</u>	<u>100,196</u>
Segment results	<u>11,049</u>	<u>(5,296)</u>	<u>3,474</u>	<u>(6,895)</u>	<u>16,390</u>	<u>11,944</u>	<u>13,008</u>	<u>920</u>	<u>-</u>	<u>-</u>	<u>43,921</u>	<u>673</u>
Unallocated expenses											14	(636)
Share of profits of associates											<u>8,694</u>	<u>5,840</u>
Profit before tax											<u>52,629</u>	<u>5,877</u>
Tax											<u>(2,400)</u>	<u>(663)</u>
Profit for the period											<u>50,229</u>	<u>5,224</u>

### 3. Revenue

Revenue, which is also the Group's turnover, represents the aggregate of sales proceeds from securities and futures contracts trading, gross interest income, commission and brokerage income less rebates, income from rendering of services and dividend income. An analysis of revenue is as follows:

	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Financial services:		
Sales proceeds from securities and futures contracts trading	<b>79,692</b>	65,338
Interest income from securities financing and direct loans	<b>16,437</b>	8,204
Commission and brokerage income	<b>38,583</b>	19,877
Income from rendering of services	<b>19,595</b>	3,060
	<b>154,307</b>	96,479
Others:		
Bank interest income	<b>4,748</b>	3,275
Dividend income from listed equity investments	<b>695</b>	394
Others	<b>59</b>	48
	<b>5,502</b>	3,717
	<b>159,809</b>	100,196

#### 4. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net realised gains on trading of listed equity investments and futures contracts	(6,035)	(2,276)
Net realised gains on disposal of available-for-sale investments	(24,443)	–

#### 5. Tax

Provision for Hong Kong profits tax has been made at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	2,400	159
Underprovision in prior period	–	494

#### 6. Dividend

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend – HK2.0 cents (2005: Nil) per ordinary share	10,615	–

## 7. Earnings Per Share

### (a) Basic earnings per share

The calculation of basic earnings per share amount is based on the unaudited profit for the period of HK\$50,229,296 (2005: HK\$5,223,703) and 530,759,126 (2005: 530,759,126) ordinary shares in issue during the period.

### (b) Diluted earnings per share

No diluted earnings per share has been presented for the current and prior periods because there was no dilutive potential ordinary share in existence during these periods.

## 8. Financial Instruments

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Available-for-sale investments:		
Listed equity investments in		
Hong Kong at fair value	26,653	18,786
Unlisted equity investment in		
Hong Kong at fair value	236,777	236,777
Unlisted club debentures at fair value	2,470	2,470
	<u>265,900</u>	<u>258,033</u>
Embedded derivative liability on the unlisted equity investment at fair value	(60,429)	(50,621)
	<u>205,471</u>	<u>207,412</u>

## 9. Accounts Receivable

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Accounts receivable	206,873	142,742
Less: Impairment	(23,807)	(23,807)
	<u>183,066</u>	<u>118,935</u>

## 9. Accounts Receivable (Continue)

An aged analysis of accounts receivable is as follows:

Current to 30 days	172,439	112,909
31 to 60 days	8,574	2,173
61 to 90 days	944	2,896
Over 90 days	24,916	24,764
	<u>206,873</u>	<u>142,742</u>

Save for credit period allowed by the Group, the accounts receivable shall be due on the settlement day of the respective securities and commodities transactions.

Included in the accounts receivable balance at the balance sheet date is a broker receivable amount due from a substantial beneficial shareholder of the Company, Shenyin & Wanguo Securities Co., Ltd. ("SWSC"), of HK\$8,063,278 (31 December 2005: HK\$1,295,299) which arose from securities dealing transactions. This balance is unsecured, interest-free and repayable on the settlement day of the relevant trades.

## 10. Accounts Payable

An aged analysis of accounts payable is as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Current to 30 days	<u>777,270</u>	<u>600,780</u>

Included in the accounts payable balance at the balance sheet date is a broker payable amount due to a substantial beneficial shareholder of the Company, SWSC, of HK\$127,432 (31 December 2005: HK\$9,104,695) which arose from securities dealing transactions. This balance is unsecured, interest-free and payable on the settlement day of the relevant trades.

Included in the accounts payable balance at the balance sheet date is segregated client money held on behalf of another substantial beneficial shareholder, Shenyin Wanguo (H.K.) Holdings Limited ("SWHKH"), of HK\$19,959,236 (31 December 2005: HK\$22,242,658) which also arose from securities dealing transactions. This balance is unsecured, bears interest at bank deposit savings rate per annum and is payable on request.

## 11. Commitments

### (a) Capital commitments

30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
--	--

Contracted but not provided for:

Purchases of furniture,  
fixtures and equipment

1,112

1,137

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

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

30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
--	--

Within one year

9,026

8,964

In the second to fifth years, inclusive

7,297

10,244

16,323

19,208

## 12. Related Party Transactions

In addition to the transactions and balances detailed elsewhere in these condensed financial statements, the Group had the following material transactions with related parties during the six-month period.

### (a) Substantial beneficial shareholder

- (i) The Group paid brokerage commissions totaling HK\$1,356,000 (period ended 30 June 2005: brokerage commissions totaling HK\$893,000 and a service fee of HK\$213,000) to SWSC which were based on mutually agreed terms with reference to the prices and conditions similar to those offered to other customers of SWSC.
- (ii) The Group received brokerage commission income totaling HK\$42,000 (period ended 30 June 2005: HK\$25,000) from SWHKH which was based on the published prices and conditions offered to the major customers of the Group.

## 12. Related Party Transactions (Continue)

### (b) Subsidiary of a substantial beneficial shareholder

The Group paid HK\$100,000 and accrued HK\$500,000 (period ended 30 June 2005: NIL and HK\$450,000 respectively) for a research fee to a subsidiary of SWSC which was based on mutually agreed terms with reference to the prices and conditions similar to those offered to other customers of that subsidiary of SWSC. The accrued amount is included in "other payables and accruals" on the condensed consolidated balance sheet.

### (c) Key management personnel compensation

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	9,159	6,817
Post-employment benefits	578	528
	<u>9,737</u>	<u>7,345</u>

## 13. Review of Accounts

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2006.

## INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK2.0 cents (2005: Nil) per ordinary share for the six months ended 30th June 2006, to shareholders whose names appear on the register of members of the Company on 29 September 2006. The dividend will be payable on or about 9 October 2006.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 September 2006, Tuesday to 29 September 2006, Friday both days inclusive, during which period no transfers of shares of the Company will be registered. In order to qualify for interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars, Tengis Limited, at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong for registration by no later than 4:00 p.m. on 25 September 2006, Monday.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

In the first half of the year, the Group achieved an unaudited profit attributable to shareholders of HK\$50.23 million (2005 : HK\$5.22 million), representing an increase of 862% over 2005 while the turnover of the Group raised approximately by HK\$59 million to HK\$159 million on a year-on-year comparison (2005: HK\$100 million).

The Group continued to focus on its stockbroking businesses principally on the stocks listed on the Stock Exchange of Hong Kong Limited as well as B shares listed on the Shanghai and Shenzhen Stock Exchanges. The stockbroking business contributed HK\$38 million to the Group's revenue while the number of clients increased by 17% for the six months ended 30 June 2006.

In the first half of 2006, Bank of China Limited served as the core focus of capital raising activities and the market sentiment for subscribing new shares remained strong. Shenyin Wanguo Capital (H.K.) Limited, a wholly-owned subsidiary of the Company, respectively participated in the initial public offering ("IPO") of large H shares of Bank of China Limited, Dalian Port (PDA) Company Limited and Shanghai Prime Machinery Company Limited as well as in the issue of new shares of Champion Real Estate Investment Trust and Golden Eagle Retail Group Limited etc. Besides, Shenyin Wanguo Capital (H.K.) Limited acted as a financial adviser to several listed companies including Shanghai Donghua Petrochemical Co, Ltd., Shanghai Zendai Property Limited and Wai Yuen Tong Medicine Holdings Limited.

First quarter of 2006 saw very strong performance out of offshore listed (non A & B shares) Chinese equities driven by excess global liquidity pouring into emerging markets, including high energy and commodity prices, given that large proportion of offshore listed Chinese equities are commodity based enterprises. Performance of domestic listed A shares, caught up in the second quarter as positive results of the non trade-able share reform (management incentivised to maximize shareholders' value, merger & acquisition made possible) have started to emerge. All funds and segregated portfolios under management have recorded good performance as a result.

Against such backdrop, business development focus in second half 2006 will be to further penetrate and capture new institutional clients in existing markets as well as to develop new markets where expertise in investment in China are in good demand.



## Market Review

The Hong Kong economy maintained a stable momentum of development in the first half of 2006, which was evidenced by a 5.2% growth in Gross Domestic Product (“GDP”), a 5.0% growth in local consumption and a 4.3% growth in fixed capital formation in the second quarter as compared to the corresponding period of last year. In the first half of 2006, Hong Kong’s overall exports and imports of goods increased by 10.2% and 10.1%, respectively. According to the published statistics, the unemployment rate between April and June 2006 stayed at 5.0%, a further drop of 1% as compared with 6% of last year.

As benefited from the continuous upturn of the overall economy, the Hong Kong securities market traded actively. The Stock Exchange recorded an average daily turnover of HK\$32.2 billion between January and June this year, a rise of 77% from that of last year. The IPO of Bank of China Limited raised HK\$87.6 billion and its successful listing on the Stock Exchange on 1 June 2006 set a historic record for the largest IPO financing activity of the Stock Exchange. Between January and June this year, funds raised in the Hong Kong securities market amounted to HK\$112 billion, driving up the market values of Hong Kong-listed securities to over HK\$10 trillion.

In the first half of this year, the Group, by adjusting its business strategies and leveraging on its deep understanding of the PRC Mainland market, spared no effort in developing the market of institutional customers and local retail clients, and the progress was proved to be satisfactory. The Group further enhanced its cooperation with the parent company in the scope of research and dedicated to improve its services with a focus on the provision of professional consultancy services for customers investing in red-chip China enterprises stock. We also strived to propose PRC Mainland enterprises for listing in Hong Kong and providing various consultancy services for listed state-owned enterprises and such businesses have achieved substantial progress.

B-share activity picked up during the first six months of the year. However, a moratorium on new issues remained in place. The B-share indices on the Shanghai and Shenzhen Stock Exchanges reached highs (and lows) of 101.4 (62.9) and 324.1 (199.2), respectively, during the period. The average daily turnover of the B-shares increased to RMB220.6 million from RMB80.2 million for the Shanghai Stock Exchange and increased to RMB299.5 million from RMB203.3 million for the Shenzhen Stock Exchange, respectively, over the same period as of last year.

## Looking Ahead

The GDP growth rate of the PRC Mainland in the first half of this year reached 10.3%, which provided staunch support for the expansion of the Hong Kong economy. It is anticipated that the continuous development of the PRC Mainland economy, and with support of the government policies, will add impetus to the future growth of the Hong Kong economy. According to the business prospect survey conducted by the Census and Statistics Department of Hong Kong, 38% of the respondents expected the business situation to be better in the third quarter over the second quarter this year, as compared to a mere 6% expecting it to be worse. All respondents expected an increase in turnover or output in the third quarter over the second quarter.

The implementation of QDII policy of the PRC Mainland and the anticipation for RMB appreciation will give a boost to Hong Kong market which is expected to be revealed in the second half of the year. The forth-coming financing activities of large state-owned enterprises, such as Industrial and Commercial Bank of China, will also push up the market values of the Hong Kong securities market. It is expected that the Hong Kong securities market will remain active in the second half of the year.

However, it should be noted that macro-economic measures of the Central Government, interest rate policies of the US Federal Reserve, fluctuations in commodity prices, sustained high oil prices and regional conflicts may have an unfavourable impact on the Hong Kong securities market in the second half of the year.

In this environment, we will take a conservative approach in our proprietary trading, provision of margin financing to clients and business expansion while prudent cost controls will remain in place. At the same time, the Group will continue to proactively tap business opportunities to provide financial advisory and capital raising services to PRC Mainland enterprises, strengthen our traditional stockbroking business and maintain high liquidity to respond to opportunities which may arise at any time. Further, we will continue to work closely with our parent company, SWSC, in co-marketing efforts on various aspects, in order to strengthen the existing institutional brokerage business of the Group and the parent company as well as establish new institutional brokerage business. The Group will continue to recruit sales professionals to maintain our market share and increase operating revenue amidst the on-going keen competition in the industry.

## Capital Structure

During the period, there was no change to the share capital of the Company. As at 30 June 2006, the total number of the issued ordinary shares was 530,759,126 shares and total equity attributable to shareholders was HK\$754 million.



## Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2006, the Group had a cash holding of HK\$93.4 million and short-term marketable securities of HK\$11.9 million. As at 30 June 2006, the Group's total unutilised banking facilities amounted to HK\$515 million, of which HK\$100 million could be drawn down without the need of notice nor completion of condition precedent.

As at 30 June 2006, the Group had no outstanding borrowings and the liquidity ratio (current assets to current liabilities) was 1.45.

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

## Significant Investment Held, Material Acquisition and Disposal

During the period, the Group continued to derive a stable earnings stream from its 26.19% interest in The New China Hong Kong Highway Limited ("NCHK"), which in turn held a 60% interest in Sichuan Chengmian Expressway Co., Ltd. ("SCECL"). In accordance with the terms of the joint venture agreement, from 22 December 2003 to 21 December 2008, NCHK is entitled to 60% of the net profit generated by SCECL which are derived from the financial statements of SCECL. The interests in associates had a carrying value of HK\$104.2 million as at 30 June 2006.

At the balance sheet date, the Group held 2,651,472,241 convertible non-voting redeemable preference shares of Century City International Holdings Limited ("CCIH") ("the Preference Shares"). The Preference Shares may be converted into fully paid CCIH ordinary shares on the basis of one CCIH ordinary share for one Preference Share. The Preference Shares can be converted into fully paid CCIH ordinary shares, in stages starting from 15 December 2006, up to 15 December 2009. CCIH has the right to redeem all or part of the Preference Shares at the rate of HK\$0.15 for every Preference Share. The Preference Shares are stated at the fair value of HK\$176.3 million as at 30 June 2006.

During the period, the Group did not have any material acquisition and disposal.

## Charges on the Group's Asset

The Group's interest in associates has been pledged to a bank as security for a stand-by short-term loan facility. As at 30 June 2006, the Group did not utilise this stand-by loan facility.



## Risk Management

The Group has properly put in place credit management policies which cover the examination of 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 minimise any risk that the Group may encounter. As at 30 June 2006, the advances to customers included direct loans of HK\$0.03 million (31 December 2005: HK\$0.03 million) and margin financing of HK\$254.21 million (31 December 2005: HK\$146.99 million). All direct loans were advanced to individual borrowers. In respect of margin financing, 10% (31 December 2005: 13%) 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 revenue. A material portion of such overseas transactions is denominated in United States dollars. The pegged exchange rate between USD and HKD kept the Group's exchange risk exposure to a minimum and thus, no hedging was required. Exchange gains and/or losses are dealt with in the income statement. The Group closely monitors its foreign currency positions and takes necessary measures if the situations so justify.

## Contingent Liabilities

There were no material contingent liabilities as at 30 June 2006.

## Future Plans for Material Investments or Capital Assets

Except the future plans as disclosed in the paragraph of "Looking Ahead", the Group had no other future plans for material investments or capital assets as at 30 June 2006.

## Employees and Training

As at 30 June 2006, the total number of full-time employees was 122. The total staff costs for the period (excluding directors' fees) amounted to approximately HK\$30.96 million.

The Group is committed to professional training for its employees. In compliance with the relevant requirement of the Securities & Futures Commission, the Group will organise a Continuous Professional Training seminar in September 2006 for all licensed staff members.

## ADDITIONAL INFORMATION

### Directors' Interests in Shares

At 30 June 2006, the interests of the Director in the share capital 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

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

<b>Name of the Director</b>	<b>Number of ordinary shares Directly beneficially owned</b>	<b>Percentage of the Company's issued share capital</b>
Lee Man Chun Tony	1,300,000	0.24

Save as disclosed above, as at 30 June 2006, none of the Directors of the Company had 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.

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

At 30 June 2006, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

## Long Positions in Ordinary Shares of the Company

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's shares in issue
Shenyin Wanguo Holdings (B.V.I.) Limited ("SWHBVI")	Directly beneficially owned	268,334,875*	50.56
Venture-Some Investments Limited ("VSI")	Through controlled corporation	268,334,875*	50.56
SWHKH	Through controlled corporation	268,334,875*	50.56
SWSC	Through controlled corporation	268,334,875*	50.56
	Directly beneficially owned	2,045,000*	0.38

\* 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 directly 2,045,000 shares in the Company.


Save as disclosed above, as at 30 June 2006, no person, other than one director of the Company, whose interest is set out in the section "Directors' interests in shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Group continued to achieve high standard of corporate governance which it believes is crucial to the development of the Group and to safeguard the interests of the Company's shareholders.

The Company has complied with all the code provisions stipulated in the Code on Corporate Governance Practices contained in Appendix 14 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period for the six months ended 30 June 2006, except for the following deviations:-

Code Provision A4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.



Code Provision A4.2 stipulates that all directors appointed to fill a casual vacancy should retire and be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

At the Annual General Meeting of the Company held on 19th May 2006, a special resolution was passed to amend the relevant Articles of Association of the Company so that every director appointed by the Board during the year shall retire at the next general meeting. Also, every director shall be subject to retirement at least once every three years.

Code Provisions A4.1 and A4.2 have been fully complied with since 19th May, 2006.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Based on replies from the Company's directors on specific enquiry, all the directors have complied with required standard set out in the Model Code throughout the accounting period covered by the interim report.

## **AUDIT COMMITTEE**

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

## **PURCHASE, REDEMPTION AND SALE OF LISTED SHARES**

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

By Order of the Board  
**Feng Guorong**  
*Chairman*

Hong Kong, 8 September 2006