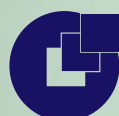




Annual Report 2004 年報



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

	Pages
Corporate Information	2
Chairman's Statement	3-4
Management Discussion & Analysis of Performance	5-8
Report of the Directors	9-19
Report of the Auditors	20
Consolidated Profit and Loss Account	21
Consolidated Balance Sheet	22-23
Consolidated Statement of Changes in Equity	24
Consolidated Cash Flow Statement	25-26
Balance Sheet	27
Notes to the Financial Statements	28-63
Notice of Annual General Meeting	64-66

DIRECTORS

Executive Directors

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

Non-executive Directors

Chang Pen Tsao
Qu Zihai

Independent Non-executive Directors

Ng Wing Hang Patrick
Kwok Lam Kwong Larry
Zhuo Fumin

AUDIT COMMITTEE

Ng Wing Hang Patrick (*Chairman*)
Kwok Lam Kwong Larry
Zhuo Fumin

COMPANY SECRETARY

Wong Che Keung, Leslie

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 (Hong Kong) Limited
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

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 2004.

RESULTS

For the year ended 31 December 2004, the Group recorded a net profit attributable to shareholders of approximately HK\$9 million, representing a decrease of 68% over 2003. The turnover rose 81% to approximately HK\$1,067 million (2003: HK\$590 million). The basic earnings per share dropped by 68% to HK\$1.71 cents as compared to HK5.26 cents (restated) for the year 2003.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK1 cent per ordinary share in respect of 2004, to shareholders whose names appear on the register of members of the Company on 27 May 2005. The proposed dividend will be paid on or about 3 June 2005 subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

REVIEW OF MARKET IN 2004

The Hong Kong economy and market sentiment made a gradual recovery in 2004 because of close economic ties with the Mainland with economic growth supported by strong inbound tourism, rebounding domestic consumer spending and flourishing external trade. Surging oil prices and rising US interest rates did not interrupt the recovery, Hong Kong has benefited from low interest rates, rising employment, firmer property prices, a sharp increase in retail sales resulting from the Mainland Individual Travelers Scheme, and an influx of liquidity. Also, 2004 witnessed strong performance in the world economy, in which both the United States and Mainland China played key pivotal roles. Mainland China's economy has shown impressive resilience in the face of increased commodity prices, such as crude oil, aluminum and steel, and has responded well to the Central Government's macro-economic policies to control fixed assets investments.

Comparing with the last two years, Hong Kong economy has been growing not only at an energetic pace but also in a more broad-based manner, with local spending and capital investment picking up shoulder-to-shoulder in 2004. Private consumption expenditure went up by 7.3%, reversing the protracted slide seen in year 2002 and 2003. Moreover, overall investment spending rose by 5.5%, 12.7% and 4.9% in the first three quarters respectively, reflecting the firming of business confidence. In tandem with the across-the-border economic recovery, both the property market and stock market have gathered steam, and the labour market conditions are steadily turning to the better with unemployment rate dropping to 6.7% from 7.3% at the beginning of this year. During 2004, Hong Kong experienced a recovery in both economic conditions and market sentiment with GDP growth of around 8% for the year, compared with 3.2% for 2003, and Hong Kong's total export value had also increased by about 16% to HK\$2,019 billion.

Benefiting from the positive market sentiment as a result of the economic recovery, the Hong Kong stock market started the year 2004 on a positive note. The market retreated in the second quarter, mainly driven by the adoption of the Central Government's macro-economic policies to control fixed assets investments, the fear of rising US interest rates, growing unrest in the Middle East as well as another global oil crisis. The turnover value of the Hong Kong stock market for the whole year was HK\$3,948.4 billion, representing an increase of 55% over the previous year. By year end, the benchmark Hang Seng Index reached 14,230 points, representing a 13% increase over the previous year. The Hang Seng China-affiliated Corporations Index (the red-chip index) rose 9% during the year while the Hang Seng China Enterprises Index (the H-share index) dropped 6% for the same period. Whilst, the turnover value of the Hang Seng China Enterprises (H shares) for the whole year was approximately HK\$933.8 billion, representing an increase of 86% over the previous year.

REVIEW OF MARKET IN 2004 *(Cont'd)*

In 2004, China's B share markets saw mixed performances, compared to 2003. Shanghai's and Shenzhen's B share indices ended the year down 27.9% and up 19.2% respectively. Average daily turnover of B shares on both Shanghai and Shenzhen Stock Exchanges declined to RMB104.9 million and RMB212.5 million, respectively as compared to RMB119.5 million and RMB 256.3 million in 2003. The domestic A share markets remained subdued during the year. A general recovery in operating profitability, and continued interest in the Qualified Foreign Institutional Investors' Scheme, were not enough to lift the generally negative sentiment in the domestic markets; especially with the uncertainty over the rate of slowdown of China's economy after macrocontrol policies were strengthened in March. Shanghai's and Shenzhen's A share indices ended the year down 15.2% and 16.5% respectively.

FUTURE PLAN & PROSPECTS

As Hong Kong is an open economy, it has been significantly affected by the movement of the global economy. First, the economic development of America and the peripheral countries of the Asian Pacific Region will have an impact on the growth of the Hong Kong economy. Second, the continuing development of the mainland economy and the implementation of CEPA to the Hong Kong will promote its economic growth. In brief, the Group expects the economy of Hong Kong will maintain its recovery momentum in 2005.

With the increasingly closer economic relationships between Hong Kong and the Mainland, the consolidation of China's economic power will help upholding the capital market activities of Hong Kong. The Group anticipates that, in 2005, the major State-owned enterprises and banks will conduct large-scale fund raising activities by way of listing in Hong Kong, which are beneficial to both Hong Kong economy and capital market.

Our Group shall continue to seize every opportunity to provide financial advisory and capital raising services to PRC corporations and to strengthen our traditional stockbroking business and at the same time maintain high liquidity to respond to opportunities which may appear at any moment to enhance our market share. Further, we shall continue to solicit sales professionals to cope with the on-going keen competition in the industry. The Group will strictly comply with the Laws of Hong Kong and the relevant rules of the financial regulatory authorities in Hong Kong and will also continue to strengthen our risk management in a prudent manner.

Finally, all members of the Board of Directors and myself would like to take this opportunity to express our sincere gratitude to all our staff for their dedication and hard work during the year, and we would like to thank all our shareholders and customers for their trust and support over the past year.

Feng Guorong

Chairman

Hong Kong

8 April 2005

REVIEW OF OPERATIONS

Securities Trading and Broking

In 2004, 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 improved because of the upturn of the Hong Kong economy that became evident in the first two quarters extended into the second half of 2004. 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 2004 by capitalizing on its expertise and resources in this area. A number of marketing campaigns were organised in 2004 with a view to marketing mainland stocks to clients and market practitioners. The stockbroking business contributed to approximately HK\$63 million to the Group’s turnover in 2004 with the number of clients growing 7.59% for the year ended 31 December 2004.

Securities Financing

In 2004, the Group recorded interest income of approximately HK\$27.4 million (2003: HK\$31.3 million), a drop of 12%, mainly due to the reduction in average level of margin financing and direct loans and lower interest rate level. Despite the shrinking loan demand in 2004, 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 the 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 2004, SW Capital actively participated in the underwriting of new issues, including that of China Shipping Container Lines Company Limited, China Netcom Group Corporation (HK) Limited and Air China Limited. In addition, it collaborated with our controlling shareholder, Shenyin & Wanguo Securities Co., Ltd (“S&W”), in the secondary placement of the B shares of BOE Technology Group Company Limited worth more than HK\$2 billion. With regard to corporate advisory services, SW Capital was appointed as financial adviser to Shanghai Zendai Property Limited and Jiangsu Expressway Company Limited. It was also appointed as the financial adviser to Sparkle China Development Limited in respect of its general offer for B&S Entertainment Holdings Limited and the placement of private equity by a U.S. firm specializing in display technology. Besides, SW Capital acted as independent financial adviser in relation to the privatization of Oxford Properties & Finance Limited.

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, 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 2004, a total of 19 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.

REVIEW OF OPERATIONS (Cont'd)

Asset Management

After more than 2 years of intensive business development effort, we have successfully launched, in collaboration with Aizawa Securities in Japan, the Shenyin Wanguo Aizawa China A Share Number 1 and Number 2 Fund in Japan in May and August of 2004. We believe the Fund was the first open-ended unit trust investing only in the China domestic A share market, through the Qualified Foreign Institutional Investor Scheme, offered to Japanese investors. Performance of the two Funds has been satisfactory despite the weak A share market.

New trenches of the A share Fund, together with other new products, were planned and developed in 2004 for existing and prospective institutional clients in Japan and other Asian markets, for launching in 2005.

At the end of first quarter 2004, the Chinese Government introduced the tightening program to curb over-investments in selective heavy industries, triggering major corrections in both the Hang Seng H share and Red Chip Indices in the second quarter, as well as a structural de-rating of the domestic A share and B share Indices. Further strengthening in prices of various commodities such as oil, petrochemicals and coal; which are well represented in the Hong Kong H share Index, together with continues strong growth in logistics and transportation sectors such as container ports and shipping; which are also well represented in the Hang Seng Red Chip Index, have led to strong recovery in both Indices in the second half. However, the local A share and B share markets, except for selective good quality companies with sustainable growth prospect, were further de-rated given their rich valuation, deterioration in growth momentum and lack of transparency.

CAPITAL STRUCTURE

During the year, there was no change to the share capital of the Company. As at 31 December 2004, the total number of the issued ordinary shares was 530,759,126 shares and total equity attributable to shareholders was HK\$652 million.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2004, the Group had a cash holding of HK\$102 million and short term marketable securities of HK\$80 million. As at 31 December 2004, the Group's total unutilised banking facilities amounted to HK\$560 million, of which HK\$200 million could be drawn down without the need of notice nor completion of condition precedent.

As at 31 December 2004, the Group had no outstanding bank loan. The liquidity ratio (current assets to current liabilities) and gearing ratio (borrowings to net asset value) as at 31 December 2004 were 1.30 and nil 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

At 31 December 2003, the Group had long term receivable from Century City International Holdings Limited ("CCIH") and its subsidiaries (collectively the "CC Group") in the aggregate amount of HK\$182.77 million after the provision of HK\$110 million. On 30 September 2004, the Group, together with the other creditors of the CC Group, entered into a restructuring agreement with the CC Group for restructuring the indebtedness of the CC Group.

The restructuring process was completed on 15 December 2004. As settlement of the long term receivable, the Group received 121,683,500 ordinary shares of Paliburg Holdings Limited (the "Paliburg Shares") and 2,651,472,241 convertible non-voting redeemable preference shares of HK\$0.10 each in the share capital of CCIH (the "Preference Shares"). The total fair values of the Paliburg Shares and the Preference Shares were valued at HK\$179.93 million as at 15 December 2004. A bad debt written off amounting to HK\$2.84 million was resulted. Furthermore, as part of the restructuring, other balances with the CC Group in net amount of HK\$1.85 million was also charged to the profit and loss account for the year.

The Paliburg Shares and the Preference Shares were classified as short term investment and long term investment, respectively, and stated at the fair value of HK\$26.8 million and HK\$166.3 million, respectively, as at 31 December 2004.

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 ("NCHK"), which in turn held a 60% interest in Sichuan Chengmian Expressway Co., Ltd. ("SCECL"). In accordance with the terms of the joint venture agreement, from 22 December 2003 to 21 December 2008, NCHK is entitled to 60% (before 22 December 2003: 100%) of the net profit generated by SCECL which are derived from the financial statements of SCECL prepared under generally accepted accounting principles in the People's Republic of China. The investment had a carrying value of HK\$170 million, including the goodwill of HK\$58 million, as at 31 December 2004.

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

CHARGES ON THE GROUP'S ASSET

The Group's interest in associates has been pledged to a bank as security for a short term loan facility. As at 31 December 2004, the Group did not utilise this loan facility.

During the year ended 31 December 2004, the Group repaid all long term bank loans which were originally secured by the Group's land and buildings.

RISK MANAGEMENT

The Group has properly put credit management policies in place 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 eliminate the risk that the Group may encounter. As at 31 December 2004, all gross advances to customers were margin financing and amounted to HK\$157 million (2003: HK\$284 million) of which 24% (2003: 7%) 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 is denominated in United States dollars. The pegged exchange rate between USD and HKD kept the Group's exchange risk exposure to a minimum and thus, no hedging was required. Exchange gains and/or losses are dealt with in the profit and loss account. The Group closely monitors its foreign currency positions and takes necessary measures if the situations so justify.

CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 December 2004.

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 2004.

EMPLOYEES AND TRAINING

As at 31 December 2004, the total number of full-time employees was 129. The total staff costs for the year (excluding directors' fees) amounted to approximately HK\$44 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 2004 for all licensed staff members.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company consists of investment holding. Details of the principal activities of the principal subsidiaries and the associates (formerly 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 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 21 to 63.

The directors recommend the payment of a final dividend of HK1 cent per ordinary share in respect of the year, to shareholders on the register of members on 27 May 2005. 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.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities 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 policies affecting goodwill and interests in associates (formerly jointly-controlled entities), as detailed in notes 2, 19 and 20 to the financial statements, is set out below.

RESULTS	2004 HK\$	Year ended 31 December			
		2003 HK\$ (Restated)	2002 HK\$ (Restated)	2001 HK\$ (Restated)	2000 HK\$ (Restated)
TURNOVER	1,067,193,097	589,505,339	247,418,435	368,685,498	509,203,763
Other revenue and gains	417,353	534,216	19,757,148	1,051,522	54,401,591
Cost of trading securities sold	(961,544,597)	(466,435,173)	(143,273,322)	(246,217,375)	(370,595,322)
Staff costs	(44,000,984)	(45,175,337)	(51,125,946)	(49,983,857)	(52,076,776)
Depreciation and amortisation expenses	(8,222,684)	(10,409,175)	(13,579,608)	(13,711,996)	(10,783,545)
Interest expenses for financial services operations	(1,680,833)	(4,893,127)	(9,939,030)	(19,462,220)	(72,654,858)
Net unrealised gains/(losses) on listed equity investments	(10,958,401)	(17,825,590)	(4,053,400)	3,135,403	(27,707,025)
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	–	–
Provision for bad and doubtful debts and bad debt written off	(8,689,753)	–	(119,400,000)	(1,500,000)	(1,500,000)
Write-back of impairment provisions/ (impairment provisions) for long term investments	–	5,382,802	(6,286,190)	(56,401,830)	–
Provision for claims	–	(4,000,000)	–	–	–
Other operating expenses, net	(34,057,260)	(34,217,963)	(36,429,368)	(34,149,170)	(19,617,837)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	(1,544,062)	12,465,992	(12,911,281)	3,241,663	8,669,991
Finance costs	(37,724)	(48,576)	(58,539)	(922,853)	(4,918,544)
Share of profits/(losses) of: Associates (formerly jointly-controlled entities)	13,034,904	18,850,212	21,644,908	11,473,571	9,290,829
An associate	–	–	(24,386)	23,894	–
PROFIT BEFORE TAX	11,453,118	31,267,628	8,650,702	13,816,275	13,042,276
Tax	(2,397,508)	(3,345,192)	(4,013,984)	(2,454,776)	1,177,869
PROFIT BEFORE MINORITY INTERESTS	9,055,610	27,922,436	4,636,718	11,361,499	14,220,145
Minority interests	–	–	–	–	171,783
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	9,055,610	27,922,436	4,636,718	11,361,499	14,391,928

FIVE YEAR FINANCIAL SUMMARY (Cont'd)

	2004 HK\$	As at 31 December			
		2003 HK\$ (Restated)	2002 HK\$ (Restated)	2001 HK\$ (Restated)	2000 HK\$ (Restated)
ASSETS AND LIABILITIES					
Total assets	1,636,546,131	2,305,493,217	1,207,367,733	1,450,536,252	1,433,624,687
Total liabilities	(984,917,342)	(1,662,266,268)	(586,755,629)	(834,863,275)	(829,553,209)
	651,628,789	643,226,949	620,612,104	615,672,977	604,071,478

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 has purchased, redeemed or sold any of the Company's listed shares 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.

DISTRIBUTABLE RESERVES

At 31 December 2004, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinances amounted to HK\$18,900,399 of which HK\$5,307,591 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 services. 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 were:

Executive directors

Feng Guorong	<i>(Chairman, appointed on 13 February 2004)</i>
Lu Wenqing	<i>(redesignated from non-executive director to executive director on 30 September 2004)</i>
Lee Man Chun Tony	<i>(Chief Executive Officer)</i>
Guo Chun	
Ying Niankang	
Jiang Guofang	<i>(Chairman, resigned on 13 February 2004)</i>

Non-executive directors

Chang Pen Tsao
Qu Zihai

Independent non-executive directors

Ng Wing Hang Patrick
Kwok Lam Kwong Larry
Zhuo Fumin *(appointed on 30 September 2004)*

In accordance with Article 95 of the Company's Articles of Association, Mr Zhuo Fumin 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. Guo Chun and Chang Pen Tsao will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Company has received annual confirmations of independence from Messrs. Ng Wing Hang Patrick, Kwok Lam Kwong Larry and Zhuo Fumin and as at the date of this report, still considers them to be independent.

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

Executive directors

Feng Guorong, aged 55, was appointed as an Executive Director and Chairman of the Company in February 2004. He is also the Vice Chairman, Chief Executive Officer and President of Shenyin & Wanguo Securities Co., Ltd. He holds a PhD in Economics and obtained high-ranking securities management recognition 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 the Managing Director and Deputy Governor at China Everbright Bank, Head Office. 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.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Cont'd)*

Executive directors *(Cont'd)*

Lu Wenqing, aged 46, is an 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.

Lee Man Chun Tony, aged 51, 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 Institute of Certified Public 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.

Guo Chun, aged 40, 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.

Ying Niankang, aged 53, 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.

Non-executive directors

Chang Pen Tsao, aged 66, 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, Fulltech Fiber Glass Corp. and Ideal Bike Corp. He 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.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Cont'd)*

Non-executive directors (Cont'd)

Qu Zihai, aged 37, 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 SIIC Asset Management Co., Ltd. as well as Managing Director of S.S.V.C. Management 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 52, 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 49, 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 Law as well as a Master's Degree in Law. 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, the Trade and Industry Advisory Board, the Insurance Claims Complaints Panel and The Telecommunications (Competition Provisions) Appeal Board in Hong Kong. He is also a member of the Political Consultative Committee of Guangxi in the People's Republic of China.

Zhuo Fumin, aged 54, is an Independent Non-executive Director of the Company. He graduated from Shanghai Jiaotong University's Electrical Engineering School with a Degree in Enterprise Management, and holds a Master's Degree in Economics conferred by Fudan University. Mr Zhuo has more than 29 years of experience in running joint stock companies and corporate management and has extensive capital market experience since 1995. Mr Zhuo also serves as a director in Vertex China Investment Limited in Hong Kong and China. Within the past three years, Mr Zhuo was an executive director of SIIC Medical Science and Technology (Group) Limited, the Vice Chairman and an executive director of Shanghai Industrial Holdings Limited as well as a non-executive director of Imagi International Holdings Limited until he resigned on 25 January 2002, 30 June 2002 and 8 April 2004 respectively.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Cont'd)*

Senior management

Lee Siu Ming Simon, aged 43, 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 40, is the Finance Director and Company Secretary of the Group. Mr. Wong once served as the Head of Compliance of the Group and subsequently, a Director of Shenyin Wanguo Securities (H.K.) Limited before succeeding to the current position of Finance Director of the Group in 2001. Mr. Wong was appointed the Company Secretary of the Group in December 2004. 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 42, 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 43, 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.

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.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2004, 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 Issuers (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 issued share capital
Lee Man Chun Tony	1,300,000	0.24

Save as disclosed above, as at 31 December 2004, 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 31 December 2004, 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 issued share capital
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
Shenyin Wanguo (H.K.) Holdings Limited ("SWHKH")	Through controlled corporation	268,334,875*	50.56
Shenyin & Wanguo Securities Co., Ltd. ("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 31 December 2004, 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.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions of the Company and the Group during the year are disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in note 35 to the financial statements.

The independent non-executive directors of the Company have reviewed and confirmed that the continuing connected transactions (the "Transactions") as set out in note 35 to the financial statements have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to/from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, the following directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, as set out below:

Qu Zihai is also a director of SIIC Asset Management Company Limited, which is also involved in the provision of asset management services. Chang Pen Tsao is also a director of Taiwan International (Nominees) Limited, which is also involved in the provision of securities trading and broking services.

As the board of directors of the Company is independent from the board of directors of SIIC Asset Management Company Limited and Taiwan International (Nominees) Limited and the above directors do not control the board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of SIIC Asset Management Company Limited and Taiwan International (Nominees) Limited.

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 year ended 31 December 2004, 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.

The said code has been replaced by the Code on Corporate Governance Practices which came into effect on 1 January 2005. The Company will report on its compliance with the Code on Corporate Governance Practices in accordance with the applicable regulatory requirements in due course.

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 specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules, for the purposes 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.

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
8 April 2005



To the members

Shenyin Wanguo (H.K.) Limited

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 21 to 63 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

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 Institute of Certified Public 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.

OPINION

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 2004 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

8 April 2005

Consolidated Profit and Loss Account

Year ended 31 December 2004

	Notes	2004 HK\$	2003 HK\$ (Restated)
TURNOVER	5	1,067,193,097	589,505,339
Other revenue and gains	6	417,353	534,216
Cost of trading securities sold		(961,544,597)	(466,435,173)
Staff costs		(44,000,984)	(45,175,337)
Depreciation and amortisation expenses		(8,222,684)	(10,409,175)
Interest expenses for financial services operations		(1,680,833)	(4,893,127)
Net unrealised losses on listed equity investments		(10,958,401)	(17,825,590)
Provision for bad and doubtful debts and bad debt written off		(8,689,753)	-
Write-back of impairment provisions for long term investments		-	5,382,802
Provision for claims	7	-	(4,000,000)
Other operating expenses, net		(34,057,260)	(34,217,963)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	7	(1,544,062)	12,465,992
Finance costs	10	(37,724)	(48,576)
Share of profits of associates (formerly jointly-controlled entities)		13,034,904	18,850,212
PROFIT BEFORE TAX		11,453,118	31,267,628
Tax	11	(2,397,508)	(3,345,192)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	12	9,055,610	27,922,436
DIVIDEND	13	5,307,591	10,615,183
EARNINGS PER SHARE	14	1.71 cents	5.26 cents
Basic		1.71 cents	5.26 cents
Diluted		N/A	N/A

Consolidated Balance Sheet

31 December 2004

	Notes	2004 HK\$	2003 HK\$ (Restated)
NON-CURRENT ASSETS			
Fixed assets	15	4,261,068	7,996,555
Stock and Futures Exchange trading rights	16	4,211,831	5,054,197
Other assets	17	7,576,724	6,437,653
Interests in associates/jointly-controlled entities	19	112,263,878	124,768,097
Goodwill	20	57,632,404	60,665,688
Long term receivable	21	–	182,767,388
Long term investments	22	166,281,413	10,367,117
Deferred tax assets	23	470,000	470,000
		352,697,318	398,526,695
CURRENT ASSETS			
Short term investments	22	80,106,715	80,068,182
Accounts receivable	24	348,625,679	585,715,894
Loans and advances	25	138,466,972	266,285,691
Tax recoverable		1,187,402	1,579,132
Deposits, prepayments and other receivables		6,882,564	4,617,481
Bank balances held on behalf of customers		606,120,896	930,992,491
Cash and cash equivalents	26	102,458,585	37,707,651
		1,283,848,813	1,906,966,522
CURRENT LIABILITIES			
Accounts payable	27	960,834,738	1,521,912,454
Tax payable		186,000	–
Other payables and accruals	28	23,896,604	33,878,644
Interest-bearing bank loans	29	–	105,272,722
		984,917,342	1,661,063,820
NET CURRENT ASSETS		298,931,471	245,902,702
TOTAL ASSETS LESS CURRENT LIABILITIES – page 23		651,628,789	644,429,397

Consolidated Balance Sheet (Cont'd)

31 December 2004

	<i>Notes</i>	2004 HK\$	2003 <i>HK\$</i> (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES – page 22		651,628,789	644,429,397
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	29	–	(1,202,448)
		651,628,789	643,226,949
CAPITAL AND RESERVES			
Issued capital	30	265,379,563	265,379,563
Reserves	31(a)	380,941,635	367,232,203
Proposed final dividend	13	5,307,591	10,615,183
		651,628,789	643,226,949

Feng Guorong
Director

Lee Man Chun Tony
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2004

	Notes	Issued share capital HK\$	Share premium account HK\$	Capital reserve HK\$	Long term investment revaluation reserve HK\$	General reserve HK\$	Retained profits HK\$	Proposed final dividend HK\$	Total HK\$
At 1 January 2003:									
As previously reported		265,379,563	314,739,683	15,043	-	138,611	69,411,099	5,307,591	654,991,590
Prior year adjustments:									
SSAP Interpretation 22 – restatement of interests in associates/ jointly-controlled entities	19	-	-	-	-	-	(37,879,929)	-	(37,879,929)
SSAP Interpretation 22 – restatement of goodwill	20	-	-	-	-	-	3,500,443	-	3,500,443
As restated		265,379,563	314,739,683	15,043	-	138,611	35,031,613	5,307,591	620,612,104
Final 2002 dividend declared		-	-	-	-	-	-	(5,307,591)	(5,307,591)
Net profit for the year (as restated)		-	-	-	-	-	27,922,436	-	27,922,436
Proposed final 2003 dividend	13	-	-	-	-	-	(10,615,183)	10,615,183	-
At 31 December 2003		<u>265,379,563</u>	<u>314,739,683*</u>	<u>15,043*</u>	<u>-*</u>	<u>138,611*</u>	<u>52,338,866*</u>	<u>10,615,183</u>	<u>643,226,949</u>
At 1 January 2004									
As previously reported		265,379,563	314,739,683	15,043	-	138,611	94,421,755	10,615,183	685,309,838
Prior year adjustments:									
SSAP Interpretation 22 – restatement of interests in associates/ jointly-controlled entities	19	-	-	-	-	-	(44,055,285)	-	(44,055,285)
SSAP Interpretation 22 – restatement of goodwill	20	-	-	-	-	-	1,972,396	-	1,972,396
As restated		265,379,563	314,739,683	15,043	-	138,611	52,338,866	10,615,183	643,226,949
Final 2003 dividend declared		-	-	-	-	-	-	(10,615,183)	(10,615,183)
Surplus on revaluation not recognised in the profit and and loss account		-	-	-	9,961,413	-	-	-	9,961,413
Net profit for the year		-	-	-	-	-	9,055,610	-	9,055,610
Proposed final 2004 dividend	13	-	-	-	-	-	(5,307,591)	5,307,591	-
At 31 December 2004		<u>265,379,563</u>	<u>314,739,683*</u>	<u>15,043*</u>	<u>9,961,413*</u>	<u>138,611*</u>	<u>56,086,885*</u>	<u>5,307,591</u>	<u>651,628,789</u>
Reserves retained by:									
Company and subsidiaries									
At 31 December 2004		<u>265,379,563</u>	<u>314,739,683</u>	<u>15,043</u>	<u>9,961,413</u>	<u>138,611</u>	<u>56,086,885</u>	<u>5,307,591</u>	<u>651,628,789</u>
Company and subsidiaries									
At 31 December 2003		<u>265,379,563</u>	<u>314,739,683</u>	<u>15,043</u>	<u>-</u>	<u>138,611</u>	<u>52,338,866</u>	<u>10,615,183</u>	<u>643,226,949</u>

* These reserve accounts comprise the consolidated reserves of HK\$380,941,635 (2003 as restated: HK\$367,232,203) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 December 2004

	Notes	2004 HK\$	2003 HK\$ (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		11,453,118	31,267,628
Adjustments for:			
Finance costs	10	37,724	48,576
Bank interest income	5	(1,001,039)	(2,653,598)
Dividend income	5	(1,952,040)	(1,743,522)
Share of profits of associates/jointly-controlled entities		(13,034,904)	(18,850,212)
Write-back of impairment provisions for long term investments		–	(5,382,802)
Net realised gains on disposal of long term investments	7	(9,505,773)	–
Provision for claims	7	–	4,000,000
Depreciation	7	4,347,034	6,533,525
Amortisation	7	3,875,650	3,875,650
Provision for bad and doubtful debts and bad debt written off		8,689,753	–
Loss on disposal of fixed assets	7	566	3,099
Operating profit before working capital changes		2,910,089	17,098,344
Decrease/(increase) in short term investments	32	23,568,066	(19,800,707)
Decrease/(increase) in accounts receivable	21	231,220,215	(496,884,861)
Decrease in loans and advances		126,418,719	1,404,922
Decrease/(increase) in deposits, prepayments and other receivables		(2,265,083)	1,019,063
Decrease/(increase) in bank balances held on behalf of customers		324,871,595	(597,395,820)
Increase/(decrease) in accounts payable		(561,077,716)	1,127,508,196
Increase/(decrease) in other payables and accruals	21	(8,561,004)	11,717,005
Cash generated from operations		137,084,881	44,666,142
Bank interest received		1,001,039	2,653,598
Interest paid		(37,724)	(48,576)
Dividends received from listed equity investments		1,952,040	1,743,522
Dividend received from an associate/a jointly-controlled entity		23,527,048	26,847,438
Hong Kong profits tax refunded		192,297	491,332
Net cash inflow from operating activities – page 26		163,719,581	76,353,456

Consolidated Cash Flow Statement (Cont'd)

Year ended 31 December 2004

	<i>Notes</i>	2004 HK\$	2003 <i>HK\$</i> (Restated)
Net cash inflow from operating activities – page 25		163,719,581	76,353,456
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of long term investments		19,872,890	–
Increase in other assets		(1,139,071)	(402,543)
Purchases of fixed assets	15	(616,973)	(373,759)
Proceeds from disposal of fixed assets		4,860	3,000
Net cash inflow/(outflow) from investing activities		18,121,706	(773,302)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		(106,475,170)	(35,264,674)
Repayment of other loans		–	(30,000,000)
Dividend paid		(10,615,183)	(5,307,591)
Net cash outflow from financing activities		(117,090,353)	(70,572,265)
NET INCREASE IN CASH AND CASH EQUIVALENTS		64,750,934	5,007,889
Cash and cash equivalents at beginning of year		37,707,651	32,699,762
CASH AND CASH EQUIVALENTS AT END OF YEAR		102,458,585	37,707,651
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	90,950,685	25,282,822
Time deposits with original maturity of less than three months when acquired	26	11,507,900	12,424,829
		102,458,585	37,707,651

Balance Sheet

31 December 2004

	Notes	2004 HK\$	2003 HK\$
NON-CURRENT ASSETS			
Interests in subsidiaries	18	599,043,607	598,621,414
CURRENT ASSETS			
Deposits, prepayments and other receivables		2,730,626	1,498,670
Cash and cash equivalents	26	2,850,536	1,094,536
		5,581,162	2,593,206
CURRENT LIABILITIES			
Other payables and accruals	28	5,605,124	7,277,402
NET CURRENT LIABILITIES			
		(23,962)	(4,684,196)
		599,019,645	593,937,218
CAPITAL AND RESERVES			
Issued capital	30	265,379,563	265,379,563
Reserves	31(b)	328,332,491	317,942,472
Proposed final dividend	13	5,307,591	10,615,183
		599,019,645	593,937,218

Feng Guorong
Director

Lee Man Chun Tony
Director

1. 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 associates (formerly 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 RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)

Statement of Standard Accounting Practice (“SSAP”) Interpretation 22 “The Appropriate Accounting Policies for Infrastructure Facilities” (“SSAP Interpretation 22”) is effective for the first time for the current year’s financial statements. SSAP Interpretation 22 prohibits the use of the sinking fund method, as a basis for depreciating or amortising infrastructure assets. This method was previously applied by the associates (formerly jointly-controlled entities) of the Group in respect of the depreciation of the toll road being held, and by the Group in respect of the amortisation of goodwill arising from acquisition of those associates (formerly jointly-controlled entities) in prior years. Further details of these changes and the prior year adjustments arising from SSAP Interpretation 22 are included in the accounting policy for goodwill in note 3 and in notes 19 and 20 to the financial statements.

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include SSAPs and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. 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.

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 Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of the board of directors of the joint venture company;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (c) an associate, if the Group 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 Group 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates 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.

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, associates and 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 holding the interests in associates (formerly jointly-controlled entities) whose principal activity is the operation of a toll road.

In prior years, goodwill was amortised by the annuity method over 26 years, representing the remaining joint venture period of the associates (formerly jointly-controlled entities) holding the toll road. In determining the estimated useful life of the goodwill, directors had considered, among other things, the expected term of economic benefits to be obtained from the associates (formerly jointly-controlled entities). The compound rate of the annuity method used for the amortisation of goodwill was 6%. In the opinion of the directors, the amortisation period was reasonable and was reflective of the estimated useful life of such goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Goodwill (Cont'd)

During the year, due to the adoption of SSAP Interpretation 22 by the associates as detailed in note 19 to the financial statements, the accounting policy for amortisation of the goodwill is changed such that the goodwill is amortised on the straight-line basis over its estimated useful life of 25 years as detailed in note 20 to the financial statements. The change in accounting policy has resulted in prior year adjustments.

On disposal of subsidiaries, associates 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.

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 and 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**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.

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 $\frac{1}{3}$ %
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 the 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 Hong Kong Futures Exchange Limited (the "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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 have been 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 and unlisted 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 estimated fair values of unlisted securities are determined by the directors having regard to, inter alia, the quoted market prices, volatility and other factors relevant to the underlying listed securities and by making use of a valuation model. Listed securities are stated at their quoted market prices at the balance sheet date.

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.

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 or other circumstances affecting the fair value of the listed securities. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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, associates and interests in joint ventures, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income tax (Cont'd)

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, associates 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

Retirement benefits 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, associates and jointly-controlled entities are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries, associates 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.

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 loans
- 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 at the then prevailing market prices.

4. SEGMENT INFORMATION (Cont'd)

(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 loans		Investment advisory services		Eliminated on consolidation		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment turnover:												
External customers	966,087,450	498,915,615	63,088,347	52,844,880	27,391,229	31,339,656	10,626,071	6,405,188	-	-	1,067,193,097	589,505,339
Inter-segment	-	-	-	-	763,934	-	1,200,000	3,008,554	(1,963,934)	(3,008,554)	-	-
Total	966,087,450	498,915,615	63,088,347	52,844,880	28,155,163	31,339,656	11,826,071	9,413,742	(1,963,934)	(3,008,554)	1,067,193,097	589,505,339
Segment results	(25,675,912)	10,276,976	4,743,802	(17,567,747)	19,844,777	23,098,907	4,505,115	2,073,326	-	-	3,417,782	17,881,462
Unallocated expenses											(4,961,844)	(5,415,470)
Profit/(Loss) from operating activities											(1,544,062)	12,465,992
Finance costs											(37,724)	(48,576)
Share of profits of associates (formerly jointly-controlled entities)											13,034,904	18,850,212
Profit before tax											11,453,118	31,267,628
Tax											(2,397,508)	(3,345,192)
Net profit from ordinary activities attributable to shareholders											9,055,610	27,922,436

4. SEGMENT INFORMATION (Cont'd)

(a) Business segments (Cont'd)

Group

	Securities trading and investment holding		Securities broking and dealing		Securities financing and direct loans		Investment advisory services		Eliminated on consolidation		Total	
	2004 HK\$	2003 HK\$ (Restated)	2004 HK\$	2003 HK\$ (Restated)	2004 HK\$	2003 HK\$ (Restated)	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$ (Restated)
Segment assets	257,362,905	280,284,091	1,047,213,055	1,539,674,890	144,065,174	280,749,729	5,078,982	5,376,827	-	-	1,453,720,116	2,106,085,537
Goodwill	57,632,404	60,665,688	-	-	-	-	-	-	-	-	57,632,404	60,665,688
Interests in associates/ jointly-controlled entities	112,263,878	124,768,097	-	-	-	-	-	-	-	-	112,263,878	124,768,097
Unallocated assets	-	-	-	-	-	-	-	-	-	-	12,929,733	13,973,895
Total assets	11,621,404	14,761,155	842,750,743	1,453,738,265	130,006,688	193,159,239	352,507	607,609	-	-	984,731,342	1,662,266,268
Segment liabilities	-	-	-	-	-	-	-	-	-	-	186,000	-
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	-	-	984,917,342	1,662,266,268
Other information:												
Capital expenditure	-	-	475,055	177,954	-	-	-	-	-	-	475,055	177,954
Amortisation of trading rights	-	-	842,366	842,366	-	-	-	-	-	-	842,366	842,366
Amortisation of goodwill	3,033,284	3,033,284	-	-	-	-	-	-	-	-	3,033,284	3,033,284
Depreciation of segment assets	-	-	2,419,040	4,154,439	-	-	-	-	-	-	2,419,040	4,154,439
Provision for bad and doubtful debts and bad debt written off	4,689,753	-	-	-	4,000,000	-	-	-	-	-	8,689,753	-
Write-back of impairment provisions for long term investments	-	(5,382,802)	-	-	-	-	-	-	-	-	-	(5,382,802)
Provision for claims	-	-	-	4,000,000	-	-	-	-	-	-	-	4,000,000

4. SEGMENT INFORMATION (Cont'd)**(b) Geographical segments**

The following table presents turnover and certain asset and capital expenditure information for the Group's geographical segments.

Group

	2004	2003
	HK\$	HK\$
		(Restated)
Segment turnover:		
The People's Republic of China ("PRC")		
Hong Kong	760,158,449	518,423,574
Mainland China	306,867,053	70,785,370
Others	167,595	296,395
	<u>1,067,193,097</u>	<u>589,505,339</u>
Segment assets:		
PRC		
Hong Kong	1,420,268,847	2,114,003,976
Mainland China	169,897,237	185,433,785
Others	46,380,047	6,055,456
	<u>1,636,546,131</u>	<u>2,305,493,217</u>
Capital expenditure:		
PRC		
Hong Kong	616,973	373,759

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	
	2004 HK\$	2003 HK\$
Financial services:		
Sales proceeds from securities and futures contracts trading	964,008,748	497,030,571
Interest income from securities financing and direct loans	26,390,188	28,686,059
Commission and brokerage income	61,676,986	52,776,754
Rendering of services	12,093,479	6,283,425
	<u>1,064,169,401</u>	<u>584,776,809</u>
Others:		
Bank interest income	1,001,039	2,653,598
Dividend income from listed equity investments	1,952,040	1,743,522
Others	70,617	331,410
	<u>3,023,696</u>	<u>4,728,530</u>
Total turnover	<u>1,067,193,097</u>	<u>589,505,339</u>

6. OTHER REVENUE AND GAINS

	Group	
	2004 HK\$	2003 HK\$
Exchange gains, net	417,353	378,216
Others	–	156,000
	<u>417,353</u>	<u>534,216</u>

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Notes	Group	
		2004 HK\$	2003 HK\$ (Restated)
Depreciation	15	4,347,034	6,533,525
Amortisation of goodwill	20	3,033,284	3,033,284
Amortisation of Stock and Futures Exchange trading rights	16	842,366	842,366
Staff costs (including directors' remuneration – note 8):			
Wages and salaries		41,722,699	43,586,264
Retirement benefits schemes contributions		2,891,653	3,151,874
Less: Forfeited contributions		(613,368)	(1,562,801)
Net retirement benefits schemes contributions*		2,278,285	1,589,073
		44,000,984	45,175,337
Interest expenses for financial services operations on bank loans and overdrafts		1,680,833	4,893,127
Minimum lease payments under operating leases in respect of land and buildings		10,296,031	10,730,521
Auditors' remuneration		880,000	850,000
Loss on disposal of fixed assets		566	3,099
Net realised losses/(gains) on trading of listed equity investments and futures contracts		7,041,622	(30,595,398)
Net realised gains on disposal of long term investments		(9,505,773)	–

* At 31 December 2004, no (2003: HK\$463,050) forfeited contributions were available to the Group to reduce its contributions to the retirement benefits schemes in future years.

During the year ended 31 December 2003, 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 had fidelity insurance cover and the directors of the Company considered that the claims should be adequately covered by the fidelity insurance and/or provision of HK\$4,000,000 made in this regard. During the year ended 31 December 2004, related compensations for claims were paid and the directors of the Company considered that the remaining unsettled claims should be adequately covered by the existing fidelity insurance and/or the existing provision.

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 (the "Listing Rules") and Section 161 of the Companies Ordinance, was as follows:

	Group	
	2004 HK\$	2003 HK\$
Fees:		
Executive directors	–	–
Non-executive directors	–	–
Independent non-executive directors	250,000	160,000
	250,000	160,000
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	4,480,000	2,420,000
Bonuses	–	586,830
Retirement benefits schemes contributions	228,000	227,000
	4,708,000	3,233,830
	4,958,000	3,393,830

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

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	10	9
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$4,500,001 to HK\$5,000,000	1	–
	11	10

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2003: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2003: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2003: four) non-director, highest paid employees are as follows:

	Group	
	2004 HK\$	2003 HK\$
Salaries, allowances and benefits in kind	4,648,080	5,004,366
Bonuses	422,500	447,750
Retirement benefits schemes contributions	443,808	467,112
	5,514,388	5,919,228

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

	Number of employees	
	2004	2003
Nil to HK\$1,000,000	1	–
HK\$1,000,001 to HK\$1,500,000	2	3
HK\$2,000,001 to HK\$2,500,000	1	1
	4	4

10. FINANCE COSTS

	Group	
	2004 HK\$	2003 HK\$
Interest on bank loans and overdrafts	37,724	48,576

11. TAX

Provision for Hong Kong profits tax has been made at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax was made in the prior year as the Group companies either had 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 that year.

11. TAX (Cont'd)

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.

	2004 HK\$	2003 HK\$ (Restated)
Group:		
Current – Hong Kong		
Charge for the year	367,000	–
Under/(over) provision in prior years	18,433	(47,420)
Deferred (Note 23)	–	184,000
	385,433	136,580
Share of tax attributable to associates (formerly jointly-controlled entities)	2,012,075	3,208,612
	2,397,508	3,345,192

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company, its subsidiaries, associates (formerly jointly-controlled entities) are domiciled to the tax charge for the year is as follows:

	2004 HK\$	2003 HK\$ (Restated)
Profit before tax	11,453,118	31,267,628
Tax at the statutory tax rate of 17.5% (2003: 17.5%)	2,004,296	5,471,835
Difference in tax rates in other countries	(269,033)	(90,175)
Adjustments in respect of current tax of previous periods	18,433	(47,420)
Effect on opening deferred tax of increase in rates	–	(61,313)
Income not subject to tax	(1,459,155)	(1,367,335)
Expenses not deductible for tax	1,301,621	1,817,646
Tax losses utilised from previous periods	(1,653,561)	(4,489,376)
Unrecognised deferred tax assets	2,454,907	2,111,330
Tax charge for the year	2,397,508	3,345,192

12. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company was HK\$15,697,610 (2003: HK\$10,672,020).

13. DIVIDEND

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Proposed final – HK1 cent (2003: HK2 cents) per ordinary share	<u>5,307,591</u>	<u>10,615,183</u>

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\$9,055,610 (2003 restated: HK\$27,922,436) and 530,759,126 (2003: 530,759,126) ordinary shares in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share has been presented for the current and prior year because there was no dilutive potential ordinary shares in existence during the years ended 31 December 2004 and 2003.

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	13,245,645	35,849,183	4,253,739	57,443,567
Additions	–	–	616,973	–	616,973
Disposals	–	(190)	(543,232)	–	(543,422)
At 31 December 2004	4,095,000	13,245,455	35,922,924	4,253,739	57,517,118
Accumulated depreciation:					
At beginning of year	1,208,025	12,782,379	31,380,869	4,075,739	49,447,012
Provided during the year	122,850	370,613	3,675,571	178,000	4,347,034
Disposals	–	(190)	(537,806)	–	(537,996)
At 31 December 2004	1,330,875	13,152,802	34,518,634	4,253,739	53,256,050
Net book value:					
At 31 December 2004	2,764,125	92,653	1,404,290	–	4,261,068
At 31 December 2003	2,886,975	463,266	4,468,314	178,000	7,996,555

The land and buildings are held under long term leases and are situated in Hong Kong. At 31 December 2003, the land and buildings were pledged to secure the Group's long term bank loans (note 29).

16. STOCK AND FUTURES EXCHANGE TRADING RIGHTS

	Group <i>HK\$</i>
Cost:	
At beginning and end of year	8,011,296
Accumulated amortisation:	
At beginning of year	2,957,099
Provided during the year	842,366
At end of year	3,799,465
Net book value:	
At 31 December 2004	4,211,831
At 31 December 2003	5,054,197

17. OTHER ASSETS

	2004 <i>HK\$</i>	Group 2003 <i>HK\$</i>
Club debentures	2,470,000	2,470,000
Prepayments and deposits	5,106,724	3,967,653
	7,576,724	6,437,653

18. INTERESTS IN SUBSIDIARIES

	2004 <i>HK\$</i>	Company 2003 <i>HK\$</i>
Unlisted shares, at cost	90,910,152	90,910,152
Due from subsidiaries	618,344,658	630,738,840
	709,254,810	721,648,992
Due to subsidiaries	(28,443,649)	(41,260,024)
	680,811,161	680,388,968
Provision for impairment	(81,767,554)	(81,767,554)
	599,043,607	598,621,414

18. INTERESTS IN SUBSIDIARIES (Cont'd)

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\$320,000,000 (2003: HK\$356,571,271) and an amount due to a subsidiary of HK\$187,513,896 (2003: HK\$48,071,175) which bear interest at rates ranging from the bank deposit savings rate to the prime rate (2003: bank deposit savings rate to the prime rate) 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		
		2004	2003	2004	2003	
Shenyin Wanguo Securities (H.K.) Limited	300,000 ordinary shares of HK\$100 each	100	100	–	–	Securities broking and margin financing
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 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
Wealthy Limited	2 ordinary shares of HK\$1 each	100	100	–	–	Property holding

18. INTERESTS IN SUBSIDIARIES (Cont'd)

Name	Nominal value of issued and fully paid share capital	Percentage of ordinary shares held				Principal activities
		Direct		Indirect		
		2004	2003	2004	2003	
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 Online Limited	2 ordinary shares of HK\$1 each	100	100	–	–	Leasing of computer equipment
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
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 ASSOCIATES/JOINTLY-CONTROLLED ENTITIES

	2004	Group
	HK\$	2003
		HK\$
		(Restated)
Share of net assets	114,400,878	124,768,097
Less: Provision	(2,137,000)	–
	112,263,878	124,768,097

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

Particulars of the associates (formerly 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		
					2004		2003
The New China Hong Kong Highway Limited ("NCHK")	Corporate	British Virgin Islands	26.19	26.19	26.19	26.19	Investment holding
Sichuan Chengmian Expressway Co., Ltd. ("SCECL")	Corporate	PRC/ Mainland China	15.71	15.71	15.71	26.19	Highway operations

The above investments in associates were 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, 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.

As at 31 December 2003 and 2004, the interests in jointly-controlled entities were pledged to secure certain of the Group's banking facilities (note 29).

19. INTERESTS IN ASSOCIATES/JOINTLY-CONTROLLED ENTITIES (Cont'd)

SSAP Interpretation 22 was adopted during the year, as further explained in note 2 to the financial statements, which prohibited the use of the sinking fund method as a basis for depreciation of infrastructure assets. SCECL applied the sinking fund method for the depreciation of its toll road in prior years. Upon adoption of SSAP Interpretation 22, SCECL changed the accounting policy for depreciation of its toll road from sinking fund method to the straight-line method over the estimated useful life. This change in accounting policy has been accounted for retrospectively by prior year adjustments on the consolidated financial statements of the associates (formerly jointly-controlled entities).

As a result, prior year adjustments have been made in the Group's financial statements to reflect the above impact on the Group's share of profits and taxes of the associates (formerly jointly-controlled entities) and on the Group's goodwill arose on the acquisition of a subsidiary holding the interests in the associates (formerly jointly-controlled entities) (note 20). As a consequence, the Group's interests in associates (formerly jointly-controlled entities) as at 31 December 2003 have been decreased by HK\$44,055,285, and the Group's goodwill as at 31 December 2003 have been increased by HK\$1,972,396, as further detailed in note 20 to the financial statements. The Group's share of profits and taxes of associates (formerly jointly-controlled entities) for the year ended 31 December 2003 have been decreased by HK\$6,826,581 and HK\$651,225, respectively, and the Group's consolidated retained profits at 1 January 2004 and 2003 have been decreased by HK\$44,055,285 and HK\$37,879,929, respectively, as detailed in the consolidated statement of changes in equity.

Extracts of the consolidated financial information of the associates (formerly jointly-controlled entities) are as follows:

	NCHK and its subsidiary	
	2004 HK\$	2003 HK\$ (Restated)
Turnover	<u>230,787,469</u>	<u>210,015,439</u>
Profit before tax	<u>98,421,160</u>	<u>71,974,846</u>
Fixed assets	1,287,139,917	1,343,867,172
Long term assets	40,999,664	34,234,977
Current assets	37,768,486	75,974,703
Current liabilities	(59,098,426)	(14,666,295)
Long term liabilities	–	(42,258,885)
Minority interests	(869,998,345)	(920,755,730)
Net assets	<u>436,811,296</u>	<u>476,395,942</u>

20. GOODWILL

	Group <i>HK\$</i>
Cost:	
At beginning of year and end of year	
As previously reported	64,658,842
Prior year adjustment:	
SSAP Interpretation 22 – restatement of goodwill	<u>11,173,266</u>
As restated	<u>75,832,108</u>
Accumulated amortisation:	
At beginning of year	
As previously reported	5,965,550
Prior year adjustment:	
SSAP Interpretation 22 – restatement of goodwill	<u>9,200,870</u>
As restated	15,166,420
Provided for the year	<u>3,033,284</u>
At end of year	<u>18,199,704</u>
Net book value:	
At 31 December 2004	<u>57,632,404</u>
At 31 December 2003 (as restated)	<u>60,665,688</u>

The goodwill arose on the acquisition of a subsidiary holding the interests in the associates (formerly jointly-controlled entities) (note 19) whose principal activity is the operation of a toll road.

SSAP Interpretation 22 was effective and adopted by the associates during the year, as further explained in note 2 to the financial statements.

As a result of the prior year adjustments on the financial statements of the associates upon the adoption of SSAP Interpretation 22, prior year adjustments have been made by the Group to increase the cost of goodwill by HK\$11,173,266 to reflect the retrospective decrease in the fair values of the identifiable assets and liabilities of the associates acquired as at the date of acquisition.

20. GOODWILL (Cont'd)

Furthermore, in order to reflect the change in pattern of the future economic benefits arising from the goodwill due to the retrospective change of share of profits and taxes of these associates as detailed in note 19 to the financial statements, the accounting policy on amortisation of the goodwill was changed from the sinking fund method to the straight-line method over 25 years, as further explained in note 3 to the financial statements. This change in accounting policy has been accounted for retrospectively by prior year adjustments.

As a consequence, the Group's goodwill as at 31 December 2003 has been increased by HK\$1,972,396, and the consolidated net profit from ordinary activities attributable to shareholders for the year ended 31 December 2003 has been decreased by HK\$1,528,047, and the consolidated retained profits at 1 January 2004 and 2003 have been increased by HK\$1,972,396 and HK\$3,500,443, respectively, as detailed in the consolidated statement of changes in equity. There was no tax attributable to these prior year adjustments.

21. LONG TERM RECEIVABLE

	Group	
	2004 HK\$	2003 HK\$
Amounts receivable	–	292,767,388
Less: Provision for doubtful debts	–	(110,000,000)
	–	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, representing approximately 46% and 13% of the Group's net assets and total assets, respectively, at that date. The aggregate balance comprised receivables arising from securities and options trading, a claim under an indemnity in relation to the acquisition of the interests in associates (formerly jointly-controlled entities) (note 19) and accrued interest income. These receivables were guaranteed by CCIH, partially secured by listed securities and were due for repayment. As the directors considered that the receivable was unlikely to be recovered within the next 12 months in prior years, the amount had 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 bore interest at rates ranging from the prime rate plus 3.05% to 4% per annum, however no interest had been recognised in prior years due to the uncertainty of the recoverability of the receivable.

On 30 September 2004, the CC Group entered into a restructuring agreement (the "Restructuring Agreement") with the creditors of the CC Group, including the Group, for the purpose of restructuring the indebtedness of the CC Group (the "Restructuring"). Pursuant to the Restructuring Agreement, the Group received 121,683,500 ordinary shares of Paliburg Holdings Limited (the "Paliburg Shares") and 2,651,472,241 convertible non-voting redeemable preference shares of HK\$0.10 each of CCIH (the "Preference Shares") as settlement of the long term receivable from the CC Group. The Restructuring was completed on 15 December 2004 (the "Completion Date").

21. LONG TERM RECEIVABLE (Cont'd)

The fair value the Paliburg Shares was determined as HK\$23,606,599 with reference to its quoted market price as at the close of business on 15 December 2004. The fair value of the Preference Shares was estimated by the directors at HK\$156,320,000 as at 15 December 2004 using the binomial option pricing model. As a result, the difference between the net carrying value of the long term receivable from the CC Group of HK\$182,767,388 and the total fair value of the Paliburg Shares and the Preference Shares of HK\$179,926,599 as at 15 December 2004, amounting to HK\$2,840,789, was charged to the profit and loss account for the year as a bad debt written off.

The Paliburg Shares were subject to a lock-up trading period of three months from the Completion Date of the Restructuring and were classified as a short term investment as at 31 December 2004. The Preference Shares were classified as a long term investment and stated at their fair values as at 31 December 2004, further details of which were set out in note 22 to the financial statements.

Furthermore, as part of the Restructuring, the Group also charged another balance due from the CC Group of HK\$3,270,000 arising from the termination of option arrangements with the CC Group and credited the dividend income from listed securities pledged by the CC Group of HK\$1,421,036 withheld by the Group to the profit and loss account for the year.

22. INVESTMENTS

	2004	Group
	HK\$	2003
		HK\$
Long term investments:		
Listed equity investments in Hong Kong at market value	–	10,367,117
Unlisted equity investment in Hong Kong at fair value*	166,281,413	–
	166,281,413	10,367,117
Short term investments:		
Listed equity trading securities, at fair value [^] :		
Hong Kong	78,991,800	77,990,142
Overseas	1,114,915	2,078,040
	80,106,715	80,068,182

* Unlisted equity investment represented the fair value at the balance sheet date of the Preference Shares received as settlement of the long term receivable from the CC Group as detailed in note 21 to the financial statements.

22. INVESTMENTS (Cont'd)

The Preference Shares are not freely transferable, will not be entitled to any income distribution and are non-voting. The Preference Shares may be fully or partly converted into fully paid CCIH ordinary shares on the basis of one CCIH ordinary share for every one Preference Share, subject to adjustment, up to 15 December 2009 (the "Maturity Date"), five years after the Completion Date. The Preference Shares may only be converted on or after the second anniversary of the Completion Date. The Preference Shares which have not been converted and remain outstanding on the Maturity Date shall be mandatorily converted into CCIH ordinary shares on the Maturity Date. CCIH has the right to redeem all or part of the Preference Shares at the rate of HK\$0.15 for every Preference Share before the Maturity Date. The holders of the Preference Shares have no right to require CCIH to redeem or buy back the Preference Shares and the holders of the Preference Shares have pre-emptive rights should CCIH propose to issue new CCIH ordinary shares.

^ 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\$87,113,048 (2003: HK\$84,751,331) and HK\$82,615,805 (2003: HK\$90,378,990), respectively.

At 31 December 2003, certain listed investments of the Group were pledged to secure certain of the Group's bank loans (note 29).

23. DEFERRED TAX ASSETS

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

Group

	Losses available for offset against future taxable profits <i>HK\$</i>
At 1 January 2003	654,000
Deferred tax charged to the profit and loss account during the year (note 11)	<u>(184,000)</u>
At 31 December 2003 and 1 January 2004	470,000
Deferred tax charged to the profit and loss account during the year (note 11)	<u>–</u>
At 31 December 2004	<u>470,000</u>

23. DEFERRED TAX ASSETS (Cont'd)

The Group has tax losses arising in Hong Kong of HK\$271,620,641 (2003: HK\$264,397,313) 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 2004, there was no significant unrecognised deferred tax liability (2003: 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.

24. ACCOUNTS RECEIVABLE

	Group	
	2004	2003
	HK\$	HK\$
Accounts receivable	370,456,921	604,947,136
Less: Specific provision for doubtful debts	(21,831,242)	(19,231,242)
	<u>348,625,679</u>	<u>585,715,894</u>

An aged analysis of accounts receivable is as follows:

	Group	
	2004	2003
	HK\$	HK\$
Current to 30 days	343,619,256	571,681,295
31 to 60 days	1,167,619	2,469,333
61 to 90 days	742,887	550,643
Over 90 days	24,927,159	30,245,865
	<u>370,456,921</u>	<u>604,947,136</u>

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.

Included in the accounts receivable balance as at 31 December 2004 is a broker receivable amount due from a substantial beneficial shareholder of the Company, Shenyin & Wanguo Securities Co., Ltd. ("SWSC"), of HK\$113,473,320 (2003: HK\$46,369,187) which arose from securities dealing transactions. This balance is unsecured, interest-free and payable on the settlement day of the relevant trades.

25. LOANS AND ADVANCES

	Group	
	2004 HK\$	2003 HK\$
Loans and advances to customers:		
Secured	154,383,542	280,705,629
Unsecured	2,432,159	3,221,289
	<u>156,815,701</u>	<u>283,926,918</u>
Less: Specific provision for doubtful debts	<u>(18,348,729)</u>	<u>(17,641,227)</u>
	<u>138,466,972</u>	<u>266,285,691</u>

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

	Group	
	2004 HK\$	2003 HK\$
Repayable on demand	143,268,185	269,590,272
Undated	13,547,516	14,336,646
	<u>156,815,701</u>	<u>283,926,918</u>

As at 31 December 2004, the total market value of securities pledged by customers as collateral in respect of the above loans and advances to customers was HK\$650,366,450 (2003: HK\$869,855,593).

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Cash and bank balances	90,950,685	25,282,822	2,850,536	1,094,536
Time deposits	11,507,900	12,424,829	-	-
	<u>102,458,585</u>	<u>37,707,651</u>	<u>2,850,536</u>	<u>1,094,536</u>

27. ACCOUNTS PAYABLE

An aged analysis of accounts payable is as follows:

	Group	
	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Current to 30 days	960,834,738	1,521,912,454

Included in the accounts payable balance as at 31 December 2004 is a broker payable amount due to a substantial beneficial shareholder of the Company, SWSC, of HK\$26,184,888 (2003: HK\$64,835,429) 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 as at 31 December 2004 is segregated client money held on behalf of another substantial beneficial shareholder, Shenyin Wanguo (H.K.) Holdings Limited ("SWHKH"), of HK\$23,725,681 (2003: HK\$15,685,561) which also arose from securities dealing transactions. This balance is unsecured, bears interest at bank deposit savings rate (2003: bank deposit savings rate) and is payable on request.

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2004 <i>HK\$</i>	2003 <i>HK\$</i>	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Other payables	6,184,853	6,986,521	1,423,999	1,658,159
Accruals	17,711,751	26,892,123	4,181,125	5,619,243
	23,896,604	33,878,644	5,605,124	7,277,402

29. INTEREST-BEARING BANK LOANS

	Group	
	2004 HK\$	2003 <i>HK\$</i>
Bank loans, secured	–	106,475,170

The maturities of the Group's bank loans at the balance sheet date are analysed as follows:

	Group	
	2004 HK\$	2003 <i>HK\$</i>
Bank loans repayable:		
Within one year or on demand	–	105,272,722
In the second year	–	281,017
In the third to fifth years, inclusive	–	895,390
Beyond five years	–	26,041
	–	106,475,170
Portion classified as current liabilities	–	(105,272,722)
	–	1,202,448

As at 31 December 2003, the secured bank loans were secured by the pledge of interests in associates (formerly jointly-controlled entities) (note 19), certain listed investments of the Group (note 22), listed shares of customers pledged to the Group as security for the loans and advances to these customers (note 25), land and buildings of the Group (note 15) and guarantee given by the Company.

As at 31 December 2004, the unutilised banking facilities were secured by the pledge of interests in associates (formerly jointly-controlled entities) (note 19), listed shares of customers pledged to the Group as security for the loans and advances to those customers (note 25) and guarantee given by the Company.

30. SHARE CAPITAL

	Company	
	Number of ordinary shares of HK\$0.50 each	HK\$
Authorised	2,000,000,000	1,000,000,000
Issued and fully paid:		
At 31 December 2003 and 31 December 2004	530,759,126	265,379,563

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 24 of the financial statements.

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

(b) Company

	<i>Notes</i>	Share premium account <i>HK\$</i>	General reserve <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
At 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 and 1 January 2004		314,739,683	656,293	2,546,496	317,942,472
Net profit for the year		–	–	15,697,610	15,697,610
Proposed final 2004 dividend	13	–	–	(5,307,591)	(5,307,591)
At 31 December 2004		<u>314,739,683</u>	<u>656,293</u>	<u>12,936,515</u>	<u>328,332,491</u>

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

32. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT**Major non-cash transaction**

During the year, the Group received a short term investment of HK\$23,606,599 and a long term investment of HK\$156,320,000 as settlement of the long term receivable of HK\$182,767,388, further details of which were set out in note 21 to the financial statements.

33. CONTINGENT LIABILITIES

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

	Group		Company	
	2004 <i>HK\$</i>	2003 <i>HK\$</i>	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Guarantees in respect of bank loans and other facilities granted to subsidiaries	—	—	582,500,000	611,500,000

As at 31 December 2004, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were not utilised (2003: utilised to the extent of approximately HK\$105,000,000).

34. COMMITMENTS**(a) Capital commitments**

	Group	
	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Contracted, but not provided for	1,337,600	1,200,000

(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.

At 31 December 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Within one year	3,938,223	8,113,905
In the second to fifth years, inclusive	105,973	3,144,731
	4,044,196	11,258,636

At 31 December 2004, the Company did not have any other significant commitments (2003: Nil).

35. RELATED PARTY TRANSACTIONS

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

- (a) The Group paid a service fee of HK\$158,709 (2003: Nil) and brokerage commissions totaling HK\$2,237,823 (2003: HK\$1,413,162) to a substantial beneficial shareholder of the Company, SWSC, during the year. The service fee and the brokerage commissions were based on mutually agreed terms with reference to the prices and conditions similar to those offered to other customers of SWSC.
- (b) The Group paid a research fee of HK\$500,000 (2003: HK\$830,000) to a subsidiary of SWSC during the year. The research fee 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.
- (c) The Group received brokerage commission income totaling HK\$109,589 (2003: HK\$16,897) from a substantial beneficial shareholder of the Company, SWHKH, which was based on the published prices and conditions offered to the major customers of the Group.

The above related party transactions constituted continuing connected transactions of the Group during the year as defined in Chapter 14A of the Listing Rules.

36. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of the recently issued SSAP Interpretation 22 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 8 April 2005.

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, 27 May 2005 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 2004;
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);
 - (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).”

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.”

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.”

By order of the Board

Wong Che Keung, Leslie
Company Secretary

Hong Kong, 22 April 2005

Notes:

1. The register of members of the Company will be closed from Monday, 23 May 2005 to Friday, 27 May 2005, 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, 20 May 2005.
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 notarially 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 2004 Annual Report of the Company.