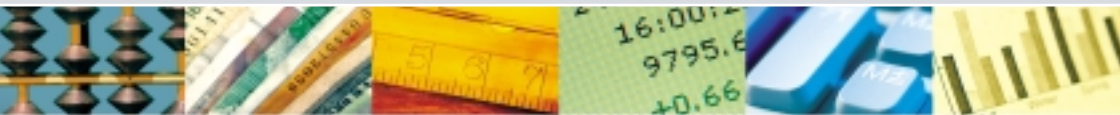




Shenyin Wanguo (H.K.) Limited
申銀萬國(香港)有限公司

Interim Report 2005



Results

The Directors of Shenyin Wanguo (H.K.) Limited (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 together with comparative figures for the corresponding period of last year.

Condensed Consolidated Profit And Loss Account

		Six months ended 30 June	
		2005	2004
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
			(Restated)
TURNOVER	4	100,196	842,860
Other revenue and gains		75	229
Cost of trading securities sold		(63,062)	(789,905)
Staff costs		(20,138)	(20,351)
Depreciation and amortisation expenses		(1,179)	(4,365)
Interest expenses for financial services operations		(10)	(1,165)
Net unrealised losses on financial assets at fair value through profit or loss/equity investments		(3,247)	(11,801)
Write-back of provision for bad and doubtful debts		3,200	-
Write-back of impairment provisions on long term investments		-	4,007
Other operating expenses, net		(15,798)	(17,213)
Finance costs	5	-	(21)
Share of profits of associates		5,840	6,105
PROFIT BEFORE TAX	6	5,877	8,380
Tax	7	(653)	(1,500)
PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>5,224</u>	<u>6,880</u>
EARNINGS PER SHARE	8		
Basic		0.98 cents	1.30 cents
Diluted		<u>N/A</u>	<u>N/A</u>

Condensed Consolidated Balance Sheet

		30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000 (Restated)
	Notes		
NON-CURRENT ASSETS			
Fixed assets		3,097	2,657
Prepaid land lease payments		1,583	1,604
Stock and Futures Exchange trading rights		3,791	4,212
Other assets		6,700	7,577
Interests in associates		118,104	112,264
Goodwill		57,632	57,632
Available-for-sale financial assets/ long term investments	9	227,046	166,281
Deferred tax assets		470	470
		<u>418,423</u>	<u>352,697</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss/short term investments		55,861	80,107
Accounts receivable	10	104,603	348,626
Loans and advances		130,310	138,467
Tax recoverable		719	1,187
Deposits, prepayments and other receivables		9,517	6,882
Bank balances held on behalf of customers		576,397	606,121
Cash and cash equivalents		92,620	102,459
		<u>970,027</u>	<u>1,283,849</u>
CURRENT LIABILITIES			
Accounts payable	11	657,983	960,835
Tax payable		345	186
Other payables and accruals		17,812	23,896
		<u>676,140</u>	<u>984,917</u>
NET CURRENT ASSETS			
		<u>293,887</u>	<u>298,932</u>
		<u>712,310</u>	<u>651,629</u>
CAPITAL AND RESERVES			
Issued capital		265,380	265,380
Reserves		446,930	380,941
Proposed final dividend		—	5,308
		<u>712,310</u>	<u>651,629</u>

Condensed Consolidated Statement of Changes in Equity

	Issued capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	General reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
At 1 January 2005 (audited)	265,380	314,740	15	9,961	138	56,087	5,308	651,629
Final 2004 dividend declared	-	-	-	-	-	-	(5,308)	(5,308)
Change in fair value of available- for-sale financial assets	-	-	-	60,765	-	-	-	60,765
Profit for the period (unaudited)	-	-	-	-	-	5,224	-	5,224
At 30 June 2005 (unaudited)	<u>265,380</u>	<u>314,740</u>	<u>15</u>	<u>70,726</u>	<u>138</u>	<u>61,311</u>	<u>-</u>	<u>712,310</u>
At 1 January 2004 (audited)*	265,380	314,740	15	-	138	52,339	10,615	643,227
Final 2003 dividend declared	-	-	-	-	-	-	(10,615)	(10,615)
Profit for the period (unaudited)	-	-	-	-	-	6,880	-	6,880
At 30 June 2004 (unaudited)	<u>265,380</u>	<u>314,740</u>	<u>15</u>	<u>-</u>	<u>138</u>	<u>59,219</u>	<u>-</u>	<u>639,492</u>

* These figures were restated in the consolidated financial statements for the year ended 31 December 2004.

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Net cash inflow/(outflow) from operating activities	(4,231)	112,321
Net cash inflow/(outflow) from investing activities	(300)	1,904
Net cash outflow from financing activities	<u>(5,308)</u>	<u>(115,750)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,839)	(1,525)
Cash and cash equivalents at beginning of period	<u>102,459</u>	<u>37,708</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>92,620</u>	<u>36,183</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	26,264	22,758
Time deposits with original maturity of less than three months when acquired	<u>66,356</u>	<u>13,425</u>
	<u>92,620</u>	<u>36,183</u>

Notes to Condensed Financial Statements

1. Principal Accounting Policies

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

The accounting policies and methods of computation adopted in the preparation of these unaudited condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2004 except for the adoption of a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) in the current period for the first time as detailed in note 2 to condensed financial statements.

In the preparation of the consolidated financial statements for the year ended 31 December 2004, Hong Kong Interpretation ("HK-Int") 1 (previously Statement of Standard Accounting Practice Interpretation 22) "The Appropriate Accounting Policies for Infrastructure Facilities" was adopted for the first time which was effective on 1 October 2004, subsequent to the last interim period ended 30 June 2004. HK-Int 1 prohibited the use of the sinking fund method as a basis for depreciating or amortising infrastructure assets. This method was previously applied by the associates 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 the acquisition of a subsidiary holding the interests in those associates in prior years. Details of these changes and the prior year adjustments made in the consolidated financial statements for the year ended 31 December 2004 were disclosed in 2004 Annual Report.

As a result of the adoption of HK-Int 1, certain comparative amounts for the period ended 30 June 2004 have been restated to reflect the above impacts. The Group's amortisation of goodwill and share of profits of associates for the six months ended 30 June 2004 have been increased by HK\$726,000 and decreased by HK\$1,575,000, respectively.

2. New and Revised HKFRSs

The Group has adopted the following new and revised HKFRSs which are effective for accounting periods commencing on or after 1 January 2005:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

2. New and Revised HKFRSs (continued)

The adoption of HKASs 1, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 33, 37, 38 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited condensed consolidated interim financial statements. In summary:

- HKAS 1 affects certain presentation in the consolidated balance sheet, consolidated profit and loss account and consolidated statement of changes in equity.
- HKAS 8 affects certain disclosure of the accounts.
- HKAS 24 affects the identification of related parties and the disclosure of related party transactions.
- HKAS 7, 10, 12, 14, 16, 18, 19, 21, 23, 27, 28, 33, 37, 38 and HK-Int 4 do not have any impact as the Group's accounting policies is already in compliance with the standards.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 - Leases

The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings held for own use were previously carried at cost less accumulated depreciation and any impairment losses. In accordance with HKAS 17, the Group's leasehold interest in land and building is separated into leasehold land and leasehold building at the inception of the lease. The leasehold land is classified as being held under operating lease because the title of the land is not expected to pass to the Group by the end of the lease term and therefore is reclassified from fixed assets to prepaid land lease payments, and is stated at cost and amortised on the straight-line basis over the period of the lease.

This change in accounting policy has no material impact on the condensed consolidated profit and loss account. The comparatives on the condensed consolidated balance sheet for the year ended 31 December 2004 have been restated to reflect the reclassification of leasehold land.

2. New and Revised HKFRSs (continued)

(b) HKAS 32 and HKAS 39 – Financial Instruments

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Previously, the Group's investments held for trading and non-trading purposes were classified as short term investments and long term investments, respectively, and were stated in the balance sheet at fair value. Upon the adoption of HKAS 32 and HKAS 39, investments previously held for trading purpose are reclassified as financial assets at fair value through profit or loss, and investments previously held for non-trading purpose are reclassified as available-for-sale financial assets.

In accordance with HKAS 39, the financial assets at fair value through profit or loss are measured at fair value with gains or losses arising from changes in fair value credited or charged to the consolidated profit and loss account for the period in which they arise. Available-for-sale financial assets are those non-derivative investments in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the financial asset is sold, collected or otherwise disposed of or until the financial asset is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated profit and loss account. Previously, the Group adopted similar treatment for changes in fair value of short term and long term investments.

In accordance with HKAS 39, the Group assesses at each balance sheet date whether there is any objective evidence that an available-for-sale financial asset is impaired as a result of one or more events that occurred after the initial recognition of the financial asset ("loss events"), and that the loss event has an impact on the estimated future cash flows that can be reliably estimated. If there is objective evidence of impairment, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the consolidated profit and loss account. The amount of the loss recognised in the consolidated profit and loss account shall be the difference between the acquisition cost and current fair value, less any impairment loss on that available-for-sale financial asset previously recognised in the profit and loss account.

This change in accounting policy has no material impact on the condensed consolidated financial statements.

2. New and Revised HKFRSs *(continued)*

(c) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

Previously, goodwill arising on the acquisition of associates was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. In accordance with HKFRS 3 and HKAS 36, goodwill arising on acquisition is no longer amortised but instead, is tested annually for impairment. Any impairment loss recognised is not reversed in a subsequent period. The transitional provisions of HKFRS 3 require the accumulated amortisation as at 1 January 2005 to be eliminated with a corresponding decrease in the cost of goodwill.

As a consequence, the Group's goodwill is not amortised during the six months ended 30 June 2005 whereas the amortisation of the Group's goodwill amounted to HK\$1,517,000 (restated) for the six months ended 30 June 2004. In accordance with the transitional provisions of HKFRS 3, the comparative amounts have not been restated.

3. Segment Information

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

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

The Group's 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.

3. Segment Information (continued)

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

	Securities trading and investment holding		Securities broking and dealing		Securities financing and direct loans		Investment advisory services		Eliminated on consolidation		Total
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover:											
External customers	65,747	786,408	19,910	36,021	11,479	16,847	3,060	3,584	-	-	100,196
Inter-segment	-	-	-	-	285	-	1,330	1,360	(1,615)	(1,360)	-
Total	65,747	786,408	19,910	36,021	11,764	16,847	4,390	4,944	(1,615)	(1,360)	100,196
Segment results	(5,296)	(18,598)	(6,895)	8,151	11,944	14,079	920	1,227	-	-	673
Unallocated expenses											(636)
Finance costs											(21)
Share of profits of associates											5,840
Profit before tax											5,877
Tax											(653)
Profit from ordinary activities attributable to shareholders											5,224
											6,880

(Restated)

4. 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:

	Six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Financial services:		
Sales proceeds from securities and futures contracts trading	65,338	785,218
Interest income from securities financing and direct loans	8,204	16,713
Commission and brokerage income	19,877	36,114
Rendering of services	3,060	3,220
	<u>96,479</u>	<u>841,265</u>
Others:		
Bank interest income	3,275	134
Dividend income from listed financial assets at fair value through profit or loss/ listed equity investments	394	1,170
Others	48	291
	<u>3,717</u>	<u>1,595</u>
	<u>100,196</u>	<u>842,860</u>

5. Finance Costs

	Six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Interest on bank loans and overdrafts	<u>-</u>	<u>21</u>

6. Profit Before Tax

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

	Six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000 (Restated)
Depreciation	737	2,406
Amortisation of prepaid land lease payments	21	21
Amortisation of goodwill	-	1,517
Amortisation of Stock and Futures Exchange trading rights	421	421
Net realised losses/(gains) on trading of financial assets at fair value through profit or loss/equity investments and futures contracts	(2,276)	4,687
	<u> </u>	<u> </u>

7. Tax

Provision for Hong Kong profits tax has been made at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	159	1,500
Underprovision in the prior period	494	-
	<u> </u>	<u> </u>
	<u>653</u>	<u>1,500</u>

Share of overseas tax attributable to associates for the six months ended 30 June 2005 of HK\$1,598,000 (2004 restated: HK\$1,137,000) is included in the share of profits of associates.

8. Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the unaudited profit from ordinary activities attributable to shareholders for the period of HK\$5,223,703 (2004 restated: HK\$6,880,491) and 530,759,126 (2004: 530,759,126) ordinary shares in issue during the period.

(b) Diluted earnings per share

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

9. Available-for-sale Financial Assets/Long Term Investments

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Unlisted equity investments in Hong Kong, at fair value	<u>227,046</u>	<u>166,281</u>

In accordance with HKAS 39, the long term investments were reclassified as available-for-sale financial assets on 1 January 2005.

Change in fair value of the unlisted equity investments of HK\$60,765,000 was recognised in the investment revaluation reserve during the period.

10. Accounts Receivable

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Accounts receivable	128,410	370,457
Less: Specific provision for doubtful debts	<u>(23,807)</u>	<u>(21,831)</u>
	<u>104,603</u>	<u>348,626</u>

10. Accounts Receivable *(continued)*

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
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An aged analysis of accounts receivable is as follows:

Current to 30 days	99,020	343,619
31 to 60 days	1,568	1,168
61 to 90 days	1,123	743
Over 90 days	26,699	24,927
	<u>128,410</u>	<u>370,457</u>

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

Included in the accounts receivable balance at the balance sheet date is a broker receivable amount due from a substantial beneficial shareholder of the Company, Shenyin & Wanguo Securities Co., Ltd. ("SWSC"), of HK\$6,780,000 (31 December 2004: HK\$113,473,000) which arose from securities dealing transactions. This balance is unsecured, interest-free and payable on the settlement day of the relevant trades.

11. Accounts Payable

An aged analysis of accounts payable is as follows:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
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Current to 30 days	<u>657,983</u>	<u>960,835</u>
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Included in the accounts payable balance at the balance sheet date is a broker payable amount due to a substantial beneficial shareholder of the Company, SWSC, of HK\$3,618,000 (31 December 2004: HK\$26,185,000) which arose from securities dealing transactions. This balance is unsecured, interest-free and payable on the settlement day of the relevant trades.

11. Accounts Payable *(continued)*

Included in the accounts payable balance at the balance sheet date is segregated client money held on behalf of another substantial beneficial shareholder, Shenyin Wanguo (H.K.) Holdings Limited ("SWHKH"), of HK\$22,025,000 (31 December 2004: HK\$23,726,000) which also arose from securities dealing transactions. This balance is unsecured, bears interest at bank deposit savings rate and is payable on request.

12. Commitments

(a) Capital commitments

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Contracted, but not provided for	<u>1,624</u>	<u>1,338</u>

(b) Operating lease commitments as a lessee

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

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Within one year	7,135	3,938
In the second to fifth years, inclusive	<u>10,451</u>	<u>106</u>
	<u>17,586</u>	<u>4,044</u>

13. Related Party Transactions

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

(a) Substantial beneficial shareholder

- (i) The Group paid a service fee of HK\$213,000 (period ended 30 June 2004: Nil) and brokerage commissions totaling HK\$893,000 (period ended 30 June 2004: HK\$1,453,000) to SWSC which were based on mutually agreed terms with reference to the prices and conditions similar to those offered to other customers of SWSC.

13. Related Party Transactions *(continued)*

(a) Substantial beneficial shareholder *(continued)*

- (ii) The Group received brokerage commission income totaling HK\$25,000 (period ended 30 June 2004: HK\$11,000) from SWHKH which was based on the published prices and conditions offer to the major customers of the Group.

(b) Subsidiary of a substantial beneficial shareholder

The Group accrued for a research fee of HK\$450,000 (period ended 30 June 2004: Nil) to a subsidiary of SWSC which was based on mutually agreed terms with reference to the prices and conditions similar to those offered to other customers of that subsidiary of SWSC. This amount is included in "other payables and accruals" on the condensed consolidated balance sheet.

(c) Key management personnel compensation

	Six months ended 30 June	
	2005	2004
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Short term employee benefits	6,817	6,648
Post-employment benefits	528	488
	7,345	7,136

14. Comparative Amounts

Certain comparative amounts have been reclassified and restated to comply with the new and revised HKFRSs' requirements and conform with the current period's presentation.

15. Review of Accounts

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2005.

16. Interim Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005 (2004: Nil).

Management Discussion And Analysis

Business Review

In the first half of the year, the Group achieved an unaudited profit attributable to shareholders of HK\$5.2 million (2004 restated: HK\$6.9 million), representing a decrease of 24% over 2004 while the turnover of the Group fell approximately by HK\$743 million to HK\$100 million on a year-on-year comparison (2004: HK\$843 million).

The Group continued to focus on its stockbroking and dealing businesses principally on the stocks listed on the Stock Exchange of Hong Kong as well as B shares listed on the Shanghai and Shenzhen Stock Exchanges. The stockbroking business contributed HK\$20 million to the Group's turnover while the number of clients increased by 5% for the six months ended 30 June 2005.

In respect of fund raising activities, due to changes in investor appetite for new issues, Shenyin Wanguo Capital (H.K.) Limited, a wholly owned subsidiary of the Company, actively participated in big capitalization H share IPOs including the new issue of Shanghai Electric, Bank of Communications and China COSCO. In the area of advisory services, it acted as financial advisers to several listed companies including Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. and Shanghai Zendai Property Limited and as independent financial advisers to China Eastern Airlines in relation to its very substantial acquisition of Yunnan Airlines and Northwest Airlines.

Shenyin Wanguo Asset Management (Asia) Ltd. continued to develop the overseas institutional market. Following the success of the SYWG Aizawa 'A' Share Funds, a new SYWG – Aizawa Chinese Equity Prospective for Listing Fund specializing in pre IPOs, IPOs and listed shares of Chinese related companies was launched in June, again in collaboration with Aizawa Securities Co., Ltd. in Japan, with the fund size of the first phase in the sum of US\$18 million. A new team has joined this Company in June 2005, targeting the retail investors' market. They will set up a new fund with the theme of value investing and also provide discretionary account management services.

Market Review

Hong Kong economy grew solidly in the first half of 2005 as revealed in notable growth in consumer demand, renewed increase in investment and a generally brisk export performance. In the first quarter of 2005, Gross Domestic Product grew by 6% in real terms over a year earlier. In comparison with our neighboring economies in the region, the growth performance of Hong Kong is encouraging.

Local consumption demand held firm along with the more entrenched economic recovery and improving labour market. The unemployment rate fell steadily to below 6% in June 2005 following the increase in domestic consumer spending, vibrant inbound tourism, remarkable growth in external trade and rebound in property market. According to the Hong Kong's Composite Consumer Price Index, overall consumer prices raised by 1.2% in June 2005 over a year earlier. Return of resilient local consumer and business confidence has been clearly evident.

The local stock market, having stayed upbeat in 2004, consolidated in the first quarter of 2005, amidst a generally cautious investment sentiment. With solid growth momentum of the Hong Kong economy, the local stock market rebounded in the second quarter of 2005. For the first six months ended June this year, the turnover value of the Hong Kong stock market reached HK\$2,027.5 billion representing a year-on-year increase of 0.97%. The benchmark Hang Seng Index closed at 14,201 at end-June 2005 which was 15.6% higher than that at end-June 2004. By period end, the Hang Seng China Enterprises Index ended 4,861.9 points, representing an increase of 13.3% when compared to the corresponding period of last year.

B-share activity remained mixed during the first six months of the year. A moratorium on new issues remained in place. The B-share indices on the Shanghai and Shenzhen Stock Exchanges reached highs (and lows) of 84.0 (63.7) and 276.8 (211.6), respectively, during the period. The average daily turnover of the B-shares declined to RMB 80.2 million from RMB 136.7 million for the Shanghai Stock Exchange and increased to RMB 203.3 million from RMB 179.8 million on the Shenzhen Stock Exchange, respectively, over the same period as last year.

Looking Ahead

The Hong Kong economy will continue to grow steadily in the second half of the year with the momentum gathering force following the new exchange policy of RMB and further relaxation of holding fund by the mainland visitors. Capital inflows may give a boost to Hong Kong Market. The rapid growth in tourism, particularly after the opening of Hong Kong Disneyland, will boost retail sales and lift consumer sentiments.

However, as Hong Kong is an externally oriented economy, the unfavourable factors in external environment will exert significant impact on the economy of Hong Kong. Apart from rising interest rate, volatility in commodity prices, sustained higher crude oil prices and weaker regional economy outlook, different assessment towards Mainland China economic cycle and industry business cycle may also bring uncertainties to investment sentiments of Hong Kong.

Our Group is a Hong Kong based securities firm, specializing in stockbroking and dealing businesses principally on the stocks listed on the Stock Exchange of Hong Kong as well as B shares listed on the Shanghai and Shenzhen Stock Exchanges. Although we anticipate a steady upward economic growth, we remain cautious of the economy's exposure to external shocks since the economy transformation is still underway.

In this environment, we have been taking a conservative approach in our proprietary share trading, provision of margin financing to clients and business expansion while prudent cost controls remain in place. At the same time, our Group shall continue to focus proactively on tapping business opportunities to provide financial advisory and capital raising services to predominately PRC corporations, strengthening our traditional stockbroking business and maintaining high liquidity to respond to opportunities which may appear at any moment. Further, we shall continue to work closely with our parent company, Shenyin & Wanguo Securities Co., Ltd in co-marketing efforts, on several fronts, in order to strengthen existing, and establish new institutional brokerage businesses for our Group and our parent company. We shall continue to recruit sales professionals to sustain a growth in our market share and our operating revenue amidst the on-going keen competition in the industry.

Capital Structure

During the period, there was no change to the share capital of the Company. As at 30 June 2005, the total number of the issued ordinary shares was 530,759,126 shares and total equity attributable to shareholders was HK\$712 million.

Liquidity and Financial Resources

As at 30 June 2005, the Group had a cash holding of HK\$93 million and short term marketable securities of HK\$56 million. As at 30 June 2005, the Group's total unutilised banking facilities amounted to HK\$590 million, of which HK\$187 million could be drawn down without the need of notice nor completion of condition precedent.

As at 30 June 2005, the Group had no outstanding borrowings and the liquidity ratio (current assets to current liabilities) was 1.43.

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

Significant Investment Held, Material Acquisition and Disposal

During the period, the Group continued to derive a stable earnings stream from its 26.19% interest in The New China Hong Kong Highway Limited ("NCHK"), which in turn held a 60% interest in Sichuan Chengmian Expressway Co., Ltd. ("SCECL"). In accordance with the terms of the joint venture agreement, from 22 December 2003 to 21 December 2008, NCHK is entitled to 60% of the net profit generated by SCECL which are derived from the financial statements of SCECL. The interests in associates had a carrying value of HK\$118 million as at 30 June 2005.

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

Charges on the Group's Asset

The Group's interest in associates has been pledged to a bank as security for a stand-by short term loan facility. As at 30 June 2005, the Group did not utilise this stand-by loan facility.

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 30 June 2005, the advances to customers included direct loans of HK\$0.05 million (31 December 2004: Nil) and margin financing of HK\$143 million (31 December 2004: HK\$157 million). All direct loans were advanced to individual borrowers. In respect of margin financing, 13% (31 December 2004: 24%) 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 30 June 2005.

Future Plans for Material Investments or Capital Assets

Except the future plans as disclosed in the paragraph of "Looking Ahead", the Group had no other future plans for material investments or capital assets as at 30 June 2005.

Employees and Training

As at 30 June 2005, the total number of full-time employees was 126. The total staff costs for the period (excluding directors' fees) amounted to approximately HK\$20 million.

The Group is committed to professional training for its employees. In compliance with the relevant requirement of the Securities & Futures Commission, the Group will organize a Continuous Professional Training seminar in September 2005 for all licensed staff members.

Additional Information

Directors' Interests in Shares

At 30 June 2005, the interests of the Director in the share capital of the Company or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Long Positions in Ordinary Shares of the Company

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

Save as disclosed above, as at 30 June 2005, 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 period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

At 30 June 2005, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long Positions in Ordinary Shares of the Company

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's shares in issue
Shenyin Wanguo Holdings (B.V.I.) Limited ("SWHBVI")	Directly beneficially owned	268,334,875*	50.56
Venture-Some Investments Limited ("VSI")	Through controlled corporation	268,334,875*	50.56
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 30 June 2005, no person, other than one director of the Company, whose interest is set out in the section "Directors' interests in shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Code on Corporate Governance Practices

The Company executed high standard of business ethics and corporate governance practices. The Board considers such commitment essential in achieving high level of transparency and accountability and it is to the best interests of the shareholders.

The Company has complied with all code provisions laying down in the Code on Corporate Governance Practices Appendix 14 of the Listing Rules throughout the accounting period for the six months ended 30 June 2005, except for the following provisions:-

Code Provisions A 4.1 and A 4.2

Code A 4.1 specifies that non-executive directors should be appointed for a specific term, subject to re-election.

Code A 4.2 specifies that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Directors of the Company do not have specific term of appointment. However, in accordance with Article 104 (A) of the Articles of Association of the Company, at each Annual General Meeting, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office.

In compliance of Codes A4.1 and A4.2 in full, the Board has proposed the amendment to the Articles of Association of the Company in respect of retirement of every director (including the non-executive director) at least once every 3 years for shareholders' approval at the coming annual general meeting.

Model Code for Securities Transactions

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

Audit Committee

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

Purchase, Redemption and Sale of Listed Shares

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

On Behalf of the Board

Feng Guorong

Chairman

Hong Kong, 9 September 2005