

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	-	-	3,417,762	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	257,262,905	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	2003
	HK\$	HK\$
Proposed final – HK1 cent (2003: HK2 cents) per ordinary share	5,307,591	10,615,183

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	230,787,469	210,015,439
Profit before tax	98,421,160	71,974,846
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	436,811,296	476,395,942

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)	(184,000)
At 31 December 2003 and 1 January 2004	470,000
Deferred tax charged to the profit and loss account during the year (note 11)	–
At 31 December 2004	470,000

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 HK\$	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 HK\$	2003 <i>HK\$</i>	2004 HK\$	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	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
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	2003
	HK\$	HK\$
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	2003
	HK\$	HK\$
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.