1. CORPORATE INFORMATION

Shenyin Wanguo (H.K.) Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company 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 loans
- investment advisory services

In addition, the associates of the Group were involved in highway operations during the year.

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

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") 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 financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest dollar except when otherwise indicated.

2.1 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2005. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

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
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 3	Business Combinations
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 27, 28, 33, 37 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation in the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

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

(a) HKAS 17 – Leases

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the consolidated income statement and retained profits. The comparative amounts for the year ended 31 December 2004 in the consolidated balance sheet have been restated to reflect the reclassification of the leasehold land.

(b) HKAS 32 and HKAS 39 – Financial Instruments

(i) Equity securities

In prior years, the Group classified its investments in equity securities held for non-trading purposes as long term investments and they were stated at their fair values on an individual basis with gains and losses recognised as movements in the investment revaluation reserve. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 in the amount of HK$166,281,413 are designated as available-for-sale investments of HK$227,708,436 with an embedded derivative liability of HK$61,427,023 under the transitional provisions of HKAS 39. Accordingly, the available for-sale investments are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment and the embedded derivative liability is stated at fair value with gains and losses being recognised in the income statement.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

(b) HKAS 32 and HKAS 39 – Financial Instruments *(Cont'd)*

(i) Equity securities (Cont'd)

In prior years, the Group classified its investments in equity securities for trading purposes as short term investments, and they were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 in the amount of HK$80,106,715 are designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

The adoption of HKAS 39 has not resulted in any change in the measurement of these equity securities.

(ii) Club debentures

In prior years, the Group classified its club debentures as non-current other assets, which were held for non-trading purposes and were stated at cost less impairment losses, on an individual basis. Upon the adoption of HKAS 39, these club debentures held by the Group at 1 January 2005 in the amount of HK$2,470,000 are designated as available-for-sale investments under the transitional provisions of HKAS 39 and are accordingly stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment.

The adoption of HKAS 39 has not resulted in any change in the measurement of these investments.

(iii) Accrued interest expenses of the associates

In prior years, an interest-free amount representing the accrued interest expenses of loans from minority equity owner of the associates were stated at cost in the financial statements of the associates. Upon the adoption of HKAS 39, the loans from the minority equity owner of the associates are recognised initially at fair value less attributable transaction costs. Subsequent to the initial recognition, the accrued interest expenses are stated at amortised cost. This change in accounting policy has been accounted for by the associates by restating the accrued interest expenses, net of tax, of loans from minority equity owner by way of an opening adjustment to its retained profits and minority interests as at 1 January 2005.

As a result, adjustment has also been made in the Group's financial statements by way of an opening adjustment to the retained profits as at 1 January 2005 based on the Group's share of net assets in the associates.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

(c) HKAS 38 – Intangible Assets and HKAS 36 – Impairment of Assets

In prior years, the Stock and Futures Exchange trading rights, being the eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited (the "Trading Rights"), were amortised on the straight-line basis over their estimated useful life of 10 years and were subject to impairment testing when there was any indication of impairment.

The adoption of HKAS 38 and HKAS 36 has resulted in the Group determining the useful lives of the Trading Rights as indefinite, commencing reviewing the useful lives of the Trading Rights, ceasing annual amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with the transitional provisions of HKAS 38, comparative amounts have not been restated.

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

In prior years, goodwill arising on the acquisitions 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.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill.

The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 incorporates the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 and HKFRS 4 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18. The adoption of the amendments to HKAS 39 and HKFRS 4 will result in the recognition of a financial liability in the Company's balance sheet in respect of corporate guarantees given by the Company in connection with banking facilities granted to its subsidiaries.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

The HKAS 19 Amendment, HKAS 21 Amendment, HKAS 39 Amendment regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1 and 6 Amendments, HKFRS 6, HK(IFRIC)-Int 5, HK(IFRIC)-Int 6 and HK(IFRIC)-Int 7 do not apply to the activities of the Group. HK(IFRIC)-Int 6 shall be applied for annual periods beginning on or after 1 December 2005.

Except as stated above, the Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

	Effect of adopting			
At 1 January 2005	**HKAS 17#**	**HKASs 32# and 39***	**HKAS 39***	
Effect of new policies (Increase/(decrease))	**Prepaid land lease payments**	**Change in classification of investments**	**Share of opening adjustment of associates regarding interest payable**	**Total**
	HK$	***HK$***	***HK$***	***HK$***
Assets				
Property, plant and equipment	**(1,603,875)**	**–**	**–**	**(1,603,875)**
Prepaid land lease payments	**1,562,925**	**–**	**–**	**1,562,925**
Interests in associates	**–**	**–**	**2,156,617**	**2,156,617**
Financial instruments	**–**	**166,281,413**	**–**	**166,281,413**
Long term investments	**–**	**(166,281,413)**	**–**	**(166,281,413)**
Deposits, prepayments and other receivables	**40,950**	**–**	**–**	**40,950**
Equity investments at fair value through profit or loss	**–**	**80,106,715**	**–**	**80,106,715**
Short term investments	**–**	**(80,106,715)**	**–**	**(80,106,715)**
				2,156,617
Liabilities/equity				
Long term investment revaluation reserve	**–**	**(9,961,413)**	**–**	**(9,961,413)**
Available-for-sale investment revaluation reserve	**–**	**9,961,413**	**–**	**9,961,413**
Retained profits	**–**	**–**	**2,156,617**	**2,156,617**
				2,156,617

* Adjustments taken effect prospectively from 1 January 2005

\# Adjustments/presentation taken effect retrospectively

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

(a) Effect on the consolidated balance sheet *(Cont'd)*

	Effect of adopting					
At 31 December 2005	**HKAS 17**	**HKASs 32 and 39**	**HKAS 39**	**HKFRS 3**	**HKAS 38**	
Effect of new policies (Increase/(decrease))	**Prepaid land lease payments**	**Change in classification of investments**	**Share of opening adjustment of associates regarding interest payables**	**Discontinuation of amortisation of goodwill**	**Discontinuation of amortisation of intangible assets**	**Total**
	HK$	***HK$***	***HK$***	***HK$***	***HK$***	***HK$***
Assets						
Property, plant and equipment	(1,562,925)	–	–	–	–	(1,562,925)
Prepaid land lease payments	1,521,975	–	–	–	–	1,521,975
Stock and Futures Exchange trading rights	–	–	–	–	842,366	842,366
Interests in associates	–	–	1,335,762	–	–	1,335,762
Goodwill	–	–	–	3,033,284	–	3,033,284
Other assets	–	(2,470,000)	–	–	–	(2,470,000)
Financial instruments	–	207,411,615	–	–	–	207,411,615
Long term investments	–	(204,941,615)	–	–	–	(204,941,615)
Deposits, prepayments and other receivables	40,950	–	–	–	–	40,950
Equity investments at fair value through profit or loss	–	39,886,687	–	–	–	39,886,687
Short term investments	–	(39,886,687)	–	–	–	(39,886,687)
						5,211,412
Liabilities/equity						
Long term investment revaluation reserve	–	(32,148,111)	–	–	–	(32,148,111)
Available-for-sale investment revaluation reserve	–	21,341,945	–	–	–	21,341,945
Retained profits	–	10,806,166	1,335,762	3,033,284	842,366	16,017,578
						5,211,412

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

(b) Effect on the balances of equity at 1 January 2004 and at 1 January 2005

Effect of new policies (Increase/(decrease))	Effect of adopting HKAS 39 Designation of available-for-sale investments	Effect of adopting HKAS 39 Share of opening adjustment of associates regarding interest payable	Total
	HK$	*HK$*	*HK$*
1 January 2004	–	–	–
1 January 2005			
Long term investment revaluation reserve	(9,961,413)	–	(9,961,413)
Available-for-sale investment revaluation reserve	9,961,413	–	9,961,413
Retained profits	–	2,156,617	2,156,617
			2,156,617

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

(c) Effect on the consolidated income statement for the years ended 31 December 2005 and 2004

	Effect of adopting					
	HKAS 1	HKFRS 3	HKAS 38	HKASs 32 and 39	HKAS 39	
Effect of new policies	Share of post-tax profits of associates	Discontinuation of amortisation of goodwill	Discontinuation of amortisation of intangible assets	Change in classification of investments	Share of opening adjustment of associates regarding interest payable	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Year ended 31 December 2005						
Decrease in depreciation and amortisation expenses	**–**	**3,033,284**	**842,366**	**–**	**–**	**3,875,650**
Increase in fair value gain on an unlisted financial instrument at fair value through profit or loss	**–**	**–**	**–**	**10,806,166**	**–**	**10,806,166**
Decrease in share of profits of associates	**(1,173,519)**	**–**	**–**	**–**	**(820,855)**	**(1,994,374)**
Decrease in tax	**1,173,519**	**–**	**–**	**–**	**–**	**1,173,519**
Total increase/(decrease) in profit	**–**	**3,033,284**	**842,366**	**10,806,166**	**(820,855)**	**13,860,961**
Increase/(decrease) in basic earnings per share	**–**	**0.57 cents**	**0.16 cents**	**2.04 cents**	**(0.16 cents)**	**2.61 cents**
Year ended 31 December 2004						
Decrease in share of profits of associates	(2,012,075)	–	–	–	–	(2,012,075)
Decrease in tax	2,012,075	–	–	–	–	2,012,075
Total change in profit	–	–	–	–	–	–
Change in basic earnings per share	–	–	–	–	–	–

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is a company 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 income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture 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 entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture'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 its board of directors;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(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's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Associates

An associate is an entity, 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 income statement 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. For the year ended 31 December 2004, previously recognised goodwill was amortised on the straight-line basis over its estimated useful life.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that 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 such impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c); or

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment 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 items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement 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 an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4%
Leasehold improvements	Over the lease terms
Furniture, fixtures and equipment	15%-33$^1/_3$%
Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Other assets

For the year ended 31 December 2004, other assets held on a long term basis were stated at cost less any impairment losses, on individual basis. For the year ended 31 December 2005, other assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the other assets are derecognised or impaired, as well as through the amortisation process.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets, which consist of the Stock and Futures Exchange trading rights, being the eligibility rights to trade on or through the Stock Exchange of Hong Kong Limited and the Hong Kong Futures Exchange Limited with indefinite useful lives, are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Investments and other financial assets

Applicable to the year ended 31 December 2004:

The Group classified its equity investments, other than subsidiaries and associates, as long term investments and short term investments.

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.

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

The gains or losses arising from changes in the fair value of a security are dealt with as movements in the 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 investment revaluation reserve, together with the amount of any further impairment, is charged to the income statement in the period in which the impairment arises.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investments and other financial assets *(Cont'd)*

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. 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 income statement in the period in which they arise.

Applicable to the year ended 31 December 2005:

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investments and other financial assets *(Cont'd)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities and club debentures that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets (applicable to the year ended 31 December 2005)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment of financial assets (applicable to the year ended 31 December 2005) *(Cont'd)*

Assets carried at amortised cost *(Cont'd)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss.

Derecognition of financial assets (applicable to the year ended 31 December 2005)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Derecognition of financial assets (applicable to the year ended 31 December 2005) *(Cont'd)*

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Derecognition of financial liabilities (applicable to the year ended 31 December 2005)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Embedded derivatives (applicable to the year ended 31 December 2005)

An embedded derivative is a component of a combined instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The embedded derivatives are separated from the host contract and accounted for as a derivative when (i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and (ii) the combined instrument is not measured at fair value with changes in fair value recognised in the income statement.

When the embedded derivative is separated the host contract is accounted for in accordance with the accounting policies for financial assets. The embedded derivative is classified under financial instruments in the financial statements.

Cash and cash equivalents

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

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 income statement.

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 income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Income tax

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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 goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination 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 and associates, 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.

2.5 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 credits 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 credits 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 in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, 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 reassessed at each balance sheet date and 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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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 an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(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) income from rendering of services, as the underlying services have been provided; and

(f) dividend income, when the shareholders' right to receive payment has been established.

2.5 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 income statement 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.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into 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 into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of goodwill

The Group determines whether goodwill is impaired on regular basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2005 was HK$57,632,404 (2004: HK$57,632,404). More details are given in note 21.

(b) Valuation of the financial instruments

The Group valued certain of its financial instruments using a valuation technique based on assumptions that are not supported by observable market prices or rates. Estimating the value of investments requires the Group to make certain estimates and assumptions, further details of which are given in note 22.

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, revenues are 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.

Intersegment sales and transfers are transacted with reference to terms and conditions used for similar transactions with third parties at the then prevailing market prices.

4. SEGMENT INFORMATION *(Cont'd)*

(a) Business segments

The following tables represent revenue, profit/loss and certain assets, liabilities and expenditure information for the Group's business segments for the years ended 31 December 2005 and 2004.

Group

	Securities trading and investment holding		Securities broking and dealing		Securities financing and direct loans		Investment advisory services		Eliminations		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
												(Restated)
Segment revenue:												
External customers	**101,298,446**	966,087,450	**46,490,033**	63,088,347	**28,307,277**	27,391,229	**6,453,814**	10,626,071	**–**	–	**182,549,570**	1,067,193,097
Intersegment	**–**	–	**–**	–	**–**	763,934	**2,664,000**	1,200,000	**(2,664,000)**	(1,963,934)	**–**	–
Total	**101,298,446**	966,087,450	**46,490,033**	63,088,347	**28,307,277**	28,155,163	**9,117,814**	11,826,071	**(2,664,000)**	(1,963,934)	**182,549,570**	1,067,193,097
Segment results	**8,361,916**	(25,675,912)	**(10,469,347)**	4,743,802	**23,105,999**	19,844,777	**(52,479)**	4,505,115	**–**	–	**20,946,089**	3,417,782
Unallocated expenses											**(1,664,928)**	(4,961,844)
Finance costs											**–**	(37,724)
Share of profits of associates	**8,636,045**	11,022,829									**8,636,045**	11,022,829
Profit before tax											**27,917,206**	9,441,043
Tax											**(1,054,000)**	(385,433)
Profit for the year											**26,863,206**	9,055,610

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		Eliminations		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Assets and liabilities												
Segment assets	**263,158,782**	257,362,905	**724,167,684**	1,047,213,055	**139,742,703**	144,065,174	**5,072,825**	5,078,982	**–**	–	**1,132,141,994**	1,453,720,116
Goodwill	**57,632,404**	57,632,404	**–**	–	**–**	–	**–**	–	**–**	–	**57,632,404**	57,632,404
Interests in associates	**102,935,686**	112,263,878	**–**	–	**–**	–	**–**	–	**–**	–	**102,935,686**	112,263,878
Unallocated assets											**15,481,464**	12,929,733
Total assets											**1,308,191,548**	1,636,546,131
Segment liabilities	**11,317,746**	11,621,404	**477,260,954**	842,750,743	**129,566,634**	130,006,688	**136,282**	352,507	**–**	–	**618,281,616**	984,731,342
Unallocated liabilities											**91,523**	186,000
Total liabilities											**618,373,139**	984,917,342
Other segment information:												
Capital expenditure	**–**	–	**1,610,068**	475,055	**–**	–	**–**	–	**–**	–	**1,610,068**	475,055
Amortisation of trading rights	**–**	–	**–**	842,366	**–**	–	**–**	–	**–**	–	**–**	842,366
Amortisation of goodwill	**–**	3,033,284	**–**	–	**–**	–	**–**	–	**–**	–	**–**	3,033,284
Depreciation of segment assets	**–**	–	**522,572**	2,419,040	**–**	–	**–**	–	**–**	–	**522,572**	2,419,040
(Write-back of impairment provisions)/write-off and impairment provisions for accounts receivable and loans and advances	**–**	4,689,753	**1,975,707**	–	**(5,175,707)**	4,000,000	**–**	–	**–**	–	**(3,200,000)**	8,689,753

4. SEGMENT INFORMATION *(Cont'd)*

(b) Geographical segments

The following table presents revenue and certain asset and capital expenditure information for the Group's geographical segments for the years ended 31 December 2005 and 2004.

Group

	2005	2004
	HK$	*HK$*
Segment revenue:		
The PRC:		
Hong Kong	**161,582,984**	760,158,449
Mainland China	**20,872,908**	306,867,053
Others	**93,678**	167,595
	182,549,570	1,067,193,097
Segment assets:		
The PRC:		
Hong Kong	**1,131,665,297**	1,420,268,847
Mainland China	**171,181,960**	169,897,237
Others	**5,344,291**	46,380,047
	1,308,191,548	1,636,546,131
Capital expenditure:		
The PRC:		
Hong Kong	**9,231,548**	616,973

5. REVENUE

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

	Group	
	2005	2004
	HK$	*HK$*
Financial services:		
Sales proceeds from securities and futures contracts trading	**99,695,457**	964,008,748
Interest income from securities financing and direct loans	**20,908,150**	26,390,188
Commission and brokerage income	**46,488,398**	61,676,986
Income from rendering of services	**6,453,293**	12,093,479
	173,545,298	1,064,169,401
Others:		
Bank interest income	**7,399,127**	1,001,039
Dividend income from listed equity investments	**1,546,345**	1,952,040
Others	**58,800**	70,617
	9,004,272	3,023,696
	182,549,570	1,067,193,097

6. OTHER GAINS

	Group	
	2005	2004
	HK$	*HK$*
Exchange gains, net	**144,607**	417,353

7. PROFIT BEFORE TAX

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

		Group	
	Notes	**2005**	2004
		HK$	*HK$*
			(Restated)
Depreciation	*15*	**2,028,359**	4,306,084
Amortisation of goodwill	*21*	**–**	3,033,284
Amortisation of Stock and Futures Exchange trading rights	*17*	**–**	842,366
Employee benefits expenses (including directors' remuneration – note 9):			
Wages and salaries		**40,484,885**	41,722,699
Retirement benefits schemes contributions		**2,955,922**	2,891,653
Less: Forfeited contributions		**(789,524)**	(613,368)
Net retirement benefits schemes contributions*		**2,166,398**	2,278,285
		42,651,283	44,000,984
Interest expenses for financial services operations on bank loans and overdrafts		**954,361**	1,680,833
Minimum lease payments under operating leases in respect of land and buildings		**10,303,050**	10,296,031
Auditors' remuneration		**960,000**	880,000
Loss/(gain) on disposal of items of property, plant and equipment		**(42,800)**	566
Net realised losses/(gains) on trading of listed equity investments and futures contracts		**(2,405,070)**	7,041,622
Net realised gains on disposal of available-for-sale investments		**(10,790)**	(9,505,773)

* At 31 December 2005, the Group had forfeited contributions of HK$49,846 (2004: Nil) available to reduce its contributions to the retirement benefits schemes in future years.

8. FINANCE COSTS

	Group	
	2005	2004
	HK$	*HK$*
Interest on bank loans and overdrafts	**–**	37,724

9. DIRECTORS' REMUNERATION

The directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2005	2004
	HK$	*HK$*
Fees	**300,000**	250,000
Other emoluments:		
Salaries, allowances and benefits in kind	**2,399,386**	4,480,000
Retirement benefits schemes contributions	**228,000**	228,000
	2,627,386	4,708,000
	2,927,386	4,958,000

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2005	2004
	HK$	*HK$*
Ng Wing Hang Patrick	**100,000**	100,000
Kwok Lam Kwong Larry	**100,000**	100,000
Zhuo Fumin	**100,000**	50,000
	300,000	250,000

There were no other emoluments payable to the independent non-executive directors during the year (2004: Nil).

9. DIRECTORS' REMUNERATION

(b) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Retirement benefits schemes contributions	Total remuneration
	HK$	*HK$*	*HK$*	*HK$*
2005				
Executive directors:				
Feng Guorong	**–**	**–**	**–**	**–**
Lu Wenqing	**–**	**–**	**–**	**–**
Lee Man Chun Tony	**–**	**2,399,386**	**228,000**	**2,627,386**
Guo Chun	**–**	**–**	**–**	**–**
Ying Niankang	**–**	**–**	**–**	**–**
	–	**2,399,386**	**228,000**	**2,627,386**
Non-executive directors:				
Chang Pen Tsao	**–**	**–**	**–**	**–**
Qu Zihai	**–**	**–**	**–**	**–**
Huang Gang	**–**	**–**	**–**	**–**
	–	**2,399,386**	**228,000**	**2,627,386**
2004				
Executive directors:				
Feng Guorong	–	–	–	–
Lu Wenqing	–	–	–	–
Lee Man Chun Tony	–	4,480,000	228,000	4,708,000
Guo Chun	–	–	–	–
Ying Niankang	–	–	–	–
Jiang Guofang	–	–	–	–
	–	4,480,000	228,000	4,708,000
Non-executive directors:				
Chang Pen Tsao	–	–	–	–
Qu Zihai	–	–	–	–
	–	4,480,000	228,000	4,708,000

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2004: one) director, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining four (2004: four) non-director, highest paid employees are as follows:

	Group	
	2005	2004
	HK$	*HK$*
Salaries, allowances and benefits in kind	**4,754,835**	4,648,080
Bonuses	**285,000**	422,500
Retirement benefits schemes contributions	**466,488**	443,808
	5,506,323	5,514,388

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

	Number of employees	
	2005	2004
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**3**	2
HK$2,000,001 to HK$2,500,000	**1**	1
	4	4

11. 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 year.

	2005 HK$	2004 HK$ (Restated)
Group:		
Current – Hong Kong		
Charge for the year	**91,523**	367,000
Underprovision in prior years	**492,477**	18,433
Deferred *(note 23)*	**470,000**	–
Total tax charge for the year	**1,054,000**	385,433

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax charge for the year is as follows:

	2005 HK$	2004 HK$ (Restated)
Profit before tax	**27,917,206**	9,441,043
Tax at the statutory tax rate of 17.5% (2004: 17.5%)	**4,885,511**	1,652,183
Adjustments in respect of current tax of previous periods	**492,477**	18,433
Profits attributable to associates	**(1,511,308)**	(1,928,995)
Income not subject to tax	**(4,835,356)**	(1,459,155)
Expenses not deductible for tax	**738,724**	1,301,621
Tax losses utilised from previous periods	**(1,121,820)**	(1,653,561)
Unrecognised deferred tax assets	**2,405,772**	2,454,907
Tax charge for the year	**1,054,000**	385,433

The share of tax attributable to associates amounting to HK$1,173,519 (2004: HK$2,012,075) is included in "Share of profits of associates" on the face of the consolidated income statement.

12. PROFIT FOR THE YEAR AND ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit for the year ended 31 December 2005 dealt with in the financial statements of the Company was HK$19,970,098 (2004: HK$15,697,610) (note 30(b)).

13. DIVIDEND

	2005	2004
	HK$	*HK$*
Proposed final – HK1 cent (2004: HK1 cent) per ordinary share	**5,307,591**	5,307,591

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share amount is based on the profit for the year of HK$26,863,206 (2004: HK$9,055,610) and 530,759,126 (2004: 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 years because there was no dilutive potential ordinary share in existence during the years ended 31 December 2005 and 2004.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$ (Restated)	Leasehold improvements HK$	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Total HK$ (Restated)
31 December 2005					
At 31 December 2004 and at 1 January 2005:					
Cost	2,047,500	13,245,455	35,922,924	4,253,739	55,469,618
Accumulated depreciation	(887,250)	(13,152,802)	(34,518,634)	(4,253,739)	(52,812,425)
Net carrying amount	1,160,250	92,653	1,404,290	–	2,657,193
At 1 January 2005, net of accumulated depreciation	1,160,250	92,653	1,404,290	–	2,657,193
Additions	–	4,843,916	4,387,632	–	9,231,548
Disposals	–	–	(5,500)	–	(5,500)
Depreciation provided during the year	(81,900)	(710,899)	(1,235,560)	–	(2,028,359)
At 31 December 2005, net of accumulated depreciation	1,078,350	4,225,670	4,550,862	–	9,854,882
At 31 December 2005:					
Cost	2,047,500	15,302,681	31,802,107	4,253,739	53,406,027
Accumulated depreciation	(969,150)	(11,077,011)	(27,251,245)	(4,253,739)	(43,551,145)
Net carrying amount	1,078,350	4,225,670	4,550,862	–	9,854,882

15. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

Group

	Buildings *HK$* (Restated)	Leasehold improvements *HK$*	Furniture, fixtures and equipment *HK$*	Motor vehicles *HK$*	Total *HK$* (Restated)
31 December 2004					
At 1 January 2004:					
Cost	2,047,500	13,245,645	35,849,183	4,253,739	55,396,067
Accumulated depreciation	(805,350)	(12,782,379)	(31,380,869)	(4,075,739)	(49,044,337)
Net carrying amount	1,242,150	463,266	4,468,314	178,000	6,351,730
At 1 January 2004, net of accumulated depreciation	1,242,150	463,266	4,468,314	178,000	6,351,730
Additions	–	–	616,973	–	616,973
Disposals	–	–	(5,426)	–	(5,426)
Depreciation provided during the year	(81,900)	(370,613)	(3,675,571)	(178,000)	(4,306,084)
At 31 December 2004, net of accumulated depreciation	1,160,250	92,653	1,404,290	–	2,657,193
At 31 December 2004:					
Cost	2,047,500	13,245,455	35,922,924	4,253,739	55,469,618
Accumulated depreciation	(887,250)	(13,152,802)	(34,518,634)	(4,253,739)	(52,812,425)
Net carrying amount	1,160,250	92,653	1,404,290	–	2,657,193

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2005	2004
	HK$	*HK$*
		(Restated)
Carrying amount at 1 January		
As previously reported	**–**	–
Effect of adopting HKAS 17 *(note 2.2(a))*	**1,603,875**	1,644,825
As restated	**1,603,875**	1,644,825
Recognised during the year	**(40,950)**	(40,950)
Carrying amount at 31 December	**1,562,925**	1,603,875
Current portion included in deposits, prepayments and other receivables	**(40,950)**	(40,950)
Non-current portion	**1,521,975**	1,562,925

The leasehold land is held under a long term lease and is situated in Hong Kong.

17. STOCK AND FUTURES EXCHANGE TRADING RIGHTS

	Group
	HK$
31 December 2005	
At 1 January 2005:	
Cost as previously reported	**8,011,296**
Effect of adopting HKAS 38 *(note 2.2(c))*	**(3,799,465)**
Cost as restated	**4,211,831**
Accumulated amortisation as previously reported	**(3,799,465)**
Effect of adopting HKAS 38 *(note 2.2(c))*	**3,799,465**
Accumulated amortisation as restated	**–**
At 31 December 2005:	
Net carrying amount	**4,211,831**

17. STOCK AND FUTURES EXCHANGE TRADING RIGHTS *(Cont'd)*

	Group
	HK$
31 December 2004	
At 1 January 2004:	
Cost	8,011,296
Accumulated amortisation	(2,957,099)
Net carrying amount	5,054,197
Cost at 1 January 2004, net of accumulated amortisation	5,054,197
Amortisation provided during the year	(842,366)
At 31 December 2004	4,211,831
At 31 December 2004:	
Cost	8,011,296
Accumulated amortisation	(3,799,465)
Net carrying amount	4,211,831

In 2004, Stock and Futures Exchange trading rights were amortised on the straight-line basis over their estimated useful life of ten years.

18. OTHER ASSETS

	Group	
	2005	2004
	HK$	*HK$*
Club debentures	–	2,470,000
Prepayments and deposits	**6,511,573**	5,106,724
	6,511,573	7,576,724

Club debentures were reclassified as investments during the year ended 31 December 2005 (note 22).

19. INTERESTS IN SUBSIDIARIES

	Company 2005 HK$	2004 HK$
Unlisted shares, at cost	**90,910,152**	90,910,152
Due from subsidiaries	**624,385,558**	618,344,658
	715,295,710	709,254,810
Due to subsidiaries	**(20,996,072)**	(28,443,649)
	694,299,638	680,811,161
Impairment	**(81,767,554)**	(81,767,554)
	612,532,084	599,043,607

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for amounts due from subsidiaries aggregating HK$320,000,000 (2004: HK$320,000,000) and an amount due to a subsidiary of HK$187,383,387 (2004: HK$187,513,896) which bear interest at rates ranging from the bank deposit savings rate to the prime rate (2004: bank deposit savings rate to the prime rate) per annum. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

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 ordinary share capital	Percentage of equity attributable to the Company Direct 2005	Direct 2004	Indirect 2005	Indirect 2004	Principal activities
Shenyin Wanguo Securities (H.K.) Limited	HK$30,000,000	**100**	100	**–**	–	Securities broking and margin financing
Shenyin Wanguo Futures (H.K.) Limited	HK$8,000,000	**100**	100	**–**	–	Futures and options broking
Shenyin Wanguo Capital (H.K.) Limited	HK$6,000,000	**100**	100	**–**	–	Corporate finance

19. INTERESTS IN SUBSIDIARIES *(Cont'd)*

Name	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct 2005	Direct 2004	Indirect 2005	Indirect 2004	Principal activities
Shenyin Wanguo Asset Management (Asia) Limited	HK$1,000,000	**–**	–	**100**	100	Provision of asset management services
Shenyin Wanguo Research (H.K.) Limited	HK$300,000	**100**	100	**–**	–	Provision of securities research services
Shenyin Wanguo Strategic Investments (H.K.) Limited	HK$10,000	**100**	100	**–**	–	Securities trading and investment holding
Shenyin Wanguo Finance (H.K.) Limited	HK$25,000,000	**100**	100	**–**	–	Provision of financial services
Shenyin Wanguo Enterprises (H.K.) Limited	HK$15,000,000	**100**	100	**–**	–	Provision of management treasury services
Shenyin Wanguo Online Limited	HK$2	**100**	100	**–**	–	Leasing of computer equipment
Shenyin Wanguo Trading (H.K.) Limited	HK$375,000	**100**	100	**–**	–	Securities trading and provision of agency services
Sparkle Well Limited	HK$2	**100**	100	**–**	–	Property holding
Wealthy Limited	HK$2	**100**	100	**–**	–	Property holding
Shenyin Wanguo (Holdings) Limited	HK$2	**100**	100	**–**	–	Investment holding

19. INTERESTS IN SUBSIDIARIES *(Cont'd)*

Name	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct 2005	Direct 2004	Indirect 2005	Indirect 2004	Principal activities
Shenyin Wanguo Nominees (H.K.) Limited	HK$1,000	**–**	–	**100**	100	Provision of share custodian and nominee services
First Million Holdings Limited*	US$1	**100**	100	**–**	–	Securities trading and investment holding
Crux Assets Limited*	US$1	**–**	–	**100**	100	Investment holding

* 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.

20. INTERESTS IN ASSOCIATES

	Group 2005 HK$	Group 2004 HK$
Share of net assets	**102,935,686**	114,400,878
Less: Provision for impairment	**–**	(2,137,000)
	102,935,686	112,263,878

20. INTERESTS IN ASSOCIATES *(Cont'd)*

Particulars of the associates are as follows:

Name	Classes of issued shares/registered share capital held	Place of incorporation/ registration	Percentage of Ownership interest	Percentage of Voting interest	Percentage of Profit sharing	Principal activities
The New China Hong Kong Highway Limited ("NCHK") #	Ordinary shares	British Virgin Islands	26.19	26.19	26.19	Investment holding
Sichuan Chengmian Expressway Co., Ltd. ("SCECL") #	Registered share capital	The PRC	15.71	15.71	15.71	Highway operations

Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

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 2005 and 2004, the interests in associates were pledged to secure certain of the Group's banking facilities, which were not utilised at the balance sheet dates (note 31).

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2005	2004
	HK$	*HK$*
Assets	**1,314,950,767**	1,365,908,067
Liabilities	**673,268,472**	59,098,426
Revenues	**260,667,144**	230,787,469
Profit	**66,417,517**	85,341,655

21. GOODWILL

	Group HK$
31 December 2005	
At 1 January 2005:	
Cost as previously reported	**75,832,108**
Effect of adopting HKFRS 3 *(note 2.2(d))*	**(18,199,704)**
Cost as restated	**57,632,404**
Accumulated amortisation as previously reported	**(18,199,704)**
Effect of adopting HKFRS 3 *(note 2.2(d))*	**18,199,704**
Accumulated amortisation as restated	**–**
Net carrying amount	**57,632,404**
Cost and carrying amount at 31 December 2005	**57,632,404**

	Group HK$
31 December 2004	
At 1 January 2004:	
Cost	75,832,108
Accumulated amortisation	(15,166,420)
Net carrying amount	60,665,688
Cost at 1 January 2004, net of accumulated amortisation	60,665,688
Amortisation provided during the year	(3,033,284)
At 31 December 2004	57,632,404
At 31 December 2004:	
Cost	75,832,108
Accumulated amortisation	(18,199,704)
Net carrying amount	57,632,404

21. GOODWILL *(Cont'd)*

In 2004, goodwill was amortised on the straight-line basis over its estimated useful life.

Impairment testing of goodwill

Goodwill arose from the acquisition of a subsidiary which holds the interest in the associates has been allocated to the interests in associates' cash-generating unit for impairment testing.

The recoverable amount of the interest in associates and the related goodwill has been determined based on a value in use calculation using cash flow projections based on the financial results of the past three years and financial budgets approved by the senior management of the associates. The cash flow projections are discounted by the prevailing market rate of return of similar companies in the market adjusted with the specific risks relating to the cash-generating unit over the expected useful lives of the associates until the end of the joint venture period. No growth rate has been taken into account in the cash flow projections as the Group considers that the growth rate cannot be reliably measured. Key assumptions used in the cash flow projections included financial budgets and discount rates. Financial budgets are determined with reference to the financial results of the previous years while the discount rates used reflect specific risks relating to the cash-generating unit.

22. INVESTMENTS

	Group	
	2005	2004
	HK$	*HK$*
Financial instruments/long term investments:		
Available-for-sale investments/long term investments:		
Listed equity investments in Hong Kong at fair value^	**18,786,000**	–
Unlisted equity investment in Hong Kong at fair value*	**236,776,472**	166,281,413
Unlisted club debentures at fair value *(note 18)*	**2,470,000**	–
	258,032,472	166,281,413
Embedded derivative liability on the unlisted equity investment at fair value*	**(50,620,857)**	–
	207,411,615	166,281,413
Equity investments at fair value through profit or loss/short term investments:		
Listed equity trading securities, at fair value^:		
Hong Kong	**35,808,527**	78,991,800
Overseas	**4,078,160**	1,114,915
	39,886,687	80,106,715

22. INVESTMENTS *(Cont'd)*

* Unlisted equity investment and embedded derivative liability represented 2,651,472,241 convertible non-voting redeemable preference shares (the "Preference Shares") in Century City International Holdings Limited ("CCIH"). 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 one Preference Share, subject to adjustment, in stages on or after 15 December 2006 pursuant to the terms of the Preference Shares, up to 15 December 2009 (the "Maturity 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, which is classified as an embedded derivative. 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.

Pursuant to disclosure requirement of Section 129(1) of the Companies Ordinance, the Group holds 81.6% of CCIH's issued convertible preference series C shares exceeding 20% of the nominal value of CCIH's issued shares of that class at the balance sheet date. CCIH is incorporated in Bermuda.

^ The market values of the Group's listed equity investments at the balance sheet date and date of approval of these financial statements were approximately HK$58,935,284 (2004: HK$87,113,048) and HK$81,014,375 (2004: HK$82,615,805), respectively.

During the year, the gross gain of the Group's available-for-sale investments recognised directly in equity amounted to HK$11,380,532 (2004: HK$9,961,413).

During the year, the fair value gain on the Group's embedded derivative liability on an unlisted equity investment recognised in income statement amounted to HK$10,806,166 (2004: Nil).

The fair values of listed equity investments are mainly based on quoted market prices. The fair value of unlisted available-for-sale equity investment has been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated balance sheet, and the related changes in fair values recorded in the available-for-sale investment revaluation reserve are reasonable and are the most appropriate values at the balance sheet date.

The valuation of the Preference Shares is subject to the limitations of the Binomial pricing model and the uncertainty in estimates used by the Group in the assumptions. The Binomial pricing model is modified for the features of the Preference Shares. Should the estimates including the volatility of underlying securities, risk-free interest rate and other factors relevant to the underlying securities be changed, there would be changes in the valuation of the Preference Shares and the fair value gains recognised in the available-for-sale investment revaluation reserve and the income statement.

Management has estimated the potential effect of using reasonable and possible alternatives as inputs to the valuation model and considered that the differences in fair values using less favourable assumptions and more favourable assumptions are not significantly different from the carrying value.

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** ***HK$***
At 1 January 2004, 31 December 2004 and 1 January 2005	470,000
Deferred tax charged to the income statement during the year *(note 11)*	(470,000)
At 31 December 2005	–

The Group has tax losses arising in Hong Kong of HK$278,745,000 (2004: HK$271,621,000) 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 2005, there was no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates 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	
	2005	2004
	HK$	*HK$*
Accounts receivable	**142,742,459**	370,456,921
Less: Impairment	**(23,806,949)**	(21,831,242)
	118,935,510	348,625,679

An aged analysis of accounts receivable is as follows:

	Group	
	2005	2004
	HK$	*HK$*
Current to 30 days	**112,909,487**	343,619,256
31 to 60 days	**2,173,340**	1,167,619
61 to 90 days	**2,895,925**	742,887
Over 90 days	**24,763,707**	24,927,159
	142,742,459	370,456,921

The Group allows a credit period up to the settlement day of the respective securities and commodities transactions or a credit period mutually agreed with the contracting parties. In view of the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Overdue accounts receivable from cash clients of HK$47,891,467 (2004: HK$34,266,840) bear interest at interest rates with reference to the prime rate.

Included in the accounts receivable balance as at 31 December 2005 is a trade receivable amount due from a substantial beneficial shareholder of the Company, Shenyin & Wanguo Securities Co., Ltd. ("SWSC"), of HK$1,295,299 (2004: HK$113,473,320) which arose from securities dealing transactions. This balance is unsecured, interest-free and repayable on the settlement day of the relevant trades.

25. LOANS AND ADVANCES

	Group	
	2005	2004
	HK$	*HK$*
Loans and advances to customers:		
Secured	**144,807,992**	154,383,542
Unsecured	**2,212,158**	2,432,159
	147,020,150	156,815,701
Less: Impairment	**(13,173,022)**	(18,348,729)
	133,847,128	138,466,972

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	
	2005	2004
	HK$	*HK$*
Repayable on demand	**133,692,634**	143,268,185
Undated	**13,327,516**	13,547,516
	147,020,150	156,815,701

As at 31 December 2005, the total market value of securities pledged by customers as collateral in respect of the above loans and advances to customers was HK$628,057,947 (2004: HK$650,366,450).

In view of the fact that the Group's loans and advances relate to a large number of diversified customers, there is no significant concentration of credit risk. Loans and advances to margin clients of HK$133,692,634 (2004: HK$143,268,185) bear interest at interest rates with reference to the prime rate.

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Cash and bank balances	**31,458,275**	90,950,685	**1,213,025**	2,850,536
Time deposits	**82,556,280**	11,507,900	**–**	–
	114,014,555	102,458,585	**1,213,025**	2,850,536

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one week and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the time deposits approximate to their fair values.

27. ACCOUNTS PAYABLE

An aged analysis of accounts payable, based on the settlement day of the relevant trades, is as follows:

	Group	
	2005	2004
	HK$	*HK$*
Current to 30 days	**600,779,985**	960,834,738

Included in the accounts payable balance as at 31 December 2005 is a broker payable amount due to a substantial beneficial shareholder of the Company, SWSC, of HK$9,104,695 (2004: HK$26,184,888) 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 2005 is segregated client money held on behalf of another substantial beneficial shareholder, Shenyin Wanguo (H.K.) Holdings Limited ("SWHKH"), of HK$22,242,658 (2004: HK$23,725,681) which also arose from securities dealing transactions. This balance is unsecured, bears interest at the bank deposit savings rate (2004: bank deposit savings rate) per annum and is payable on request.

Except for the accounts payable to clients of HK$483,188,853 (2004: HK$654,499,703), which bear interest at the bank deposit savings rate (2004: bank deposit savings rate) per annum and is payable on demand, the remaining accounts payable are non-interest-bearing and payable on the settlement day of the relevant trades.

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Other payables	**3,878,364**	6,184,853	**392,221**	1,423,999
Accruals	**13,623,267**	17,711,751	**2,154,782**	4,181,125
	17,501,631	23,896,604	**2,547,003**	5,605,124

Other payables are non-interest-bearing and have an average term within one month.

29. 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 2004 and 31 December 2005	530,759,126	265,379,563

30. 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 33 of the financial statements.

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

30. RESERVES *(Cont'd)*

(b) Company

	Note	Share premium account HK$	General reserve HK$	Retained profits HK$	Total HK$
At 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 and 1 January 2005		314,739,683	656,293	12,936,515	328,332,491
Net profit for the year		–	–	19,970,098	19,970,098
Proposed final 2005 dividend	*13*	–	–	(5,307,591)	(5,307,591)
At 31 December 2005		**314,739,683**	**656,293**	**27,599,022**	**342,994,998**

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

31. BANKING FACILITIES

At the balance sheet date, the Group's unutilised banking facilities were secured by the pledge of interests in associates (note 20), listed shares of customers pledged to the Group as security for the loans and advances to those customers (note 25) and guarantees given by the Company.

32. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(i) During the year ended 31 December 2005, the club debentures of HK$2,470,000 were reclassified from other assets to available-for-sale investments (note 18).

(ii) During the year ended 31 December 2004, 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.

33. CONTINGENT LIABILITIES

At the balance sheet date, the contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Guarantees in respect of bank loans and other facilities granted to subsidiaries	**–**	–	**1,012,500,000**	582,500,000

As at 31 December 2005 and 2004, the banking facilities granted to the subsidiaries subject to the guarantees given to the banks by the Company were not utilised.

34. COMMITMENTS

(a) Capital commitments

	Group	
	2005	2004
	HK$	*HK$*
Contracted, but not provided for the purchases of furniture, fixtures and equipment	**1,136,513**	1,337,600

(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 three years.

At 31 December 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005	2004
	HK$	*HK$*
Within one year	**8,963,899**	3,938,223
In the second to fifth years, inclusive	**10,243,875**	105,973
	19,207,774	4,044,196

At 31 December 2005, the Company did not have any significant commitments (2004: Nil).

35. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(a) The Group paid a service fee of HK$429,694 (2004: HK$158,709) and brokerage commissions totaling HK$1,503,469 (2004: HK$2,237,823) 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$1,200,000 (2004: HK$500,000) 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$36,909 (2004: HK$109,589) 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.

(d) Compensation of key management personnel of the Group:

	2005	2004
	HK$	*HK$*
Short term employee benefits	**11,303,718**	14,276,452
Post-employment benefits	**1,032,388**	998,048
	12,336,106	15,274,500

Except for item (d), the above transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's business segments include securities broking, securities dealing, securities financing and the provision of direct loans. There is a constant need of funding for the settlement of securities transactions and the provision of financing and loans to the customers. The source of such funding is either from the Group's own capital or from borrowings from financial institutions. The Group's principal financial instruments comprise short term deposits.

The purpose of drawing overdrafts is to satisfy the need of short term funding of the Group. In case of a need of a long term funding, the Group utilises the available banking facilities and drawdowns of bank loans. The Group keeps its surplus cash in reputable financial institutions in Hong Kong to earn interest income.

Cash flow interest rate risk

The Group's borrowings from banks during the year are for onward lending to clients. A majority of the bank borrowings bear interest at interest rates with reference to the HIBOR whereas lending to clients bear interest at interest rates with reference to the prime rate. As the prime rate in Hong Kong basically changes in line with the HIBOR, the Group's exposure to the risk of changes in market interest rates is minimal.

Foreign currency risk

The Group's securities broking and dealing business are primarily engaged in the stock markets of Hong Kong and B-share markets of Mainland China, which are denominated in Hong Kong dollars or US dollars. In view of the fact that the Hong Kong dollar is pegged with the US dollar, the Group's exposure to foreign currency risk is minimal.

Credit risk

The Group has put in place a well-established credit policy governing the granting of credit limit to customers. Customers are required to deposit their securities with the Group as collaterals to their borrowings. Credit department is responsible for assisting the directors in formulating credit policy of the Group, monitoring the credit risks of customers with reference to the realisable values of the collaterals and recommending applications to the directors for credit facilities exceeding the discretionary power limits of the credit department.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and available-for-sale financial assets, arises from the default of the counterparties, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group's borrowings from banks during the year are for onward lending to clients for their purchases or continuous holding of securities. The maturity of bank borrowings of the Group usually ranges from overnight to one month and they are either rolled over or repaid by the Group's own funding. In addition, for those clients who are unable to settle their settlement obligations or margin deficits, the Group may dispose of the securities collaterals pledged by the clients to the Group. The Group always ensures that the securities collaterals pledged by clients are able to be realised in the market within a reasonable period of time.

37. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, due to the adoption of new and revised HKFRSs 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 and opening balance adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2006.