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

2.1 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 Hong Kong 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 except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. 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 Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Separate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	The Fair Value Option
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 The Effects of Changes in Foreign Exchange Rates

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 and 31 December 2005.

(b) HKAS 27 Consolidated and Separate Financial Statements

The adoption of the revised HKAS 27 has resulted in a change in accounting policy relating to the definition of a subsidiary for the purpose of the consolidated financial statements as described in note 2.4 "Summary of significant accounting policies" below.

(c) HKAS 39 Financial Instruments: Recognition and Measurement

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

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

(c) HKAS 39 Financial Instruments: Recognition and Measurement *(Cont'd)*

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(d) HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

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.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

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 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

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

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard specifies how an entity should report information about its operating segments in annual financial statements and, as a consequential amendment to HKAS 34 Interim Financial Reporting, requires an entity to report selected information about its operating segments in interim financial reports. It also sets out requirements for related disclosures about products and services, geographical areas and major customers.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

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 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.

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

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.

Goodwill

Goodwill arising on the acquisition of subsidiaries 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.

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.

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

Impairment of non-financial assets other than goodwill

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 in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued asset, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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 and certain financial assets 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, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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);

(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); or

(f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.4 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$\frac{1}{3}$%
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

Other assets, mainly representing deposits, 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.

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.

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

Intangible assets (other than goodwill) *(Cont'd)*

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 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

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 considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

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, that is 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 at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as 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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading or these financial assets are recognised in the income statement.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

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

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

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 subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. 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.

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

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 the income statement.

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

Impairment of financial assets *(Cont'd)*

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

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.

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.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

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 the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

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 them 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.

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

Derecognition of financial assets *(Cont'd)*

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.

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.

Financial liabilities at amortised cost

Financial liabilities including accounts and other payables are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

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 the income statement.

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.

2.4 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.

2.4 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 revenue, 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 brokerage income, on a trade date basis;

(d) underwriting commission, when the obligation under the underwriting or sub-underwriting agreement has expired;

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

Revenue recognition *(Cont'd)*

(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.

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 earned during the year by 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 exceeds 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 and special 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.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 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 the income statement. 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 at least on an annual 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 2006 was HK$57,632,404 (2005: HK$57,632,404). More details are given in note 19.

(b) Fair value of unlisted financial instruments

The unlisted financial instruments have been valued using a valuation technique based on assumptions that are not supported by observable market prices or rates. Estimating the value of the financial instruments requires the Group to make certain estimates and assumptions, further details of which are given in note 20.

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 the 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 asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2005.

Group

	Securities trading and investment holding		Securities broking and dealing		Securities financing and direct loans		Investment advisory services		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment revenue:												
External customers	**145,458,717**	101,298,446	**85,731,023**	46,490,033	**48,527,909**	28,307,277	**44,833,016**	6,453,814	**–**	–	**324,550,665**	182,549,570
Intersegment	**–**	–	**–**	–	**–**	–	**4,550,000**	2,664,000	**(4,550,000)**	(2,664,000)	**–**	–
Total	**145,458,717**	101,298,446	**85,731,023**	46,490,033	**48,527,909**	28,307,277	**49,383,016**	9,117,814	**(4,550,000)**	(2,664,000)	**324,550,665**	182,549,570
Segment results	**48,737,329**	8,361,916	**7,703,976**	(10,469,347)	**36,355,579**	23,105,999	**34,025,124**	(52,479)	**–**	–	**126,822,008**	20,946,089
Unallocated expenses											**(6,074,259)**	(1,664,928)
Share of profits of associates	**15,373,215**	8,636,045	**–**	–	**–**	–	**–**	–	**–**	–	**15,373,215**	8,636,045
Profit before tax											**136,120,964**	27,917,206
Tax											**(6,232,000)**	(1,054,000)
Profit for the year											**129,888,964**	26,863,206

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		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Assets and liabilities												
Segment assets	**248,049,970**	263,158,782	**1,785,854,755**	724,167,684	**348,164,983**	139,742,703	**29,770,758**	5,072,825	**–**	–	**2,411,840,466**	1,132,141,994
Goodwill	**57,632,404**	57,632,404	**–**	–	**–**	–	**–**	–	**–**	–	**57,632,404**	57,632,404
Interests in associates	**101,505,176**	102,935,686	**–**	–	**–**	–	**–**	–	**–**	–	**101,505,176**	102,935,686
Unallocated assets											**11,918,248**	15,481,464
Total assets											**2,582,896,294**	1,308,191,548
Segment liabilities	**56,084,654**	11,317,746	**1,561,872,616**	477,260,954	**161,580,345**	129,566,634	**525,275**	136,282	**–**	–	**1,780,062,890**	618,281,616
Unallocated liabilities											**5,368,333**	91,523
Total liabilities											**1,785,431,223**	618,373,139
Other segment information:												
Capital expenditure	**–**	–	**1,913,986**	1,610,068	**–**	–	**–**	–	**–**	–	**1,913,986**	1,610,068
Depreciation of segment assets	**–**	–	**1,100,681**	522,572	**–**	–	**–**	–	**–**	–	**1,100,681**	522,572
Impairment/(write-back of impairment) of accounts receivable and loans and advances	**–**	–	**(1,700,000)**	1,975,707	**–**	(5,175,707)	**–**	–	**–**	–	**(1,700,000)**	(3,200,000)

4. SEGMENT INFORMATION *(Cont'd)*

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2006 and 2005.

Group

	2006	2005
	HK$	*HK$*
Segment revenue:		
The PRC:		
Hong Kong	**319,783,658**	161,582,984
Mainland China	**4,614,126**	20,872,908
Others	**152,881**	93,678
	324,550,665	182,549,570
Segment assets:		
The PRC:		
Hong Kong	**2,341,509,317**	1,131,665,297
Mainland China	**181,612,041**	171,181,960
Others	**59,774,936**	5,344,291
	2,582,896,294	1,308,191,548
Capital expenditure:		
The PRC:		
Hong Kong	**4,921,827**	9,231,548

5. REVENUE

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

	Group	
	2006	2005
	HK$	*HK$*
Financial services:		
Sales proceeds from securities and futures contracts trading	**144,416,228**	99,695,457
Interest income from securities financing and direct loans	**37,822,836**	20,908,150
Commission and brokerage income	**85,714,453**	46,488,398
Income from rendering of services	**44,833,016**	6,453,293
	312,786,533	173,545,298
Others:		
Bank interest income	**10,705,073**	7,399,127
Dividend income from listed equity investments	**961,487**	1,546,345
Others	**97,572**	58,800
	11,764,132	9,004,272
	324,550,665	182,549,570

6. OTHER GAINS

	Group	
	2006	2005
	HK$	*HK$*
Exchange gains, net	**892,075**	144,607

7. PROFIT BEFORE TAX

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

	Group	
	2006	2005
	HK$	*HK$*
Employee benefits expenses		
(including directors' remuneration – note 8):		
Wages and salaries	**89,954,575**	40,484,885
Retirement benefits schemes contributions	**2,253,579**	2,955,922
Less: Forfeited contributions	**(197,723)**	(789,524)
Net retirement benefits schemes contributions*	**2,055,856**	2,166,398
	92,010,431	42,651,283
Interest expenses for financial services operations on bank loans and overdrafts	**282,541**	954,361
Minimum lease payments under operating leases in respect of land and buildings	**11,076,663**	10,303,050
Auditors' remuneration	**1,190,000**	960,000
Gain on disposal of items of property, plant and equipment	**(16,570)**	(42,800)
Net realised gains on trading of listed equity investments and futures contracts	**(8,407,374)**	(2,405,070)
Fair value gains on available-for-sale investments (transfer from equity)	**(48,314,483)**	–

* At 31 December 2006, the Group had forfeited contributions of HK$4,459 (2005: HK$49,846) available to reduce its contributions to the retirement benefits schemes in future years.

8. DIRECTORS' REMUNERATION

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

	Group	
	2006	2005
	HK$	*HK$*
Fees	**1,650,000**	300,000
Other emoluments:		
Salaries, allowances and benefits in kind	**2,417,750**	2,399,386
Performance related bonuses	**5,776,000**	–
Retirement benefits schemes contributions	**228,000**	228,000
	8,421,750	2,627,386
	10,071,750	2,927,386

(a) Independent non-executive directors

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

	2006	2005
	HK$	*HK$*
Ng Wing Hang Patrick	**250,000**	100,000
Kwok Lam Kwong Larry	**250,000**	100,000
Zhuo Fumin	**250,000**	100,000
	750,000	300,000

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

8. DIRECTORS' REMUNERATION *(Cont'd)*

(b) Executive directors and non-executive directors

	Fees *HK$*	Salaries, allowances and benefits in kind *HK$*	Performance related bonuses *HK$*	Retirement benefits scheme contributions *HK$*	Total remuneration *HK$*
2006					
Executive directors:					
Feng Guorong	–	–	–	–	–
Lu Wenqing	–	–	–	–	–
Lee Man Chun Tony	–	2,417,750	5,776,000	228,000	8,421,750
Guo Chun	350,000	–	–	–	350,000
Ying Niankang	350,000	–	–	–	350,000
	700,000	2,417,750	5,776,000	228,000	9,121,750
Non-executive directors:					
Chang Pen Tsao	100,000	–	–	–	100,000
Huang Gang	100,000	–	–	–	100,000
	200,000	–	–	–	200,000
	900,000	2,417,750	5,776,000	228,000	9,321,750
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

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2005: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2005: four) non-director, highest paid employees are as follows:

	Group	
	2006	2005
	HK$	*HK$*
Salaries, allowances and benefits in kind	**4,067,222**	4,754,835
Bonuses	**5,305,000**	285,000
Retirement benefits schemes contributions	**381,260**	466,488
	9,753,482	5,506,323

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

	Number of employees	
	2006	2005
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	3
HK$1,500,001 to HK$2,000,000	**3**	–
HK$2,000,001 to HK$2,500,000	**–**	1
HK$4,500,001 to HK$5,000,000	**1**	–
	4	4

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2006	2005
	HK$	*HK$*
Group:		
Current – Hong Kong		
Charge for the year	**5,013,000**	91,523
Underprovision in prior years	**1,219,000**	492,477
Deferred (note 21)	**–**	470,000
Total tax charge for the year	**6,232,000**	1,054,000

10. TAX *(Cont'd)*

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

	2006	2005
	HK$	*HK$*
Profit before tax	**136,120,964**	27,917,206
Tax at the statutory tax rate of 17.5% (2005: 17.5%)	**23,821,169**	4,885,511
Adjustments in respect of current tax of previous periods	**1,219,000**	492,477
Profits attributable to associates	**(2,690,313)**	(1,511,308)
Income not subject to tax	**(2,668,207)**	(4,835,356)
Expenses not deductible for tax	**4,203,990**	738,724
Tax losses utilised from previous periods	**(18,409,586)**	(1,121,820)
Unrecognised deferred tax assets	**755,947**	2,405,772
Tax charge for the year	**6,232,000**	1,054,000

The share of tax attributable to associates amounting to HK$4,660,550 (2005: HK$1,173,519) is included in "Share of profits of associates" on the face of the consolidated income statement.

11. PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2006 includes a profit of HK$36,326,879 (2005: HK$19,970,098) which has been dealt with in the financial statements of the Company (note 30(b)).

12. DIVIDENDS

	2006	2005
	HK$	*HK$*
Interim – HK2 cents (2005: Nil) per ordinary share	**10,615,183**	–
Proposed final – HK2 cents (2005: HK1 cent) per ordinary share	**10,615,183**	5,307,591
Proposed special final – HK2 cents (2005: Nil) per ordinary share	**10,615,183**	–
	31,845,549	5,307,591

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

13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$129,888,964 (2005: HK$26,863,206) and the 530,759,126 (2005: 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 2006 and 2005.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings *HK$*	Leasehold improvements *HK$*	Furniture, fixtures and equipment *HK$*	Motor vehicles *HK$*	Total *HK$*
31 December 2006					
At 1 January 2006:					
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
At 1 January 2006, net of accumulated depreciation	1,078,350	4,225,670	4,550,862	–	9,854,882
Additions	–	1,496,257	3,020,863	404,707	4,921,827
Disposals	–	(3,150)	(10,456)	–	(13,606)
Depreciation provided during the year	(81,900)	(2,226,415)	(2,011,665)	(50,588)	(4,370,568)
At 31 December 2006, net of accumulated depreciation	996,450	3,492,362	5,549,604	354,119	10,392,535
At 31 December 2006:					
Cost	2,047,500	15,158,853	30,752,433	4,172,482	52,131,268
Accumulated depreciation	(1,051,050)	(11,666,491)	(25,202,829)	(3,818,363)	(41,738,733)
Net carrying amount	996,450	3,492,362	5,549,604	354,119	10,392,535

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

Group

	Buildings *HK$*	Leasehold improvements *HK$*	Furniture, fixtures and equipment *HK$*	Motor vehicles *HK$*	Total *HK$*
31 December 2005					
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. PREPAID LAND LEASE PAYMENTS

	Group	
	2006	2005
	HK$	*HK$*
Carrying amount at 1 January	**1,562,925**	1,603,875
Recognised during the year	**(40,950)**	(40,950)
Carrying amount at 31 December	**1,521,975**	1,562,925
Current portion included in deposits, prepayments and other receivables	**(40,950)**	(40,950)
Non-current portion	**1,481,025**	1,521,975

The leasehold land are held under long term leases and are situated in Hong Kong.

16. STOCK AND FUTURES EXCHANGE TRADING RIGHTS

	Group
	HK$
Cost and carrying amount at 1 January 2005, 31 December 2005 and 31 December 2006	4,211,831

17. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$	*HK$*
Unlisted shares, at cost	**144,910,152**	90,910,152
Due from subsidiaries	**617,662,686**	624,385,558
	762,572,838	715,295,710
Due to subsidiaries	**(47,015,114)**	(20,996,072)
	715,557,724	694,299,638
Impairment	**(81,767,554)**	(81,767,554)
	633,790,170	612,532,084

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

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for amounts due from subsidiaries aggregating HK$370,000,000 (2005: HK$320,000,000) and an amount due to a subsidiary of HK$189,578,563 (2005: HK$187,383,387) which bear interest at rates ranging from the bank deposit savings rate to the prime rate (2005: 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**				**Principal activities**
		Direct		**Indirect**		
		2006	2005	**2006**	2005	
Shenyin Wanguo Securities (H.K.) Limited	HK$80,000,000	**100**	100	**–**	–	Securities broking and margin financing
Shenyin Wanguo Futures (H.K.) Limited	HK$13,000,000	**100**	100	**–**	–	Futures and options broking
Shenyin Wanguo Capital (H.K.) Limited	HK$10,000,000	**100**	100	**–**	–	Corporate finance
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

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

Name	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct 2006	Direct 2005	Indirect 2006	Indirect 2005	Principal activities
Shenyin Wanguo Enterprises (H.K.) Limited	HK$15,000,000	**100**	100	**–**	–	Provision of management and 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
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
Shenyin Wanguo Nominees (H.K.) Limited	HK$1,000	**–**	–	**100**	100	Provision of share custodian and nominee services
First Million Holdings Ltd*	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.

18. INTERESTS IN ASSOCIATES

	Group 2006 HK$	2005 HK$
Share of net assets	**101,505,176**	102,935,686

Particulars of the associates are as follows:

Name	Class of issued shares/registered share capital held	Place of incorporation/ registration and operations	Percentage of Ownership interest	Voting interest	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	Mainland China	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 2006 and 2005, 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 financial statements:

	2006 HK$	2005 HK$
Assets	**1,278,282,249**	1,314,950,767
Liabilities	**641,176,111**	673,268,472
Revenues	**275,838,411**	260,667,144
Profit	**97,377,183**	66,417,517

19. GOODWILL

	Group HK$
Cost and carrying amount at 1 January 2005, 31 December 2005 and 31 December 2006	57,632,404

Impairment testing of goodwill

Goodwill arising from the acquisition of a subsidiary which holds the equity interests in the associates has been allocated to the cash-generating unit of associates 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 previous years while the discount rates used reflect the specific risks relating to the cash-generating unit.

20. INVESTMENTS

	Group	
	2006	2005
	HK$	*HK$*
Financial instruments		
Available-for-sale investments, at fair value:		
Listed equity investments in Hong Kong^	**8,179,600**	18,786,000
Unlisted equity investment*	**168,136,484**	236,776,472
Unlisted club debentures	**2,470,000**	2,470,000
	178,786,084	258,032,472
Embedded derivative liability on the unlisted equity investment, at fair value*	**(17,329,365)**	(50,620,857)
	161,456,719	207,411,615
Equity investments at fair value through profit or loss		
Listed equity investments, at fair value^:		
Hong Kong	**59,652,809**	35,808,527
Elsewhere	**–**	4,078,160
	59,652,809	39,886,687

20. INVESTMENTS *(Cont'd)*

* The unlisted equity investment and the embedded derivative liability represented 1,988,604,181 (2005: 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 (the "Right") to redeem all or part of the Preference Shares at the rate of HK$0.15 for every Preference Share before the Maturity Date. The Right is classified as an embedded derivative and is measured at fair value. 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.

On 15 December 2006, 662,868,060 Preference Shares were converted into 662,868,060 CCIH ordinary shares.

Pursuant to the disclosure requirement of Section 129(1) of the Hong Kong Companies Ordinance, the Group holds 79.3% 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 at the date of approval of these financial statements were approximately HK$67,832,409 (2005: HK$58,935,284) and HK$85,253,668 (2005: HK$81,014,375), respectively.

The listed equity investments at fair value through profit or loss at 31 December 2006 of HK$59,652,809 (2005: HK$39,886,687) were classified as held for trading.

During the year, the gross gain of the Group's available-for-sale investments recognised directly in equity amounted to HK$38,423,430 (2005: HK$11,380,532) and HK$48,314,483 (2005: Nil) was released from equity and recognised in the income statement for the year.

During the year, the fair value gain on the Group's embedded derivative liability on an unlisted equity investment recognised in the income statement amounted to HK$33,291,492 (2005: HK$10,806,166).

The fair values of listed equity investments are 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, which are recorded in the consolidated equity and income statement, are reasonable, and that they were the most appropriate values at the balance sheet date.

20. INVESTMENTS *(Cont'd)*

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. 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 reasonably possible alternatives as inputs to the valuation model, and considered that the differences in fair values using less or more favourable assumptions are not significantly different from the carrying value.

21. 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 2005	470,000
Deferred tax charged to the income statement during the year *(note 10)*	(470,000)
At 31 December 2005, 1 January 2006 and 31 December 2006	–

The Group has tax losses arising in Hong Kong of HK$174,000,000 (2005: HK$278,745,000) 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 it is considered not probable that future taxable profits will be available from these group companies against which the tax losses can be utilised.

At 31 December 2006, there was no significant unrecognised deferred tax liability (2005: 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.

22. ACCOUNTS RECEIVABLE

	Group	
	2006	2005
	HK$	*HK$*
Accounts receivable	**898,897,402**	142,742,459
Less: Impairment	**(22,106,949)**	(23,806,949)
	876,790,453	118,935,510

An aged analysis of accounts receivable as at the balance sheet date is as follows:

	Group	
	2006	2005
	HK$	*HK$*
Current to 30 days	**864,207,755**	112,909,487
31 to 60 days	**7,590,242**	2,173,340
61 to 90 days	**314,180**	2,895,925
Over 90 days	**26,785,225**	24,763,707
	898,897,402	142,742,459

Save for credit period allowed by the Group, the accounts receivable shall be due on the settlement day of the respective securities and futures contracts transactions. 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$80,076,010 (2005: HK$47,891,467) bear interest at interest rates with reference to the prime rate.

Included in the accounts receivable balance as at 31 December 2006 is a broker receivable amount due from a substantial beneficial shareholder of the Company, Shenyin & Wanguo Securities Co., Ltd. ("SWSC"), of HK$8,304,972 (2005: HK$1,295,299) which arose from securities dealing transactions. This balance is unsecured, interest-free and repayable on the settlement day of the relevant transactions.

23. LOANS AND ADVANCES

	Group	
	2006	2005
	HK$	*HK$*
Loans and advances to customers:		
Secured	**349,691,946**	144,807,992
Unsecured	**2,212,158**	2,212,158
	351,904,104	147,020,150
Less: Impairment	**(13,173,022)**	(13,173,022)
	338,731,082	133,847,128

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

	Group	
	2006	2005
	HK$	*HK$*
Repayable on demand	**338,576,588**	133,692,634
Undated	**13,327,516**	13,327,516
	351,904,104	147,020,150

As at 31 December 2006, the total market value of securities pledged by customers as collateral in respect of the above loans and advances to customers was HK$1,435,459,037 (2005: HK$628,057,947).

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$338,576,588 (2005: HK$133,692,634) bear interest at interest rates with reference to the prime rate.

24. BANK BALANCES HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated trust accounts with licensed banks to hold clients' monies in accordance with the relevant legislation. The Group has classified the clients' monies as cash held on behalf of customers in current assets section of the balance sheet and recognised the corresponding accounts payable to the respective customers in current liabilities section of the balance sheet. The Group is allowed to retain some or all of the interest on the clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
Cash and bank balances	**36,465,742**	31,458,275	**1,378,717**	1,213,025
Time deposits	**38,174,549**	82,556,280	**–**	–
	74,640,291	114,014,555	**1,378,717**	1,213,025

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.

26. ACCOUNTS PAYABLE

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

	Group	
	2006	2005
	HK$	*HK$*
Current to 30 days	**1,706,674,184**	600,779,985

Included in the accounts payable balance as at 31 December 2006 is a broker payable amount due to a substantial beneficial shareholder of the Company, SWSC, of HK$11,468,709 (2005: HK$9,104,695) which arose from securities dealing transactions. This balance is unsecured, interest-free and payable on the settlement day of the relevant transactions.

Included in the accounts payable balance as at 31 December 2006 is segregated client money held on behalf of another substantial beneficial shareholder, Shenyin Wanguo (H.K.) Holdings Limited ("SWHKH"), of HK$23,439,627 (2005: HK$22,242,658) which also arose from securities dealing transactions. This balance is unsecured, bears interest at the bank deposit savings rate (2005: bank deposit savings rate) per annum and is payable on request.

Except for the accounts payable to clients of HK$861,067,320 (2005: HK$483,188,853), which bear interest at the bank deposit savings rate (2005: 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 transactions.

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
Other payables	**5,648,292**	3,878,364	**272,427**	392,221
Accruals	**52,840,414**	13,623,267	**2,188,467**	2,154,782
	58,488,706	17,501,631	**2,460,894**	2,547,003

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

28. OTHER PAYABLES

Other payables are non-interest-bearing and the carrying amounts of other payables approximate to their fair values.

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 2005 and 31 December 2006	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 2005		314,739,683	656,293	12,936,515	328,332,491
Profit for the year		–	–	19,970,098	19,970,098
Proposed final 2005 dividend	12	–	–	(5,307,591)	(5,307,591)
At 31 December 2005 and 1 January 2006		314,739,683	656,293	27,599,022	342,994,998
Profit for the year		–	–	36,326,879	36,326,879
Interim 2006 dividend	12	–	–	(10,615,183)	(10,615,183)
Proposed final and special final 2006 dividends	12	–	–	(21,230,366)	(21,230,366)
At 31 December 2006		314,739,683	656,293	32,080,352	347,476,328

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 18) and guarantees given by the Company.

32. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

(i) On 15 December 2006, available-for-sale investments with an aggregate fair value of HK$64,961,070 (2005: Nil) were reclassified as equity investments at fair value through profit or loss upon the conversion of 662,868,060 Preference Shares into 662,868,060 CCIH ordinary shares.

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

33. CONTINGENT LIABILITIES

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

	Group		Company	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
Guarantees in respect of bank loans and other facilities granted to subsidiaries	**–**	–	**618,500,000**	1,012,500,000

As at 31 December 2006 and 2005, 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	
	2006	2005
	HK$	*HK$*
Contracted, but not provided for the purchases of furniture, fixtures and equipment	**839,371**	1,136,513

(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 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	HK$	*HK$*
Within one year	**9,006,568**	8,963,899
In the second to fifth years, inclusive	**3,064,760**	10,243,875
	12,071,328	19,207,774

At 31 December 2006, the Company did not have any significant commitments (2005: 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 brokerage commissions totaling HK$2,634,520 (2005: brokerage commissions totaling HK$1,503,469 and a service fee of HK$429,694) to a substantial beneficial shareholder of the Company, SWSC, during the year. The brokerage commissions and the service fee were based on mutually agreed terms with reference to the prices and conditions similar to those offered to other customers by SWSC.

(b) The Group paid and accrued a research fee totaling HK$1,350,691 (2005: HK$1,200,000) 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 by that subsidiary of SWSC. The accrued amount is included in "other payables and accruals" on the consolidated balance sheet.

(c) The Group received brokerage commission income totaling HK$75,332 (2005: HK$36,909) 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:

	2006	2005
	HK$	*HK$*
Short term employee benefits	**26,372,941**	11,303,718
Post-employment benefits	**1,050,915**	1,032,388
	27,423,856	12,336,106

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 for the provision of financing and loans to the customers. The source of funding is either from the Group's own capital or borrowings from financial institutions, if necessary. 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. For the need of long-term funding, the Group utilises the available banking facilities and drawdowns of bank loans. The Group maintains surplus cash in reputable financial institutions in Hong Kong to earn interest income.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Cash flow interest rate risk

The Group's borrowings from banks during the year are for the provision of financing and loans to customers. The majority of the bank borrowings bear interest at interest rates with reference to the HIBOR whereas loans to customers 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 conducted in the stock markets of Hong Kong and the B-share markets of Mainland China, which are denominated in Hong Kong dollars or United States dollars. As Hong Kong dollar is pegged with the United States 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 collateral to their borrowings. The credit department is responsible for assisting the directors in formulating the credit policy of the Group, monitoring the credit risks of customers with reference to the realisable values of the collaterals and recommending measures to the directors for granting credit facilities which exceed 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 investments, 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 the provision of financing and loans to customers for their purchases and 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 customers who are unable to settle their settlement obligations or margin deficits, the Group may dispose of the securities collateral pledged by the customers to the Group. The Group always ensures that the securities collateral pledged by customers are able to be realised in the market within a reasonable period of time.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2007.