



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

(Stock Code: 218)

| INTERIM REPORT 2007 |



RESULTS

The Directors of Shenying Wanguo (H.K.) Limited (the “Company”) are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 together with comparative figures for the corresponding period of last year.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000 (Restated)
REVENUE	3	284,369	156,260
Other gains		1,723	478
Commission expenses		(62,738)	(48,485)
Employee benefits expenses		(55,109)	(31,331)
Depreciation expenses		(2,491)	(1,972)
Interest expenses for financial services operations		(2,463)	(152)
Fair value losses on an unlisted financial instrument at fair value through profit or loss		(36,695)	(9,808)
Other expenses, net		(33,254)	(21,055)
Share of profits of associates		8,039	8,694
PROFIT BEFORE TAX	4	101,381	52,629
Tax	5	(14,248)	(2,400)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		87,133	50,229
INTERIM DIVIDEND	6	15,923	10,615
EARNINGS PER SHARE	7		
Basic		16.42 cents	9.46 cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		8,863	10,393
Prepaid land lease payments		1,461	1,481
Stock and Futures Exchange trading rights		4,212	4,212
Other assets		6,751	9,166
Interests in associates		101,904	101,505
Goodwill		57,632	57,632
Financial instruments	8	256,632	161,457
Total non-current assets		<u>437,455</u>	<u>345,846</u>
CURRENT ASSETS			
Equity investments at fair value through profit or loss		50,220	59,653
Accounts receivable	9	1,047,912	876,790
Loans and advances	10	2,725,278	338,731
Deposits, prepayments and other receivables		18,411	9,342
Bank balances held on behalf of customers		1,076,175	877,894
Cash and cash equivalents		186,952	74,640
Total current assets		<u>5,104,948</u>	<u>2,237,050</u>
CURRENT LIABILITIES			
Accounts payable	11	2,185,805	1,706,674
Tax payable		19,424	5,368
Other payables and accruals		90,114	58,489
Interest-bearing bank loans		2,236,800	-
Total current liabilities		<u>4,532,143</u>	<u>1,770,531</u>
NET CURRENT ASSETS		<u>572,805</u>	<u>466,519</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,010,260</u>	<u>812,365</u>
NON-CURRENT LIABILITIES			
Other payables		14,900	14,900
Net assets		<u>995,360</u>	<u>797,465</u>
EQUITY			
Issued capital		265,380	265,380
Reserves		714,057	510,855
Proposed/declared dividends		15,923	21,230
Total equity		<u>995,360</u>	<u>797,465</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital	Share premium account	Capital reserve	Available-for-sale investment revaluation reserve	General reserve	Exchange fluctuation reserve	Retained profits	Proposed/declared dividends	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007 (audited)	265,380	314,740	15	11,451	138	6,668	177,843	21,230	797,465
Changes in fair value of available-for-sale investments	-	-	-	131,870	-	-	-	-	131,870
Share of exchange fluctuation reserve of associates	-	-	-	-	-	122	-	-	122
Total income and expense recognized directly in equity	-	-	-	131,870	-	122	-	-	131,992
Profit for the period (unaudited)	-	-	-	-	-	-	87,133	-	87,133
Total income and expense for the period	-	-	-	131,870	-	122	87,133	-	219,125
Final and special final 2006 dividends declared	-	-	-	-	-	-	-	(21,230)	(21,230)
Interim 2007 dividend declared	-	-	-	-	-	-	(15,923)	15,923	-
At 30 June 2007 (unaudited)	265,380	314,740	15	143,321	138	6,790	249,053	15,923	995,360
At 1 January 2006 (audited)	265,380	314,740	15	21,342	138	3,097	79,799	5,308	689,819
Realisation of changes in fair value of available-for-sale investments on disposal	-	-	-	(1,657)	-	-	-	-	(1,657)
Changes in fair value of available-for-sale investments	-	-	-	21,323	-	-	-	-	21,323
Total income and expense recognized directly in equity	-	-	-	19,666	-	-	-	-	19,666
Profit for the period (unaudited)	-	-	-	-	-	-	50,229	-	50,229
Total income and expense for the period	-	-	-	19,666	-	-	50,229	-	69,895
Final 2005 dividend declared	-	-	-	-	-	-	-	(5,308)	(5,308)
Interim 2006 dividend declared	-	-	-	-	-	-	(10,615)	10,615	-
At 30 June 2006 (unaudited)	265,380	314,740	15	41,008	138	3,097	119,413	10,615	754,406

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(2,102,293)	(48,482)
Net cash inflow/(outflow) from investing activities	(965)	33,186
Net cash inflow/(outflow) from financing activities	<u>2,215,570</u>	<u>(5,308)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	112,312	(20,604)
Cash and cash equivalents at beginning of period	<u>74,640</u>	<u>114,015</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>186,952</u>	<u>93,411</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	62,942	26,365
Time deposits with original maturity of less than three months when acquired	<u>124,010</u>	<u>67,046</u>
	<u>186,952</u>	<u>93,411</u>

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Principal accounting policies

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

The accounting policies and methods of computation adopted in the preparation of these unaudited condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2006, except that in the current period, the Group has changed the revenue recognition policy and has adopted certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) as detailed in notes (a) and (b) below.

(a) Change in revenue recognition policy

In prior years, the commission and brokerage income less rebates and the sale proceeds from securities trading were included in “revenue” while the related cost of trading was presented as “cost of trading securities sold” in the consolidated income statement.

In current year, the Group has revised the accounting policy in order to conform with market practice. The commission and brokerage income (before net of rebates) and the net fair value gains/(losses) on financial assets at fair value through profit or loss are recognized in the consolidated income statement within revenue, whereas the commission expenses are included as a separate item on the face of the consolidated income statement.

This change in accounting policy has been accounted for retrospectively with comparative figures restated. The change does not have impact on the results of the Group in respect of current period and prior years.

(b) New and revised HKFRSs

The following new and revised HKFRSs are adopted for the first time for the current period’s financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
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

The adoption of these HKFRSs has had no material impact on the accounting policies of the Group and the preparation of these interim financial statements.

2. Segment information

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

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

The Group's inter-segment sales and transfers are transacted with reference to terms and conditions used for similar transactions with third parties at the then prevailing market prices.

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

	Securities trading and investment holding		Securities broking and dealing		Securities financing and direct loans		Investment advisory services		Eliminations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
		(Restated)		(Restated)								(Restated)
Segment revenue:												
External customers	50,455	28,391	154,503	87,089	43,825	21,165	35,586	19,595	-	-	284,369	156,260
Inter-segment	-	-	-	-	77	145	2,105	1,332	(2,182)	(1,477)	-	-
Total	<u>50,455</u>	<u>28,391</u>	<u>154,503</u>	<u>87,089</u>	<u>43,902</u>	<u>21,330</u>	<u>37,691</u>	<u>20,927</u>	<u>(2,182)</u>	<u>(1,477)</u>	<u>284,369</u>	<u>156,260</u>
Segment results	<u>7,448</u>	<u>11,049</u>	<u>41,958</u>	<u>3,474</u>	<u>21,938</u>	<u>16,390</u>	<u>28,892</u>	<u>13,008</u>	<u>-</u>	<u>-</u>	<u>100,236</u>	<u>43,921</u>
Unallocated expenses											(6,894)	14
Share of profits of associates											<u>8,039</u>	8,694
Profit before tax											<u>101,381</u>	52,629
Tax											<u>(14,248)</u>	(2,400)
Profit for the period											<u>87,133</u>	<u>50,229</u>

3. Revenue

Revenue, which is also the Group's turnover, represents net fair value gains/(losses) on securities and futures contracts trading, interest income, commission and brokerage income, income from rendering of services and dividend income. An analysis of revenue is as follows:

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Financial services:		
Net fair value gains on securities and futures contracts trading	50,281	27,658
Interest income from securities financing and direct loans	35,622	16,437
Commission and brokerage income	154,549	87,068
Income from rendering of services	35,530	19,595
	<hr/>	<hr/>
	275,982	150,758
	<hr/>	<hr/>
Others:		
Bank interest income	8,204	4,748
Dividend income from listed equity investments	127	695
Others	56	59
	<hr/>	<hr/>
	8,387	5,502
	<hr/>	<hr/>
	284,369	156,260
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4. Profit before tax

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

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net realised gains on trading of listed equity investments and futures contracts	(24,003)	(6,035)
Net realised gains on disposal of available-for-sale investments	-	(24,443)
	<hr/>	<hr/>

5. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	<u>14,248</u>	<u>2,400</u>

6. Dividend

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend – HK3 cents (2006: HK2 cents) per ordinary share	<u>15,923</u>	<u>10,615</u>

7. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share amount is based on the unaudited profit for the period of HK\$87,133,070 (2006: HK\$50,229,296) and 530,759,126 (2006: 530,759,126) ordinary shares in issue during the period.

(b) Diluted earnings per share

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

8. Financial instruments

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Available-for-sale investments, at fair value:		
Listed equity investments in Hong Kong	9,895	8,180
Unlisted equity investment	298,291	168,136
Unlisted club debentures	<u>2,470</u>	<u>2,470</u>
	310,656	178,786
Embedded derivative liability on the unlisted equity investment, at fair value	<u>(54,024)</u>	<u>(17,329)</u>
	256,632	161,457

9. Accounts receivable

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Accounts receivable	1,069,833	898,897
Less: Impairment	(21,921)	(22,107)
	<u>1,047,912</u>	<u>876,790</u>

An aged analysis of accounts receivable is as follows:

Current to 30 days	1,012,465	864,208
31 to 60 days	22,059	7,590
61 to 90 days	9,540	314
Over 90 days	25,769	26,785
	<u>1,069,833</u>	<u>898,897</u>

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.

Included in the accounts receivable balance at the balance sheet date is a broker receivable amount due from a substantial beneficial shareholder of the Company, Shenyin & Wanguo Securities Co., Ltd. ("SWSC"), of HK\$13,025,299 (31 December 2006: HK\$8,304,972) which arose from securities dealing transactions. This balance is unsecured, interest-free and repayable on the settlement day of the relevant transactions.

10. Loans and advances

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Loans and advances to customers:		
Secured	2,736,239	349,692
Unsecured	2,212	2,212
	<u>2,738,451</u>	<u>351,904</u>
Less: Impairment	(13,173)	(13,173)
	<u>2,725,278</u>	<u>338,731</u>

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:

Current to 30 days	2,127,575	-
Repayable on demand	597,549	338,577
Undated	13,327	13,327
	<u>2,738,451</u>	<u>351,904</u>

11. Accounts payable

An aged analysis of accounts payable is as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Current to 30 days	<u>2,185,805</u>	<u>1,706,674</u>

Included in the accounts payable balance at the balance sheet date is a broker payable amount due to a substantial beneficial shareholder of the Company, SWSC, of HK\$33,144,029 (31 December 2006: HK\$11,468,709) 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 at the balance sheet date is segregated client money held on behalf of another substantial beneficial shareholder, Shenyin Wanguo (H.K.) Holdings Limited ("SWHKH"), of HK\$20,046,647 (31 December 2006: HK\$23,439,627) which also arose from securities dealing transactions. This balance is unsecured, bears interest at bank deposit savings rate per annum and is payable on request.

12. Commitments

(a) Capital commitments

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Contracted, but not provided for the purchases of furniture, fixtures and equipment	<u>834</u>	<u>839</u>

(b) Operating lease commitments as a lessee

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

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Within one year	7,507	9,006
In the second to fifth years, inclusive	<u>2,744</u>	<u>3,065</u>
	<u>10,251</u>	<u>12,071</u>

13. Related party transactions

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

(a) Substantial beneficial shareholder

- (i) The Group paid brokerage commissions totalling HK\$3,199,874 (period ended 30 June 2006: HK\$1,356,000) to SWSC which were based on mutually agreed terms with reference to the prices and conditions similar to those offered to other customers of SWSC.
- (ii) The Group received brokerage commission income totalling HK\$56,982 (period ended 30 June 2006: HK\$42,000) from SWHKH which was based on the published prices and conditions offered to the major customers of the Group.

(b) Subsidiary of a substantial beneficial shareholder

The Group paid HK\$880,000 (period ended 30 June 2006: paid HK\$100,000 and accrued HK\$500,000) for a research fee to a subsidiary of SWSC which was based on mutually agreed terms with reference to the prices and conditions similar to those offered to other customers of that subsidiary of SWSC. The accrued amount is included in "other payables and accruals" on the condensed consolidated balance sheet.

(c) Key management personnel compensation

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	9,925	9,159
Post-employment benefits	551	578
	<u>10,476</u>	<u>9,737</u>

14. Comparative amounts

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

15. Review of accounts

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2007.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK3 cents (2006: HK2 cents) per ordinary share for the six months ended 30 June 2007, to shareholders whose names appear on the register of members of the Company on 31 August 2007. The dividend will be payable on or about 7 September 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 28 August 2007, Tuesday to 31 August 2007, Friday, both days inclusive, during which period no transfers of shares of the Company will be registered. In order to qualify for interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars, Tricor Tengis Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on 27 August 2007, Monday.

MANAGEMENT DISCUSSION AND ANALYSIS OF PERFORMANCE

Market Review

During the first half of 2007, the PRC economy remained on a steady yet rapid growth track. According to the latest report of the National Bureau of Statistics, gross domestic product (GDP) recorded a year-on-year increase of 11.5% for the first half year, another double-digit growth for the past four and a half consecutive years. It is generally expected that the PRC economy will rank third in the world, in place of Germany, in terms of GDP by the end of this year. On the backdrop of a 130% increase in the Shanghai Composite Index last year, the PRC securities market maintained its momentum and reached a record high of 4280 points over the past six months, representing an increase of 60% from the beginning of the year. The booming economy of Chinese Mainland, coupled with a robust capital market, boosted the swift recovery of the Hong Kong economy and sustainable momentum of the securities market.

As benefited from the continuous growth of the PRC economy, the Hong Kong securities market traded actively. Stimulated by the Mainland's persistent bullish stock market and the implementation of the QDII policies during the first half of the year, the Hong Kong stock market was on an upward track after a minor adjustment in March. The Hang Seng Index surpassed the previous high of 20970 recorded in January and closed at a new high of over 22000 points at the end of June. The soaring Hang Seng Index was supported by increased turnover. The Stock Exchange recorded an average daily turnover of HK\$58.7 billion between January and June this year, a rise of 74% as compared with the average daily turnover of HK\$33.7 billion last year.

Business Review

In the first half of the year, the Group recorded an unaudited profit attributable to shareholders of HK\$87.13 million (2006: HK\$50.23 million), representing an increase of 73% over 2006 while the revenue of the Group increased approximately by HK\$128 million to HK\$284 million on a year-on-year basis (2006 restated: HK\$156 million).

The Group focused its securities broking business on the stocks and futures market in Hong Kong as well as the B-share market in Chinese Mainland. In the first half of the year, the Group, by leveraging on its throughout understanding of the PRC market, endeavoured to develop the market of institutional customers and local retail clients, and the progress was proved to be satisfactory. The revenue derived from brokerage business and market share increased significantly, the number of clients increased by 22%.

Shenyin Wanguo Capital (H.K.) Limited, a wholly-owned subsidiary of the Company, is mainly engaged in financial consultancy and underwriting. During the first half of 2007, nine financial consulting projects were completed by the subsidiary involving merger and acquisition of overseas companies, corporate reorganisation, compliance advisor and independent financial advisor, including Shanghai Tonva Petrochemical Co., Ltd., Xiamen International Port Co., Ltd, Skyfame Realty (Holdings) Limited and etc. In addition, Shenyin Wanguo Capital (H.K.) Limited also participated in the IPOs of China Properties Group Limited, Samling Global Limited, CITIC 1616 Holdings Limited, Ka Shui International Holdings Limited and etc.

All funds and segregated portfolios under management have recorded good performance given the favorable market environment as well as positive contribution from the asset allocation and stock picking skills of the investment management team. Fund size under management enlarges as driven by both capital appreciation and launching of new funds.

Looking Ahead

At the beginning of 2007, the Hong Kong SAR Government published the reports and action agenda on “China’s 11th Five-Year Plan and the Development of Hong Kong”. In particular, the Report of the Financial Focus Group pointed out that since the PRC has already become one of the largest economies in the world and is still growing rapidly, it would be of significant strategic value for the PRC to have a world-class international financial centre. The report recommended Hong Kong to develop into the international financial centre of the PRC to enable more companies of Chinese Mainland to have their A-shares and H-shares listed simultaneously in Hong Kong. As such, Hong Kong can fully function as an international platform of Chinese Mainland’s capital and play a more important role in assisting Chinese Mainland’s continued reform and economic development. Currently, the Hong Kong SAR Government has embarked on the implementation of the relevant initiatives. It is anticipated that the Hong Kong securities market will maintain its growth momentum supported by the deepened connection between the Hong Kong and the PRC capital markets and the continuous appreciation of RMB under the flourishing PRC economy.

On the other hand, the inflation rate of the Mainland amounted to 4.4% in June, indicating an overheated economy and stricter austerity measures may be introduced in the second half of the year by the central government of the PRC. The current oil price hike and the dampened US economy may have adverse impacts on the Hong Kong securities market in the second half of the year.

With the market evolving under the development described above, the Group will strive to explore both the domestic and international markets by leveraging on its satisfactory track record in the first half of the year as well as adhering to its operation philosophy of having Chinese Mainland as the hinterland and Hong Kong as the stepping stone for a prosperous global outlook. The Group will also make full use of its competitive edges in the PRC and Hong Kong markets for an expansion of domestic institutional and retail clients

business to increase market share. With the support of its parent company in the PRC, the Group will seek the opportunities arising from the launch of the QDII policies for the expansion of its brokerage business to the local institutional investors market. The Group's overseas fund markets will grow further under its continuous reinforcement of the asset management business. It will also put more effort in improving its business such as sponsoring the listing of the PRC enterprises in Hong Kong, margin financing and financial consultancy services. In pursuit of business expansion and increased operating revenue, the Group will take a prudent approach in its proprietary trading and the provision of margin financing to clients and will tighten up its risk management during the second half of the year.

Capital Structure

During the period, there was no change to the share capital of the Company. As at 30 June 2007, the total number of the issued ordinary shares was 530,759,126 shares and total equity attributable to shareholders was HK\$995 million.

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2007, the Group had a cash holding of HK\$187 million and short-term marketable securities of HK\$50 million. As at 30 June 2007, the Group's total unutilised banking facilities amounted to HK\$266 million, of which HK\$234 million could be drawn down without the need of notice nor completion of condition precedent.

As at 30 June 2007, the Group had outstanding short-term bank loan amounting to HK\$2,236.8 million. The liquidity ratio (current assets to current liabilities) and gearing ratio (borrowings to net asset value) as at 30 June 2007 were 1.13 and 2.25 respectively.

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

Significant Investment Held, Material Acquisition and Disposal

During the period, the Group continued to derive a stable earnings stream from its 26.19% interest in The New China Hong Kong Highway Limited (“NCHK”), which in turn held a 60% interest in Sichuan Chengmian Expressway Co., Ltd. (“SCECL”). In accordance with the terms of the joint venture agreement, from 22 December 2003 to 21 December 2008, NCHK is entitled to 60% of the net profit generated by SCECL which are derived from the financial statements of SCECL. The interests in associates had a carrying value of HK\$102 million as at 30 June 2007.

At the balance sheet date, the Group held 1,988,604,181 non-voting convertible redeemable preference shares (“Preference Shares”) in Century City International Holdings Limited (“CCIH”). The Preference Shares may be converted into fully paid CCIH ordinary shares on the basis of one CCIH ordinary share for one Preference Share. The Preference Shares can be converted into fully paid CCIH ordinary shares during the period from 15 December 2007 to 15 December 2009 by batches, whereas CCIH has the right to redeem any or all Preference Shares at HK\$0.15 per Preference Share. The Preference Shares are stated at the fair value of HK\$244 million as at 30 June 2007.

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

Charges on the Group’s Asset

The Group’s interest in associates has been pledged to a bank as security for a stand-by short-term loan facility. As at 30 June 2007, the Group did not utilise this stand-by loan facility.

Risk Management

The Group has properly put in place credit management policies which cover the examination of the approval of clients’ trading and credit limits, regular reviews of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The policies are reviewed and updated regularly.

The management closely monitors the market condition so that precautionary measures will be taken to eliminate any risk that the Group may encounter. As at 30 June 2007, the advances to customers included direct loans and margin financing, amounting to HK\$2,127 million (31 December 2006: Nil) and HK\$611 million (31 December 2006: HK\$351.9 million) respectively. The direct loans were short-term borrowings and the whole amount was collected in early July 2007. Of which, 7% (31 December 2006: 9%) of the total advances were attributable to corporate customers, whilst the rest was attributable to individual customers.

Exposure to Fluctuations in Exchange Rates and Any Related Hedges

The Group's exposure to fluctuations in exchange rates arises from its dealings in overseas share markets. Such dealings are entered into on behalf of clients of the Group and accounted for a small portion of the Group's revenue. A material portion of such overseas transactions is denominated in United States dollars. The pegged exchange rate between United States dollars and Hong Kong dollars kept the Group's exchange risk exposure to a minimum and thus, no hedging was required. Exchange gains and/or losses are dealt with in the income statement. The Group closely monitors its foreign currency positions and takes necessary measures if the situations so justify.

Contingent Liabilities

There were no material contingent liabilities as at 30 June 2007.

Future Plans for Material Investments or Capital Assets

Except the future plans as disclosed in the paragraph of "Looking Ahead", the Group had no other future plans for material investments or capital assets as at 30 June 2007.

Employees and Training

As at 30 June 2007, the total number of full-time employees was 142 (2006: 122). The total staff costs for the period (excluding directors' fees) amounted to approximately HK\$54.48 million.

The Group is committed to professional training for its employees. In compliance with the relevant requirement of the Securities & Futures Commission, the Group will organize a Continuous Professional Training seminar in September 2007 for all licensed staff members.

OTHER INFORMATION

Directors' Interests in Shares

At 30 June 2007, the interests of the Directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Appendix 10 of the Listing Rules, were as follows:

Long positions in ordinary shares of the Company

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

Save as disclosed above, as at 30 June 2007, none of the Directors of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial Shareholders' Interests in Shares

At 30 June 2007, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Shenyin Wanguo Holdings (B.V.I.) Limited ("SWHBVI")	Directly beneficially owned	268,334,875*	50.56
Venture-Some Investments Limited ("VSI")	Through controlled corporation	268,334,875*	50.56
SWHKH	Through controlled corporation	268,334,875*	50.56
SWSC	Through controlled corporation	268,334,875*	50.56
	Directly beneficially owned	2,045,000*	0.38

* SWHBVI was held directly as to 50.51% by VSI. VSI was wholly owned by SWHKH. SWHKH was wholly owned by SWSC. Hence, VSI, SWHKH and SWSC were deemed to be interested in the same parcel of 268,334,875 shares held by SWHBVI under the SFO. SWSC also held directly 2,045,000 shares in the Company.

Save as disclosed above, as at 30 June 2007, no person, other than one director of the Company, whose interest is set out in the section "Directors' Interests in Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION AND SALE OF LISTED SHARES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

To better the Company's transparency and accountability to the shareholders, the Company is, so far as practicable, committed to maintaining high standard of corporate governance. Save for the deviation from the Code Provision A.4.1 which is explained as below, the Company has met all the code provisions stipulated in Appendix 14, Code on Corporate Governance Practices (the "Code") of the Listing Rules during the six months ended 30 June 2007.

Code A.4.1 specifies that non-executive directors should be appointed for a specific term, subject to re-election. Even though non-executive directors are not appointed for specific terms, each director must be subject to retirement by rotation at least once every three years. The Company is of the opinion that it conforms with the spirit of the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

By Order of the Board

Feng Guorong

Chairman

Hong Kong, 3 August 2007