

Interim Report
2008



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

Stock Code : 218

RESULTS

The Directors of Shenyin Wanguo (H.K.) Limited (the “Company”) are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2008 together with comparative figures for the corresponding period of last year.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
REVENUE	3	149,553	284,369
Other gains	3	334	1,723
Commission expenses		(44,512)	(62,738)
Employee benefits expenses		(47,672)	(55,109)
Depreciation expenses		(2,787)	(2,491)
Interest expenses for financial services operations		(913)	(2,463)
Fair value gains/(losses) on an unlisted financial instrument at fair value through profit or loss		23,134	(36,695)
Other expenses, net		(32,928)	(33,254)
Share of profits of associates		12,640	8,039
PROFIT BEFORE TAX	4	56,849	101,381
Tax	5	(6,446)	(14,248)
PROFIT FOR THE PERIOD		50,403	87,133
Attributable to:			
Equity holders of the Company		50,427	87,133
Minority interests		(24)	—
		50,403	87,133
INTERIM DIVIDEND	6	7,961	15,923
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		9.50 cents	16.42 cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		12,070	7,780
Prepaid land lease payments		1,419	1,440
Stock and Futures Exchange trading rights		4,212	4,212
Other assets		11,532	12,719
Interests in associates		137,575	123,293
Goodwill		57,632	57,632
Financial instruments	8	102,299	121,067
Total non-current assets		326,739	328,143
CURRENT ASSETS			
Investments at fair value through profit or loss	8	69,573	111,265
Accounts receivable	9	285,395	892,826
Loans and advances	10	600,659	722,898
Prepayments, deposits, and other receivables		5,024	5,896
Tax recoverable		8,699	6,524
Bank balances held on behalf of customers		1,420,440	1,959,133
Cash and cash equivalents		104,878	74,384
Total current assets		2,494,668	3,772,926
CURRENT LIABILITIES			
Accounts payable	11	1,612,535	2,725,100
Other payables and accruals		82,220	141,302
Interest-bearing bank borrowings	12	70,000	155,044
Tax payable		33,721	28,362
Total current liabilities		1,798,476	3,049,808
NET CURRENT ASSETS		696,192	723,118
TOTAL ASSETS LESS CURRENT LIABILITIES		1,022,931	1,051,261
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,770	9,200
Other payables		16,925	15,697
Total non-current liabilities		18,695	24,897
Net assets		1,004,236	1,026,364
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		265,380	265,380
Reserves		727,225	711,522
Proposed/declared dividends		7,961	47,768
Minority interests		1,000,566	1,024,670
		3,670	1,694
Total equity		1,004,236	1,026,364

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company

	Issued share capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	General reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Proposed/declared dividends HK\$'000	Total equity 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 recognised 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 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*	249,063*	15,923	995,360

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

Attributable to equity holders of the Company

	Issued share capital	Share premium account	Capital reserve	Available-for-sale investment reserve	General reserve	Exchange fluctuation reserve	Retained profits	Proposed/declared dividends	Total	Minority interests	Total equity
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008 (audited)	265,380	314,740	15	43,407	138	13,746	339,476	47,768	1,024,670	1,694	1,026,364
Changes in fair value of available-for-sale investments	-	-	-	(41,902)	-	-	-	-	(41,902)	-	(41,902)
Share of exchange fluctuation reserve of associates	-	-	-	-	-	7,709	-	-	7,709	-	7,709
Tax on items taken directly to equity	-	-	-	7,430	-	-	-	-	7,430	-	7,430
Total income and expense recognised directly in equity	-	-	-	(34,472)	-	7,709	-	-	(26,763)	-	(26,763)
Profit/(loss) for the period (unaudited)	-	-	-	-	-	-	50,427	-	50,427	(24)	50,403
Total income and expense for the period	-	-	-	(34,472)	-	7,709	50,427	-	23,664	(24)	23,640
Contribution by a minority shareholder	-	-	-	-	-	-	-	-	-	2,000	2,000
Final and special 2007 dividends declared	-	-	-	-	-	-	(7,961)	(47,768)	(47,768)	-	(47,768)
Interim 2008 dividend declared	-	-	-	-	-	-	7,961	-	-	-	-
At 30 June 2008 (unaudited)	265,380	314,740*	15*	8,935*	138*	21,455*	381,942*	7,961	1,000,566	3,670	1,004,236
Reserves retained by: Company and subsidiaries	265,380	314,740	15	8,935	138	-	381,942	7,961	979,111	3,670	982,781
Associates	-	-	-	-	-	21,455	-	-	21,455	-	21,455
At 30 June 2008 (unaudited)	265,380	314,740	15	8,935	138	21,455	381,942	7,961	1,000,566	3,670	1,004,236
Company and subsidiaries	265,380	314,740	15	143,921	138	-	249,053	15,923	988,570	-	988,570
Associates	-	-	-	-	-	6,790	-	-	6,790	-	6,790
At 30 June 2007 (unaudited)	265,380	314,740	15	143,921	138	6,790	249,053	15,923	995,360	-	995,360

* These reserve accounts comprise the consolidated reserves of HK\$727,225,000 (30 June 2007: HK\$714,057,000) in the consolidated balance sheet.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Net cash inflow/(outflow) from operating activities	162,316	(2,102,293)
Net cash outflow from investing activities	(1,010)	(965)
Net cash inflow/(outflow) from financing activities	(107,768)	2,215,570
NET INCREASE IN CASH AND CASH EQUIVALENTS	53,538	112,312
Cash and cash equivalents at beginning of period	51,340	74,640
CASH AND CASH EQUIVALENTS AT END OF PERIOD	104,878	186,952
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	32,044	62,942
Time deposits with original maturity of less than three months when acquired	72,834	124,010
	104,878	186,952

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 2007, except that in the current period, the Group has adopted certain new Hong Kong Financial Reporting Standards (“HKFRSs”) as detailed in note (a) below.

(a) Impact of new Hong Kong Financial Reporting Standards

The Group has adopted the following new HKFRSs for the first time for the current period’s financial statements. The adoption of these new interpretations has had no material effect on these financial statements.

HK(IFRIC)-Int 11	<i>HKFRS2 — Group and Treasury Share Transactions</i>
HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	<i>HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

(b) 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.

HKFRS 8	<i>Operating Segments¹</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements¹</i>
HKAS 23 (Revised)	<i>Borrowing Costs¹</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes²</i>

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2008

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 HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and presentation of financial statements, these new and revised HKFRSs are unlikely to have a significant impact on the Group’s results of operations and financial position.

2. SEGMENT INFORMATION

The Group's operating businesses are analysed primarily by business segments. The Group's unaudited revenue and results by business segments for the six months 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	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Segment revenue:												
External customers	(22,799)	50,455	116,746	154,503	42,574	43,825	13,032	35,586	—	—	149,553	284,369
Inter-segment	—	—	—	—	142	77	4,200	2,105	(4,342)	(2,182)	—	—
Total	(22,799)	50,455	116,746	154,503	42,716	43,902	17,232	37,691	(4,342)	(2,182)	149,553	284,369
Segment results	(5,756)	7,448	21,567	41,958	26,152	21,938	5,034	28,892	—	—	46,997	100,236
Unallocated expenses											(2,788)	(6,894)
Share of profits of associates											12,640	8,039
Profit before tax											56,849	101,381
Tax											(6,446)	(14,248)
Profit for the period											50,403	87,133

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

3. REVENUE AND OTHER GAINS

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

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Financial services:		
Commission and brokerage income	116,749	154,549
Interest income from securities financing and direct loans	32,441	35,622
Net fair value gains/(losses) on securities and futures contracts trading	(23,309)	50,281
Income from rendering of services	12,961	35,530
	138,842	275,982
Others:		
Bank interest income	10,133	8,204
Dividend income from:		
Listed equity available-for-sale investments	—	127
Listed equity investments at fair value through profit or loss	507	—
Others	71	56
	10,711	8,387
	149,553	284,369
Other gains		
Exchange gains, net	334	1,723

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Charitable donations	502	—
Minimum lease payments under operating leases in respect of land and buildings	9,421	4,512
Net realised losses/(gains) on trading of listed equity investments and futures contracts	707	(24,003)

5. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Hong Kong		
Charge for the period	6,296	14,248
Underprovision in prior years	150	—

6. DIVIDEND

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend — HK1.5 cents (2007: HK3 cents) per ordinary share	7,961	15,923

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\$50,427,760 (2007: HK\$87,133,070) and 530,759,126 (2007: 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. INVESTMENTS

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Financial instruments		
Available-for-sale investments, at fair value:		
Listed equity investments in Hong Kong	6,696	9,555
Host component of an unlisted hybrid financial instrument	117,129	156,172
Unlisted club debentures	2,470	2,470
	126,295	168,197
Embedded derivative component of an unlisted hybrid financial instrument, at fair value	(23,996)	(47,130)
	102,299	121,067
Investments at fair value through profit or loss		
Listed equity investments in Hong Kong, at fair value	56,232	92,576
Unlisted investment funds, at fair value	13,341	18,689
	69,573	111,265

9. ACCOUNTS RECEIVABLE

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Accounts receivable	307,316	914,747
Less: Impairment	(21,921)	(21,921)
	285,395	892,826

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.

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

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Within 1 month	247,349	827,575
1 to 2 months	9,013	33,690
2 to 3 months	3,326	22,446
Over 3 months	47,628	31,036
	307,316	914,747

Included in the accounts receivable balance as at 30 June 2008 is a broker receivable amount due from the ultimate holding company of the Company of HK\$21,918,495 (31 December 2007: HK\$13,948,404) 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 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Loans and advances to customers:		
Secured	611,620	733,859
Unsecured	2,212	2,212
	613,832	736,071
Less: Impairment	(13,173)	(13,173)
	600,659	722,898

10. LOANS AND ADVANCES (Cont'd)

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:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Repayable on demand	600,505	722,744
Undated	13,327	13,327
	613,832	736,071

11. ACCOUNTS PAYABLE

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

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Within 1 month	1,612,535	2,725,100

Included in the accounts payable balance as at 30 June 2008 is a broker payable amount due to the ultimate holding company of the Company of HK\$4,298,102 (31 December 2007: HK\$18,233,258) 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 30 June 2008 is segregated client money held on behalf of an intermediate holding company of the Company of HK\$14,101,428 (31 December 2007: HK\$16,758,619) 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. INTEREST-BEARING BANK BORROWINGS

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Bank overdrafts – secured	—	23,044
Bank loans – secured	70,000	132,000
	70,000	155,044

13. COMMITMENTS

(a) Capital commitments

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Contracted, but not provided for the purchases of furniture, fixtures and equipment	968	4,661

(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 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Within one year	25,376	22,447
In the second to fifth years, inclusive	34,595	47,105
	59,971	69,552

14. 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 shareholders

- (i) The Group paid brokerage commissions totaling HK\$2,965,756 (six months ended 30 June 2007: HK\$3,199,874) to the ultimate holding company of the Company which were based on mutually agreed terms with reference to the commission rate and conditions similar to those offered to other customers by the ultimate holding company.
- (ii) The Group received brokerage commission income totaling HK\$14,426 (six months ended 30 June 2007: HK\$56,982) from an intermediate holding company of the Company which was charged on commission rate and conditions similar to other customers of the Group.

Details of the Group's accounts receivable and accounts payable with the ultimate holding company and an intermediate holding company of the Company are included in notes 9 and 11 to the condensed financial statements, respectively.

(b) Subsidiary of a substantial beneficial shareholder

The Group paid and accrued research fees totaling HK\$1,075,000 (six months ended 30 June 2007: HK\$880,000) to a subsidiary of the ultimate holding company of the Company which were charged in accordance with the respective agreements signed between the Group and that related company. 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	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Short term employee benefits	7,143	9,925
Post-employment benefits	638	551
	7,781	10,476

15. REVIEW OF ACCOUNTS

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2008.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK1.5 cents (2007: HK3 cents) per ordinary share for the six months ended 30 June 2008, to shareholders whose names appear on the register of members of the Company on 10 October 2008. The dividend will be payable on or about 17 October 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 October 2008, Monday to 10 October 2008, 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 3 October 2008, Friday.

MANAGEMENT DISCUSSION AND ANALYSIS OF PERFORMANCE

Market Review

The first half of 2008 represented the hardest time for Hong Kong's financial market in recent years. Crude oil price repeatedly surged to historical highs and aggravation of the US sub-prime mortgage issue led to a slowdown in global economic growth, devaluation of global assets prices, and deterioration of the international economic and financial environments. As a result, there was a slump in the capital markets around the world. Although the United States and other developed countries have adopted a series of fiscal and monetary policies in order to mitigate the crisis, the general market consensus is that the consumption and investment confidence have not yet recovered, therefore the outlook of global capital markets remain uncertain.

During the first half of the year, China's economy sustained a stable and relatively rapid growth. According to the latest report announced by the National Bureau of Statistics of China, the Gross Domestic Product (GDP) in the first half of the year increased by 10.4% as compared with the corresponding period last year. However, due to the adverse effects of the weak global economic and financial environment, the growth rate of China's exports slowed down

noticeably. This, coupled with excess inflation, is causing increased concern about China's economic growth in the future. The floatation of significant amounts of previously non tradable shares on China's securities markets, since the beginning of the year, has damaged liquidity flows and intensified the structural problem in the domestic capital market in China. There has been a major correction in the A-share market, with the Shanghai Composite Index falling from the highest of 6124 points in October last year to 2736 points by the end of June, representing a decrease of 55.3%.

Since the beginning of the year, fluctuations in the international financial markets and the major negative adjustment of the capital market in China have resulted in severe fluctuations in the Hong Kong securities market. Both the Hang Seng Index and the Hang Seng China Enterprises Index declined with fluctuations in line with other markets on shrinking trading volume. As of 30 June 2008, the Hang Seng Index and the Hang Seng China Enterprises Index had dropped to 22102 points and 11910 points, respectively, representing a decrease of 30.8% and 42.2% from the historical highs last year. For the second quarter this year, the average daily turnover of Hong Kong stock market was HK\$75.5 billion, representing a decrease of 44% compared with the peak in the fourth quarter last year.

Business Review

Notwithstanding a relatively adverse operating environment, the Group successfully realized a profit to our shareholders while managing the risks. The unaudited profits attributable to shareholders in the first half of the year amounted to HK\$50.43 million (2007: HK\$87.13 million), representing a decrease of 42.1% from 2007, while the turnover of the Group decreased by approximately HK\$134.82 million to HK\$149.55 million as compared with the same period of last year (2007: HK\$284.37 million).

The Group focused its securities brokerage business on the stocks and futures market in Hong Kong as well as the B-share market in China. In the first half of 2008, under difficult conditions, the Group proactively reinforced risk control, strived to expand its client base of institutional investors, and developed the local retail market. The total number of clients increased by approximately 4.9% compared to the beginning of the year. Given the generally depressed trading volumes in the market, together with a decline in market share of Hong Kong's small and medium sized brokers in general, both the commission income from the securities brokerage business and our market share in the Hong Kong stock market decreased.

Shenyin Wanguo Capital (H.K.) Limited, a wholly-owned subsidiary of the Company, is mainly engaged in financial consultancy and securities underwriting. During the first half of 2008, we completed seven financial advisory projects, which included, among others, Shanghai Tonva Petrochemical Co., Ltd., Xiamen International Port Co., Ltd. and China Eastern Airlines Corporation Limited. In addition, we acted as the compliance advisor for Fosun International Limited and Xtep International Holdings Limited and participated in the IPO of China Railway Construction Corporation Limited.

As mentioned above, equity markets worldwide underwent relatively significant adjustments in the first half of 2008. China A shares and the Hong Kong markets have been the hardest hit among all major equity markets. Under such adverse market environment, the Group operated its assets management business with a prudent and positive attitude and adopted a defensive portfolio strategy. Although the performance of all funds and segregated portfolios under management was in line with expectation, the fund size under management declined on the back of redemption and market adjustment.

Prospects

In view of the major changes in the global economic and financial situations during the first half of 2008, the PRC government has implemented a number of moderate adjustments on its macro-economic policy recently. The primary task of macro-economic control has been adjusted from one of “preventing fast economic growth from being overheated and keeping structural price increases from turning into significant inflation”, as stated in the government work report in the beginning of the year, to one of “maintaining a stable rapid economic growth while keeping inflation in control”. With the implementation of new macro-economic control policy, the market generally expects that after the Olympic Games in August, the economy in China will maintain a stable and relatively rapid trend in growth. This will likely lead to a positive effect on China’s domestic capital market.

Currently, the Ministry of Commerce and the Hong Kong Special Administrative Region government have signed Supplement V to the Closer Economic Partnership Arrangement (CEPA), which is aiming to further open the mainland market to Hong Kong in 17 service sectors, including tourism, medical, accounting and social services. With the sustainable growth of China’s economy and the strengthening of the economic and capital markets links between Hong Kong and China, it is expected that the Hong Kong securities market will improve in the second half of the year.

Since the above factors will affect the market, the Group intends to adopt an active and practical business strategy based on the operating results in the first half of the year, to capture market opportunities, to further improve the service quality and standard of local institutional and retail customers business, and to increase the business income from different channels. The Group will pay close attention to the direction of policies in China and enhance cooperation with its parent company in the mainland with the aim to capture new business opportunities, and expand the scope of brokerage business. The Group will continue to develop the assets management business actively and to strengthen the development towards overseas fund markets. In addition, the Group will put more efforts on businesses such as the listing of the PRC enterprises in Hong Kong, financing and financial consultancy services. While exploring business and realizing growth in operational income, the Group will strengthen its risk management effort in the second half of the year by adopting more prudent operating policies in terms of proprietary trading and provision of margin finance to customers.

Capital Structure

During the period, there was no change to the share capital of the Company. As at 30 June 2008, the total number of the issued ordinary shares was 530,759,126 shares and total equity attributable to shareholders was HK\$1,001 million.

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2008, the Group had a cash holding of HK\$105 million and short-term marketable securities of HK\$70 million. As at 30 June 2008, the Group's total unutilised banking facilities amounted to HK\$562 million, of which HK\$187 million could be drawn down without the need of notice nor completion of condition precedent.

As at 30 June 2008, the Group had outstanding short-term bank loan amounting to HK\$70 million. The liquidity ratio (current assets to current liabilities) and gearing ratio (borrowings to net asset value) as at 30 June 2008 were 1.39 and 0.07 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, 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. The interests in associates had a carrying value of HK\$138 million as at 30 June 2008.

At the balance sheet date, the Group held 1,325,736,121 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 2008 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 were recorded at a fair value of HK\$93 million as at 30 June 2008.

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

Charges on the Group’s Asset

No asset of the Group was subject to any charge as at 30 June 2008.

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 2008, the advances to customers included direct loans and margin financing, amounting to HK\$91 million (31 December 2007: Nil) and HK\$523 million (31 December

2007: HK\$736 million) respectively. Of which, 18% (31 December 2007: 10%) 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 2008.

Future Plans for Material Investments or Capital Assets

Except the future plans as disclosed in the paragraph of "Prospects", the Group had no other future plans for material investments or capital assets as at 30 June 2008.

Employees and Training

As at 30 June 2008, the total number of full-time employees was 189 (2007: 142). The total staff costs for the period (excluding directors' fees) amounted to approximately HK\$47.4 million.

The Group is committed to professional training for its employees. In compliance with the relevant requirement of the Securities and Futures Commission, the Group has organized a Continuous Professional Training seminar in September 2008 for all licensed staff members.

OTHER INFORMATION

Director's Interest in Shares

At 30 June 2008, the interest of a director 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), was as follows:

Long position in ordinary shares of the Company

Name of 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 2008, none of the directors of the Company had registered 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 2008, 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
Shenyin Wanguo (H.K.) Holdings Limited ("SWHKH")	Through controlled corporation	268,334,875*	50.56
	Directly beneficially owned	2,045,000*	0.38
Shenyin & Wanguo Securities Co., Ltd. ("SWSC")	Through controlled corporation	270,379,875*	50.94

* 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. SWHKH also held directly 2,045,000 shares of the Company.

Save as disclosed above, as at 30 June 2008, no person, other than one director of the Company, whose interest is set out in the section "Director's Interest 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 2008.

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. The audit committee has reviewed the interim results and interim report of the Company for the six months ended 30 June 2008.

DIRECTORS

As at the date of this interim report, the Board of the Company comprises 10 directors, of which Mr. Feng Guorong, Mr. Lu Wenqing, Mr. Lee Man Chun Tony, Mr. Guo Chun and Mr. Ying Niankang are the executive directors, Mr. Chang Pen Tsao and Mr. Huang Gang are the non-executive directors, Mr. Ng Wing Hang Patrick, Mr. Kwok Lam Kwong Larry and Mr. Zhuo Fumin are the independent non-executive directors.

By Order of the Board
Feng Guorong
Chairman

Hong Kong, 12 September 2008