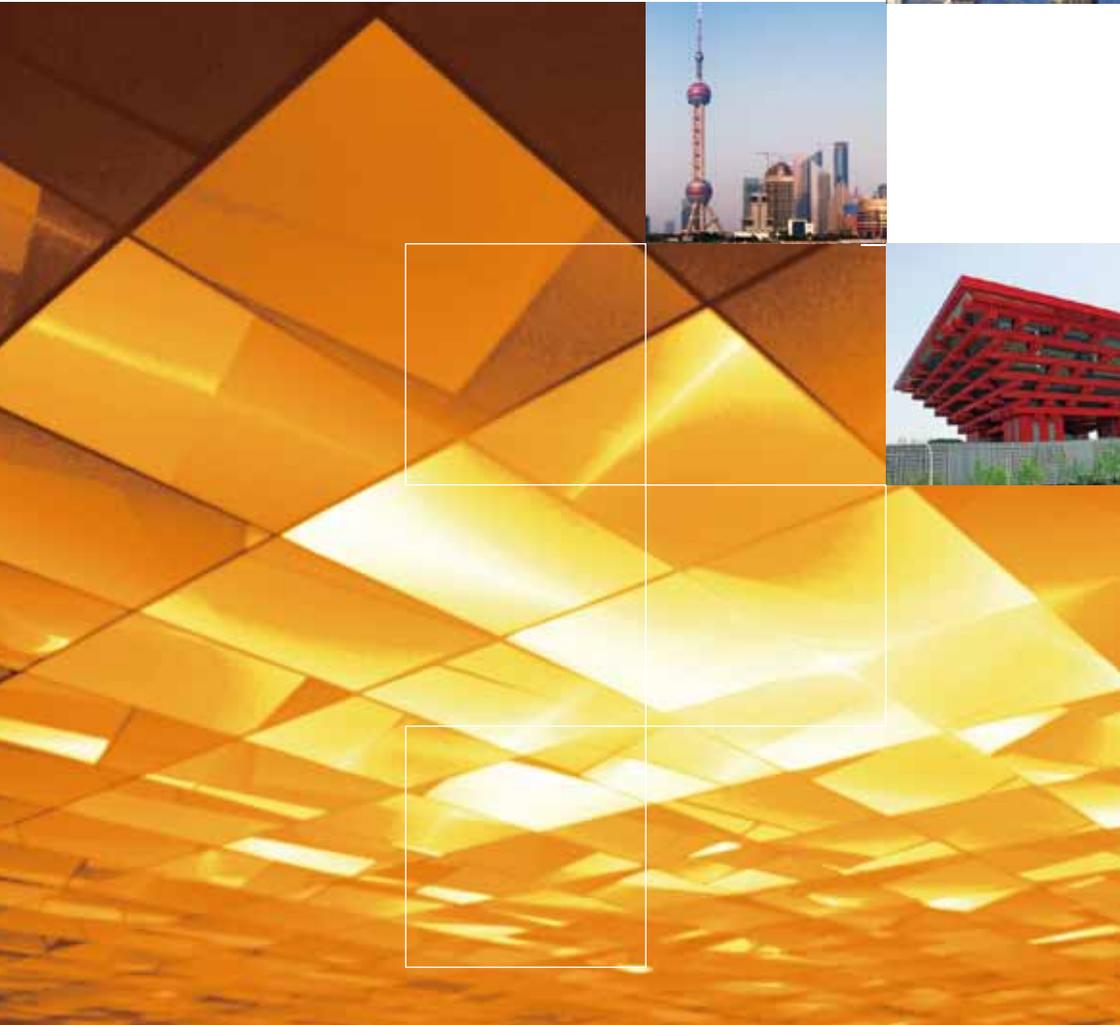


Interim Report 2010



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 2010 together with comparative figures for the corresponding period of last year.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
	<i>Notes</i>	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
REVENUE	3	162,616	134,723
Other gains	3	223	605
Commission expenses		(44,069)	(41,356)
Employee benefit expenses		(46,309)	(33,747)
Depreciation expenses		(1,998)	(3,292)
Interest expenses for financial services operations		(807)	(4)
Fair value gains on an unlisted financial instrument at fair value through profit or loss		–	519
Impairment of an available-for-sale investment		(1,641)	–
Other expenses, net		(32,570)	(36,582)
PROFIT BEFORE TAX	4	35,445	20,866
Income tax expense	5	(5,356)	(2,865)
PROFIT FOR THE PERIOD		30,089	18,001
Attributable to:			
Owners of the Company		30,103	18,375
Minority interests		(14)	(374)
		30,089	18,001
INTERIM DIVIDEND	6	5,308	5,308
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	7	5.67 cents	3.46 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	30,089	18,001
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
Change in fair value	(2,041)	2,705
Transfer of loss to the condensed consolidated income statement		
– impairment loss	1,641	–
Income tax effect	66	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(334)	2,705
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	29,755	20,706
Attributable to:		
Owners of the Company	29,769	21,080
Minority interests	(14)	(374)
	29,755	20,706

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		6,428	7,415
Prepaid land lease payments		1,338	1,358
Stock and Futures Exchange trading rights		4,212	4,212
Other assets		12,890	11,920
Goodwill		57,632	57,632
Financial instruments	8	133,052	135,093
Deferred tax assets		2,443	2,443
Total non-current assets		217,995	220,073
CURRENT ASSETS			
Investments at fair value through profit or loss	8	169,758	177,837
Accounts receivable	9	313,092	624,147
Loans and advances	10	655,317	685,695
Prepayments, deposits and other receivables		21,420	10,869
Tax recoverable		344	369
Bank balances held on behalf of customers		2,031,161	1,939,341
Cash and cash equivalents		90,026	85,055
Total current assets		3,281,118	3,523,313
CURRENT LIABILITIES			
Accounts payable	11	2,296,375	2,508,233
Other payables and accruals		56,549	71,386
Interest-bearing bank borrowings	12	90,064	134,290
Tax payable		12,811	7,480
Total current liabilities		2,455,799	2,721,389
NET CURRENT ASSETS		825,319	801,924
TOTAL ASSETS LESS CURRENT LIABILITIES		1,043,314	1,021,997
NON-CURRENT LIABILITIES			
Deferred tax liabilities		-	66
Other payables		9,114	6,871
Total non-current liabilities		9,114	6,937
Net assets		1,034,200	1,015,060
EQUITY			
Equity attributable to owners of the Company			
Issued capital		265,380	265,380
Reserves		760,892	736,431
Proposed/declared dividends		5,308	10,615
Minority interests		1,031,580	1,012,426
		2,620	2,634
Total equity		1,034,200	1,015,060

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Issued share capital	Share premium account	Capital reserve	Available-for-sale investment revaluation reserve	Exchange fluctuation reserve	General reserve	Retained profits	Proposed/declared dividends	Total equity	Minority interests	Total equity
	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 2009 (audited)	265,380	314,740	15	(1,266)	21,648	138	340,604	5,308	946,567	3,379	949,946
Total comprehensive income for the period	-	-	-	2,705	-	-	18,375	-	21,080	(374)	20,706
Final 2008 dividend declared	-	-	-	-	-	-	-	(5,308)	(5,308)	-	(5,308)
Interim 2009 dividend declared	-	-	-	-	-	-	(5,308)	5,308	-	-	-
At 30 June 2009 (unaudited)	265,380	314,740	15	1,439	21,648	138	353,671	5,308	962,339	3,005	965,344

6

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	60,823	(1,404,839)
Net cash outflow from investing activities	(1,011)	(1,765)
Net cash inflow/(outflow) from financing activities	(37,615)	1,238,692
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	22,197	(167,912)
Cash and cash equivalents at beginning of period	52,765	500,303
CASH AND CASH EQUIVALENTS AT END OF PERIOD	74,962	332,391
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	36,432	284,899
Time deposits with original maturity of less than three months when acquired	53,594	52,242
Bank overdrafts	(15,064)	(4,750)
	74,962	332,391

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 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 (“HKICPA”).

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 2009, except that in the current period, the Group has adopted certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) as detailed in note (a) below.

(a) Changes in accounting policy and disclosures

The Group has also adopted the following new and revised HKFRSs issued by the HKICPA. However, the adoption of these new and revised HKFRSs has had no material effect on these financial statements.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distribution of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
Improvements to HKFRSs 2009 (Issued in May 2009)	<i>Amendments to a number of HKFRSs *</i>

* *Improvements to HKFRSs contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.*

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)**(b) 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 9	<i>Financial Instruments</i> ⁴
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ³
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i> ¹
HK(IFRIC)-Int 14	<i>Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement</i> ³
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ²

¹ *Effective for annual periods beginning on or after 1 February 2010*

² *Effective for annual periods beginning on or after 1 July 2010*

³ *Effective for annual periods beginning on or after 1 January 2011*

⁴ *Effective for annual periods beginning on or after 1 January 2013*

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2. OPERATING SEGMENT INFORMATION

	Securities trading and investment holding HK\$'000	Securities broking and dealing HK\$'000	Securities financing and direct loans HK\$'000	Investment advisory services HK\$'000	Total HK\$'000
Six months ended 30 June 2010 (Unaudited)					
Segment revenue from external customers	(7,883)	126,651	28,932	14,916	162,616
Segment results and profit before tax	(2,160)	11,763	22,899	2,943	35,445
Segment assets	378,428	2,425,911	658,780	30,737	3,493,856
<i>Reconciliation:</i>					
Deferred tax assets					2,443
Tax recoverable					344
Unlisted club debentures included in financial instruments					2,470
Total assets					3,499,113
	Securities trading and investment holding HK\$'000	Securities broking and dealing HK\$'000	Securities financing and direct loans HK\$'000	Investment advisory services HK\$'000	Total HK\$'000
Six months ended 30 June 2009 (Unaudited)					
Segment revenue from external customers	7,995	111,304	11,561	3,863	134,723
Segment results and profit before tax	6,210	11,335	8,345	(5,024)	20,866
Segment assets	302,055	2,185,477	1,703,235	19,479	4,210,246
<i>Reconciliation:</i>					
Tax recoverable					9,618
Unlisted club debentures included in financial instruments					2,470
Unallocated assets					7,126
Total assets					4,229,460

3. REVENUE AND OTHER GAINS

An analysis of revenue, which is also the Group's turnover, and other gains is as follows:

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Revenue		
Financial services:		
Commission and brokerage income	132,697	109,545
Interest income from securities financing and direct loans	28,927	11,552
Net fair value gains/(losses) on securities and futures contracts trading	(8,397)	7,386
Income from rendering of services	6,639	2,513
	159,866	130,996
Others:		
Bank interest income	2,275	3,149
Dividend income from:		
Listed equity investments at fair value through profit or loss	424	527
Others	51	51
	2,750	3,727
	162,616	134,723
Other gains		
Exchange gains, net	223	605

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Charitable donations	40	50
Minimum lease payments under operating leases in respect of land and buildings	12,311	12,321
Net realised gains on trading of listed equity investments and futures contracts	(1,326)	(733)
	40	50

5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	5,356	2,862
Underprovision in prior years	–	3
	5,356	2,865

6. DIVIDEND

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interim dividend – HK1 cent (2009: HK1 cent) per ordinary share	5,308	5,308

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**(a) Basic earnings per share**

The calculation of basic earnings per share amount is based on the unaudited profit for the period attributable to ordinary equity holders of the Company of HK\$30,102,856 (2009: HK\$18,375,698) and the 530,759,126 (2009: 530,759,126) ordinary shares in issue during the period.

(b) Diluted earnings per share

No adjustment has been made to the basic earnings per share amounts presented for the current and prior periods in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

8. INVESTMENTS

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Financial instruments		
Available-for-sale investments, at fair value:		
Listed equity investments in Hong Kong	2,522	4,563
Unlisted club debentures	2,470	2,470
	4,992	7,033
Available-for-sale investment, at cost:		
Unlisted equity investment	128,060	128,060
	133,052	135,093
Investments at fair value through profit or loss		
Listed equity investments in Hong Kong, at fair value	32,459	44,622
Unlisted investment funds, at fair value	137,299	133,215
	169,758	177,837

9. ACCOUNTS RECEIVABLE

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Accounts receivable	334,862	646,068
Less: Impairment	(21,770)	(21,921)
	313,092	624,147

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 as at the end of the reporting period, based on the trade day, is as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Within 1 month	277,322	607,474
1 to 2 months	13,405	8,284
2 to 3 months	11,575	2,598
Over 3 months	32,560	27,712
	334,862	646,068

Included in the accounts receivable balance as at 30 June 2010 was a broker receivable amount due from the ultimate holding company of the Company of HK\$8,224,723 (31 December 2009: HK\$5,955,027) 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 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Loans and advances to customers:		
Secured	666,278	696,656
Unsecured	2,212	2,212
	668,490	698,868
<i>Less: Impairment</i>	(13,173)	(13,173)
	655,317	685,695

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

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Repayable on demand	655,163	685,541
Undated	13,327	13,327
	668,490	698,868

11. ACCOUNTS PAYABLE

An aged analysis of accounts payable, based on the trade day, as at the end of the reporting period, is as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Within 1 month	2,296,375	2,508,233

Included in the accounts payable balance as at 30 June 2010 was a broker payable amount due to the ultimate holding company of the Company of HK\$6,339,508 (31 December 2009: HK\$51,031,736) 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 2010 represented the amount of segregated client money held on behalf of an intermediate holding company of the Company of HK\$21,592,710 (31 December 2009: HK\$16,847,778) which also arose from securities dealing transactions. This balance is unsecured, bears interest at bank deposit savings rate (2009: bank deposit savings rate) per annum and is payable on request.

12. INTEREST-BEARING BANK BORROWINGS

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Bank overdrafts – secured	15,064	32,290
Bank loans – secured	75,000	102,000
	90,064	134,290

13. COMMITMENTS**(a) Capital commitments**

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Contracted, but not provided for the purchases of furniture, fixtures and equipment	855	954

(b) Operating lease commitments as a lessee

At 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Within one year	20,932	25,019
In the second to fifth years, inclusive	2,978	10,279
	23,910	35,298

14. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these condensed consolidated 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\$1,969,676 (six months ended 30 June 2009: HK\$1,813,559) 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\$28,192 (six months ended 30 June 2009: HK\$47,504) 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.

14. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Subsidiary of a substantial beneficial shareholder

The Group paid research fees totaling HK\$4,025,000 (six months ended 30 June 2009: HK\$1,355,000) 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.

(c) Key management personnel compensation

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Short term employee benefits	7,732	7,692
Post-employment benefits	614	605
	8,346	8,297

15. REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010.

INTERIM DIVIDEND

The Board of Directors (the “Board”) has declared an interim dividend of HK1 cent (2009: HK1 cent) per ordinary share for the six months ended 30 June 2010, to shareholders whose names appear on the register of members of the Company on 24 September 2010. The dividend will be payable on or about 30 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 September 2010, Monday, to 24 September 2010, 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 17 September 2010, Friday.

MANAGEMENT DISCUSSION AND ANALYSIS OF PERFORMANCE

Review of Market

In the first half of 2010, the world economy showed signs of rebound, which was evidenced by relatively stronger recovery momentums in the United States, Japan and other economies. However, the prospect of the world economy is still over shadowed by the uncertainties brought about by the sovereign debt crisis and increased risk exposure in the financial sectors in certain European countries. On the economic front, Chinese Mainland recorded a gross domestic product of RMB17.3 trillion for the first half of the year, representing a year-on-year increase of 11.1%, while the consumer price index rose 2.6% as compared to the corresponding period last year. The Chinese Mainland economy featured a relatively fast consumption growth, a sustainable and rapid increase in investment and a quick recovery in terms of foreign trade, and exhibited promising development following the direction laid down under the government’s macro-economic control measures. Overall, the current domestic and foreign market environments are still complicated and challenging, while the economic development is faced with continued uncertainty. As a result of the fluctuations in the external economic environments, the Hong Kong stock market was volatile.

Since the beginning of the year, the Hang Seng Index, affected by the Greek government debt crisis, dropped from the peak of 22,672 on 11 January 2010 to below 20,000 on 8 February 2010, and fell further to 19,682. It struggled at around 21,000 afterwards. In early April, driven by the continued revival of the US stock market, the atmosphere of the Hong Kong stock market became more positive and the index broke through 22,000, to reach a high of 22,389. After that, the market experienced another decline, with the Hang Seng Index diving below 19,000 to a low of 18,975 on 25 May 2010. The daily average turnover on the Stock Exchange of Hong Kong for the first half of the year amounted to HK\$63.8 billion, which was slightly higher than that of last year of HK\$62.5 billion.

Review of Operations

Notwithstanding the ever-changing operating environment, the major operations of the Group, such as the securities broking, investment banking and asset management businesses, maintained their recovery momentums in the first half of 2010, even though the gain from seed monies invested was more materially affected by market adjustments. In general, the operations of the Group remained sound with possible signs of improvement in terms of operating results. As shown in the financial statements, for the first half of the year, the unaudited profit attributable to shareholders of the Group was HK\$30.10 million (2009: HK\$18.38 million), up 64% as compared to the corresponding period in 2009. Turnover of the Group recorded an increase of approximately HK\$27.90 million as compared to the corresponding period last year to HK\$162.62 million (2009: HK\$134.72 million).

The Group focused its securities broking business on the stocks and futures markets in Hong Kong as well as the B-share market in Chinese Mainland. The market indices in these markets fluctuated in 2010, while the turnover was similar to that of the corresponding period last year. However, through various measures such as expanding the brokerage team, hiring additional institutional sales representatives, upgrading the trading system and improving the service quality, the Group achieved an outstanding growth in brokerage commission income with a notable surge in trading amount of institutional customers as well as active trading activities of the retail customers in Hong Kong as compared to last year. In the first half of 2010, the income from brokerage business of the Group amounted to HK\$132.70 million, representing a growth of 21% over HK\$109.55 million for the corresponding period last year. With respect to operation developments, the Group achieved satisfactory results in terms of overseas institutional customer sales promotion and local retail team expansion in 2010, and therefore laid down a sound foundation for future business growth.

Shenyin Wanguo Capital (H.K.) Limited (“Shenyin Wanguo Capital”), a wholly-owned subsidiary of the Company, is mainly engaged in financial consultancy and securities underwriting. During the first half of 2010, Shenyin Wanguo Capital was appointed as independent financial adviser to China Resources Cement Holdings Limited, Ming Hing Waterworks Holdings Limited and Winteam Pharmaceutical Group Limited in relation to their respective connected transactions. In addition, Shenyin Wanguo Capital acted as the compliance adviser for Xtep International Holdings Limited, China Zhongwang Holdings Limited, Hing Lee (HK) Holdings Limited, TravelSky Technology Limited and NVC Lighting Holding Limited and participated in the IPO of International Mining Machinery Holdings Limited.

In the first half of 2010, affected by the slow down of economic recovery and European credit crisis, world markets fell, lead by Chinese Mainland’s stock market falling 27%. As the asset management arm of the Group primarily manages funds invested in Chinese Mainland’s markets, the funds recorded net losses. However, because the Group successfully launched the “Shenyin Wanguo – T&D China A Share Fund” in Japan in the first half of 2010, the assets under management grew moderately. At the same time, the asset management department of the Group is actively seeking opportunities to work with institutions in Japan, Korea, Taiwan and Chinese Mainland.

Our securities trading and broking businesses are supported by a securities research team of the Group. With the support of our parent company, which is one of the leading securities companies in Chinese Mainland, the Group has become a specialist in Chinese Mainland securities and produces regular reports on Chinese Mainland securities, also covering macroeconomics, market strategy as well as comments on individual Chinese Mainland companies listed on the Hong Kong, Shanghai and Shenzhen stock exchanges. The research team of the Group also produces detailed company analyses, which are circulated to our clients. In the first half of 2010, a total of 23 investment analysts from our parent company joined our annual investment conference in Hong Kong. They performed roadshows to meet with international clients in Hong Kong. We believe that such visits are beneficial to the collaboration between our parent company and us on the research and investment banking fronts.

Prospects

Although the international economy and financial environment exhibited signs of improvement while the economic growth in Chinese Mainland remained resilient during the first half of 2010, it should be noted that the recovery of the world economy will be hindered by new uncertainties in the global economic and financial markets, as the sovereign debt crisis in Europe has not yet been effectively contained, several economies recorded huge deficits and unemployment rates in numerous major economies remained at historic heights. The Chinese Mainland's economy is also facing problems of excess borrowings by local governments and surging real estate prices. These factors add complications and difficulties to the economic recovery and growth. It is expected that fluctuations in the Hong Kong stock market will continue in the coming future. The Chinese Mainland government recently reiterated that it will maintain a consistent and stable macro-economic policy and persist with its proactive fiscal policy and moderate monetary easing policy so as to reinforce the bounceback momentum of the economy.

In May this year, the Ministry of Commerce of the People's Republic of China formally entered into the seventh supplementary agreement to Mainland and Hong Kong Closer Economic Partnership Arrangement with the Hong Kong Special Administrative Region, pursuant to which Chinese Mainland will open more scope of services in its financial and securities sectors up to Hong Kong, as well as strengthen its cooperation with Hong Kong in the fields of financial services and products development. Following the extension of the scope of pilot RMB settlement in cross-border trade, the pace of developing Hong Kong into the offshore RMB financial centre is expected to accelerate. It could be foretold that the consolidated coordination between Hong Kong and Chinese Mainland in terms of economy and capital market will turn into supporting factors to the Hong Kong stock market in the later half of the year.

Given that all the above factors are deemed to be influential to the market, the Group is set to implement active and prudent operation strategies in order to capitalize on the fruitful operating results achieved in the first half of the year. Such strategies may include the establishment of online overseas stock market trading platforms, commencement of the international bulk commodity futures trading business and introduction of wider variety of trading products and convenient trading services to local and Chinese Mainland retail investors. All these measures aim at strengthening our market competitiveness, obtaining further market share and exploring multiple income sources. The Group has planned to recruit additional institutional sales personnel with experience in international markets and further invest in system establishment and marketing, as well as coordinate closer with the international business department of the parent company and Shanghai Shenyin Wanguo Research & Consulting Company Limited. We will also forage for institutional customers in Europe and the United States while securing the existing institutional customers in Japan and Korea. The asset management business will be ambitiously expanded and more efforts in developing overseas fund markets will be made with a view to expanding the scale of its managed assets. Besides developing the traditional investment banking business, the Group will also explore the potential of conducting direct investment and collaborating with the parent company in order to fully utilize the synergy between the Company's businesses in Chinese Mainland and Hong Kong, offer comprehensive and professional services to PRC enterprises with cross-border operations and those with dual listing in the two places as well as promoting our brand in the market as a comprehensive service provider. The Group will closely study the policies of the relevant government development in respect of cross-border businesses and actively seize any future business opportunity.

Capital Structure

During the period, there was no change to the share capital of the Company. As at 30 June 2010, the total number of the issued ordinary shares was 530,759,126 shares and total equity attributable to shareholders was HK\$1,032 million.

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2010, the Group had a cash holding of HK\$90 million and short-term marketable securities of HK\$170 million. As at 30 June 2010, the Group's total unutilized banking facilities amounted to HK\$498 million, of which HK\$228 million could be drawn down without the need of notice nor completion of condition precedent.

As at 30 June 2010, the Group had outstanding short-term bank borrowings amounting to HK\$90 million. The liquidity ratio (current assets to current liabilities) and gearing ratio (borrowings to net asset value) as at 30 June 2010 were 1.34 and 0.09 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 hold 26.19% interest in The New China Hong Kong Highway Limited, which in turn held a 60% interest in Sichuan Chengmian Expressway Co., Ltd. It was recorded at the carrying value of HK\$128 million as at 30 June 2010.

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 2010.

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 2010, the advances to customers included direct loans and margin financing, amounting to HK\$47 million (31 December 2009: Nil) and HK\$621 million (31 December 2009: HK\$699 million) respectively. Of which, 5% (31 December 2009: 4%) 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 when the situations so justify.

Contingent Liabilities

There were no material contingent liabilities as at 30 June 2010.

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 2010.

Employees and Training

As at 30 June 2010, the total number of full-time employees was 215 (2009: 172). The total staff costs for the period (excluding directors' fees) amounted to approximately HK\$46.08 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 will organize a Continuous Professional Training seminar in August 2010 for all licensed staff members.

OTHER INFORMATION

Director's Interests in Shares

As at 30 June 2010, 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 follow:

Long position in the 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 2010, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under 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

As at 30 June 2010, the interests of substantial shareholders, other than directors or chief executive of the Company, in the share capital of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the ordinary shares of the Company

Name	Capacity and nature of interests	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 Directly beneficially owned	268,334,875* 2,045,000*	50.56 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. Hence, SWSC was also deemed to be interested in the same parcel of 2,045,000 shares held by SWHKH.*

Save as disclosed above, as at 30 June 2010, the Company had not been notified of any person who had interests or short positions in the shares or underlying shares of the Company, which were required to be recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities 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 2010.

Code Provision A.4.1 specifies that non-executive directors should be appointed for a specific term, subject to re-election. Even though non-executive directors of the Company 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 set out in Appendix 10 of the Listing Rules 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 announcement and interim report of the Company for the six months ended 30 June 2010.

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, 20 August 2010