



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

(Stock Code : 218)

**:: Interim Report 2011 ::**



## 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 2011 together with comparative figures for the corresponding period of last year.

### CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
	Notes	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
REVENUE	3	189,314	162,616
Commission expenses		(44,444)	(44,069)
Employee benefit expenses		(53,769)	(46,309)
Depreciation expenses		(3,566)	(1,998)
Interest expenses for financial services operations		(1,282)	(807)
Impairment of an available-for-sale investment		–	(1,641)
Other gains	3	659	223
Other expenses, net		(57,863)	(32,570)
PROFIT BEFORE TAX	4	29,049	35,445
Income tax expense	5	(2,301)	(5,356)
PROFIT FOR THE PERIOD		26,748	30,089
Attributable to:			
Owners of the Company		26,748	30,103
Non-controlling interests		–	(14)
		26,748	30,089
INTERIM DIVIDEND	6	5,308	5,308
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted		5.04 cents	5.67 cents

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Six months ended 30 June</b>	
	<b>2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2010 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<b>26,748</b>	30,089
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
Changes in fair value	<b>940</b>	(2,041)
Transfer of loss to the condensed consolidated income statement		
– impairment loss	–	1,641
Income tax effect	–	66
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<b>940</b>	(334)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>27,688</b>	29,755
Attributable to:		
Owners of the Company	<b>27,688</b>	29,769
Non-controlling interests	–	(14)
	<b>27,688</b>	29,755

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<i>Notes</i>	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>20,784</b>	9,634
Stock and Futures Exchange trading rights		<b>4,212</b>	4,212
Other assets		<b>23,974</b>	12,692
Financial instruments	<i>8</i>	<b>17,765</b>	12,820
Deferred tax assets		<b>1,696</b>	1,961
<b>Total non-current assets</b>		<b>68,431</b>	41,319
<b>CURRENT ASSETS</b>			
Investments at fair value through profit or loss	<i>8</i>	<b>172,859</b>	145,709
Accounts receivable	<i>9</i>	<b>535,522</b>	534,954
Loans and advances	<i>10</i>	<b>858,877</b>	885,172
Prepayments, deposits and other receivables		<b>12,997</b>	15,168
Tax recoverable		<b>-</b>	54
Bank balances held on behalf of customers		<b>1,820,329</b>	1,906,406
Cash and cash equivalents		<b>133,679</b>	123,999
<b>Total current assets</b>		<b>3,534,263</b>	3,611,462
<b>CURRENT LIABILITIES</b>			
Accounts payable	<i>11</i>	<b>2,302,457</b>	2,312,440
Other payables and accruals		<b>85,902</b>	100,199
Interest-bearing bank borrowings	<i>12</i>	<b>54,824</b>	62,492
Tax payable		<b>9,630</b>	7,689
<b>Total current liabilities</b>		<b>2,452,813</b>	2,482,820
<b>NET CURRENT ASSETS</b>		<b>1,081,450</b>	1,128,642
<b>Net assets</b>		<b>1,149,881</b>	1,169,961
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital		<b>265,380</b>	265,380
Reserves		<b>876,574</b>	854,194
Proposed/declared dividends		<b>5,308</b>	47,768
<b>Non-controlling interests</b>		<b>1,147,262</b>	1,167,342
		<b>2,619</b>	2,619
<b>Total equity</b>		<b>1,149,881</b>	1,169,961

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Issued 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 HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2010 (audited)	265,380	314,740	15	334	138	21,648	399,556	10,615	1,012,426	2,634	1,015,060
Profit/(loss) for the period	-	-	-	-	-	-	30,103	-	30,103	(14)	30,089
Other comprehensive loss for the period:											
Change in fair value of available-for-sale investments, net of tax	-	-	-	(634)	-	-	-	-	(634)	-	(634)
Total comprehensive income for the period	-	-	-	(334)	-	-	30,103	-	29,769	(14)	29,755
Final 2009 dividend declared	-	-	-	-	-	-	-	(10,615)	(10,615)	-	(10,615)
Interim 2010 dividend declared	-	-	-	-	-	-	(5,308)	5,308	-	-	-
At 30 June 2010 (unaudited)	265,380	314,740	15	-	138	21,648	424,351	5,308	1,031,580	2,620	1,034,200

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

		Attributable to owners of the Company									
		Available- for-sale			General		Retained	Proposed/ declared	Non- controlling	Total	
		Share premium account	Capital reserve	investment revaluation reserve	reserve	profits	dividends	interests	equity		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
	Note										
At 1 January 2011 (audited)		265,380	314,740	15	1,844	138	537,457	47,768	1,167,342	2,619	1,168,961
Profit for the period		-	-	-	-	-	26,748	-	26,748	-	26,748
Other comprehensive income for the period:											
Change in fair value of available-for-sale investments, net of tax		-	-	-	940	-	-	-	940	-	940
Total comprehensive income for the period		-	-	-	940	-	26,748	-	27,688	-	27,688
Final and special 2010 dividend declared		-	-	-	-	-	-	(47,768)	(47,768)	-	(47,768)
Interim 2011 dividend declared	6	-	-	-	-	-	(5,308)	5,308	-	-	-
At 30 June 2011 (unaudited)		265,380	314,740	15	2,784	138	556,897	5,308	1,147,262	2,619	1,149,881

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash flows from operating activities	<b>79,830</b>	60,823
Net cash flows used in investing activities	<b>(14,714)</b>	(1,011)
Net cash flows used in financing activities	<b>(37,768)</b>	(37,615)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>27,348</b>	22,197
Cash and cash equivalents at beginning of period	<b>86,507</b>	52,765
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>113,855</b>	74,962
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>80,709</b>	36,432
Time deposits with original maturity of less than three months when acquired	<b>52,970</b>	53,594
Bank overdrafts	<b>(19,824)</b>	(15,064)
	<b>113,855</b>	74,962

## 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 2010, 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 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 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC) – Int 14 Amendments	Amendments to HK(IFRIC) – Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC) – Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
<i>Improvements to HKFRSs 2010</i>	Amendments to a number of HKFRSs *

\* *Improvements to HKFRSs 2010* contains amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 27, HKAS 34 and HK(IFRIC) – Int 13.



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 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> <sup>1</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> <sup>1</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>3</sup>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> 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
<b>Six months ended</b>					
<b>30 June 2011 (Unaudited)</b>					
Segment revenue from external customers	(8,822)	137,844	41,165	19,127	189,314
Segment results and profit before tax	(9,736)	4,353	32,356	2,076	29,049
Segment assets	202,538	2,500,368	862,766	32,856	3,598,528
<i>Reconciliation:</i>					
Deferred tax assets					1,696
Unlisted club debentures included in financial instruments					2,470
<b>Total assets</b>					<b>3,602,694</b>
	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
<b>Six months ended</b>					
<b>30 June 2010 (Unaudited)</b>					
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
<b>Total assets</b>					<b>3,499,113</b>

### 3. REVENUE AND OTHER GAINS

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

	<b>Six months ended 30 June</b>	
	<b>2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2010 (Unaudited) HK\$'000
<b>Revenue</b>		
Financial services:		
Commission and brokerage income	<b>142,318</b>	132,697
Interest income from securities financing and direct loans	<b>41,159</b>	28,927
Net fair value losses on securities and futures contracts trading	<b>(9,339)</b>	(8,397)
Income from rendering of services	<b>10,569</b>	6,639
	<b>184,707</b>	159,866
Others:		
Bank interest income	<b>4,212</b>	2,275
Dividend income from:		
Listed equity investments at fair value through profit or loss	<b>344</b>	424
Others	<b>51</b>	51
	<b>4,607</b>	2,750
	<b>189,314</b>	162,616
<b>Other gains</b>		
Exchange gains, net	<b>659</b>	223

**4. PROFIT BEFORE TAX**

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

	<b>Six months ended 30 June</b>	
	<b>2011 (Unaudited) HK\$'000</b>	<b>2010 (Unaudited) HK\$'000</b>
Charitable donations	40	40
Minimum lease payments under operating leases in respect of land and buildings	16,114	12,311
Net realised gains on trading of listed equity investments and futures contracts	(314)	(1,326)
	<b>40</b>	<b>40</b>

**5. INCOME TAX**

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the jurisdiction in which the Group operates.

	<b>Six months ended 30 June</b>	
	<b>2011 (Unaudited) HK\$'000</b>	<b>2010 (Unaudited) HK\$'000</b>
Current – Hong Kong		
Charge for the period	5,724	5,356
Overprovision in prior years	(3,794)	–
Current – Overseas	106	–
Deferred	265	–
	<b>2,301</b>	<b>5,356</b>
Total tax charge for the period	<b>2,301</b>	<b>5,356</b>

**6. DIVIDEND**

	<b>Six months ended 30 June</b>	
	<b>2011 (Unaudited) HK\$'000</b>	<b>2010 (Unaudited) HK\$'000</b>
Interim dividend – HK1 cent (2010: HK1 cent) per ordinary share	5,308	5,308

## 7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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\$26,747,742 (2010: HK\$30,102,856) and the 530,759,126 (2010: 530,759,126) ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during those periods.

## 8. INVESTMENTS

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
<b>Financial instruments</b>		
Available-for-sale investments, at fair value:		
Listed equity investments in Hong Kong	<b>3,643</b>	3,483
Unlisted equity investment	<b>11,652</b>	6,867
Unlisted club debentures	<b>2,470</b>	2,470
	<b>17,765</b>	12,820
<b>Investments at fair value through profit or loss</b>		
Listed equity investments in Hong Kong, at fair value	<b>29,105</b>	12,756
Unlisted investment funds, at fair value	<b>143,754</b>	132,953
	<b>172,859</b>	145,709

## 9. ACCOUNTS RECEIVABLE

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Accounts receivable	557,292	556,724
Less: Impairment	(21,770)	(21,770)
	<b>535,522</b>	534,954

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:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Within 1 month	488,565	496,858
1 to 2 months	13,419	17,932
2 to 3 months	10,932	7,592
Over 3 months	44,376	34,342
	<b>557,292</b>	556,724

Included in the accounts receivable balance as at 30 June 2011 was a broker receivable amount due from the ultimate holding company of the Company of HK\$5,888,912 (31 December 2010: HK\$19,332,429) 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**

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Loans and advances to customers:		
Secured	<b>869,838</b>	896,133
Unsecured	<b>2,212</b>	2,212
	<b>872,050</b>	898,345
Less: Impairment	<b>(13,173)</b>	(13,173)
	<b>858,877</b>	885,172

The maturity profile of the loans and advances to customers at the end of the reporting period is analysed as follows:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Repayable on demand	<b>858,723</b>	885,018
Undated	<b>13,327</b>	13,327
	<b>872,050</b>	898,345

**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:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Within 1 month	<b>2,302,457</b>	2,312,440

Included in the accounts payable balance as at 30 June 2011 was a broker payable amount due to the ultimate holding company of the Company of HK\$14,855,506 (31 December 2010: HK\$35,205,996) 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 2011 was the amount of segregated client money held on behalf of an intermediate holding company of the Company of HK\$298,592 (31 December 2010: HK\$21,614,123) which arose from securities dealing transactions. This balance is unsecured, bears interest at bank deposit savings rate and is payable on demand.

**12. INTEREST-BEARING BANK BORROWINGS**

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Bank overdrafts	<b>19,824</b>	37,492
Bank loans	<b>35,000</b>	25,000
Total bank borrowings	<b>54,824</b>	62,492

Included in the total bank borrowings balance as at 30 June 2011 were bank overdrafts and bank loans of HK\$9,824,436 and HK\$35,000,000, respectively (31 December 2010: HK\$26,862,778 and HK\$25,000,000, respectively), which were secured by the pledge of certain marketable securities pledged by customers to the Group as collateral amounting to HK\$269,133,000 (31 December 2010: HK\$238,324,000).



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

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Contracted, but not provided for the purchases of furniture, fixtures and equipment	<b>3,372</b>	531

**(b) Operating lease commitments as a lessee**

At 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Within one year	<b>25,130</b>	19,423
In the second to fifth years, inclusive	<b>35,744</b>	14,847
	<b>60,874</b>	34,270

**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\$973,982 (six months ended 30 June 2010: HK\$1,969,676) 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) During the six months ended 30 June 2010, the Group received brokerage commission income totaling HK\$28,192 from an intermediate holding company of the Company which was charged on commission rate and conditions similar to those offered 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\$7,300,000 (six months ended 30 June 2010: HK\$4,025,000) 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**

	<b>Six months ended 30 June</b>	
	<b>2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>2010</b> <b>(Unaudited)</b> <b>HK\$'000</b>
Short term employee benefits	<b>7,788</b>	7,732
Post-employment benefits	<b>610</b>	614
	<b>8,398</b>	<b>8,346</b>

**15. REVIEW OF ACCOUNTS**

The audit committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011.

## **INTERIM DIVIDEND**

The Board of Directors (the “Board”) has declared an interim dividend of HK1 cent (2010: HK1 cent) per ordinary share for the six months ended 30 June 2011, to shareholders whose names appear on the register of members of the Company on 30 September 2011. The dividend will be payable on or about 6 October 2011.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 26 September 2011, Monday, to 30 September 2011, 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 23 September 2011, Friday.

## **MANAGEMENT DISCUSSION AND ANALYSIS OF PERFORMANCE**

### **Review of Market**

In the first half of 2011, the Hong Kong market has experienced ups and downs. The external pressure faced by global stock markets generally came from the on-going deterioration in the European sovereign debt crisis as well as the high unemployment rate and debt burden of the United States. In the domestic market, the Chinese Mainland government has implemented a series of tightening macro-economic measures in order to suppress inflation, such as raising interest rates and the deposit reserve ratio of banks. In general, the global and domestic market environments were still complicated and aggravated amid economic uncertainties and disturbances. As a result, the Hong Kong stock market fluctuated amid such surrounding economic condition.

Since the beginning of the year, the Hang Seng Index has dropped gradually from the peak of 24,430 on 19 January 2011 to the bottom of 22,123 on 17 March 2011. Although resumed to 24,300 in early April, the index mostly struggled between 21,000 and 23,000 afterwards. The average daily turnover on the Stock Exchange of Hong Kong from January to June this year amounted to HK\$73.6 billion, which was 15% higher than that of HK\$63.8 billion for the corresponding period last year.

## Review of Operations

During the first half of 2011, the securities broking and investment banking businesses of the Group maintained their strong growth momentum, while the asset management business remained stable and the gain from seed monies invested has been affected by market adjustments. Generally speaking, the operations of the Group has performed normally despite the fact that the operating results have dropped slightly as compared to the corresponding period last year due to severe market competition. As shown in the financial statements, the Group's unaudited profit attributable to the shareholders for the first half of the year was HK\$26.75 million (2010: HK\$30.10 million), dropped by 11% as compared to the corresponding period in 2010. Turnover of the Group increased by approximately HK\$26.69 million to HK\$189.31 million as compared to the corresponding period last year (2010: HK\$162.62 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 2011, while the market turnover increased slightly as compared to the corresponding period last year. Through various measures such as actively developing institutional transactions, expanding the brokerage team and improving service quality, the Group has been able to increase its brokerage commission income with a notable surge in trading amount of institutional customers as well as active trading activities of retail customers in Hong Kong as compared to last year. Commission income from futures and options brokerage also increased greatly as compared with that of last year. In the first half of 2011, income from the brokerage business of the Group amounted to HK\$142.32 million, representing a growth of 7% over HK\$132.70 million for the corresponding period last year. With respect to operation developments, the Group achieved satisfactory results in terms of the promotion of sales from overseas institutional customers and the expansion of the local retail team in 2011, and therefore laid 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. In January 2011, Shenyin Wanguo Capital acted as the sponsor to KEE Holdings Company Limited for its listing on the Main Board of the Hong Kong Stock Exchange. During the first half of 2011, Shenyin Wanguo Capital participated in a number of financial advisory projects as well as share placements. In addition, Shenyin Wanguo Capital acted as the compliance adviser for eight listed companies during the period.

In 2011, the Group added key people with valuable skills to its asset management team, improving the trading and risk management system of the asset management arm for greater expansion. During the first half of 2011, despite volatility, market indices recorded moderate gains and losses. European and US markets outperformed emerging markets due to greater inflationary pressures on the latter causing investors to be concerned about the latter’s growth. Although our funds are mainly invested in markets exposed to inflationary pressures and markets which recorded moderate losses, it is worth mentioning that our funds’ performance was better than those of comparable funds managed by other fund houses. During the first half, the Group has also actively pursued the opportunity of launching an authorised fund and related China fund management opportunities. At the same time, we are also collaborating with Korean, Japanese and Taiwanese banks and insurance companies to create new asset management products. At the moment, such products include traditional funds as well as RMB products, wrap accounts, authorised funds, and investment advisory products. With the Group’s continued efforts in this area, we hope that some of these products can be launched during the second half of the year expanding both the assets and variety of products under management.

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 2011, a total of 83 investment analysts from our parent company joined our annual investment conference in Hong Kong, as well as performed international roadshows to meet with clients in Asia, the US, UK and Europe. We believe that such visits are beneficial to the collaboration between our parent company and us on the research and investment banking fronts.

### **Prospects**

It is generally anticipated that the sovereign debt crisis in several European countries will persist and the global economic recovery will be affected in the second half of 2011. In respect of the economy in Chinese Mainland, the gross domestic product for the first quarter of 2011 amounted to RMB9.6 trillion, representing a year-on-year growth of 9.7%. As the year 2011 marks the beginning of the twelfth Five-Year Plan of Chinese Mainland, a relatively higher growth rate of Chinese Mainland economy for the year can be expected. Since the Chinese Mainland government has implemented measures to curb price hikes, inflation in Chinese Mainland may ease steadily. In general, the Hong Kong stock market may remain volatile under the backdrop of the complicated prevailing global economic and financial landscape in the second half of 2011.

Given that all the above factors are influential to the market, the Group intends to continue with its active and prudent operation strategies in order to capitalise on the fruitful operating results achieved in the first half of the year. Such strategies include the expansion of its institutional sales business, the establishment of online overseas securities trading platforms, the promotion of the international bulk commodity futures trading business and the introduction of a wider variety of trading products and more convenient trading services to local and Chinese Mainland retail investors. Furthermore, a mainland government official recently announced, during his visit to Hong Kong, the possible early roll out of the RQFII program. The Group has contemplated the issuance of public fund products in order to take advantage of the RQFII program. The Group has planned to enlarge its investment in the asset management business and recruit additional professionals with a view to maintaining the Group's competitive strength in the asset management sector. In terms of the investment banking business, apart from focusing on its investment in placing activities, the Group will also be committed to develop the IPO sponsoring operation and actively promote its direct investment business with a view to diversifying both the business and income structures of this business as well as improving its profitability. While aggressively expanding all of its businesses, the Group will also persistently strengthen its risk management and improve its corporate governance mechanism so as to secure a healthy, sustainable and stable growth across the Group's businesses.

### **Capital Structure**

During the period, there was no change to the share capital of the Company. As at 30 June 2011, the total number of the issued ordinary shares was 530,759,126 shares and total equity attributable to shareholders was HK\$1,147 million.

## **Liquidity, Financial Resources and Gearing Ratio**

As at 30 June 2011, the Group had a cash holding of HK\$134 million and short-term marketable securities of HK\$173 million. As at 30 June 2011, the Group's total unutilised banking facilities amounted to HK\$548 million, of which HK\$238 million could be drawn down without the need of notice nor completion of condition precedent.

As at 30 June 2011, the Group had outstanding short-term bank borrowings amounting to HK\$55 million. The liquidity ratio (current assets to current liabilities) and gearing ratio (borrowings to net asset value) as at 30 June 2011 were 1.44 and 0.05 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 did not hold any significant investment and 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 2011.

## **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 2011, all advances to customers were margin financing and amounted to HK\$872 million (31 December 2010: HK\$898 million), of which, 5% (31 December 2010: 5%) was attributable to corporate customers with the rest 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 has endeavored to closely monitor 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 2011.

## **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 2011.

## **Employees and Training**

As at 30 June 2011, the total number of full-time employees was 228 (2010: 215). The total staff costs for the period (excluding directors' fees) amounted to approximately HK\$53.5 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 organise a Continuous Professional Training seminar in September 2011 for all licensed staff members.

## OTHER INFORMATION

### Director's Interests in Shares

As at 30 June 2011, 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 the ordinary shares of the Company*

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

Save as disclosed above, as at 30 June 2011, 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 2011, 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 2011, 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 2011.

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 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 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 2011.

## **DIRECTORS**

As at the date of this interim report, the Board of the Company comprises 10 directors, of which Mr. Chu Xiaoming, 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  
**Chu Xiaoming**  
*Chairman*

Hong Kong, 26 August 2011