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

（Stock Code 股份代號：218）

Annual Report 2011 年報

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Chu Xiaoming *(Chairman)*
Lu Wenqing
Guo Chun *(Chief Executive Officer)*
Lee Man Chun Tony

Non-executive Directors

Chang Pen Tsao
Huang Gang

Independent Non-executive Directors

Ng Wing Hang Patrick
Kwok Lam Kwong Larry
Zhuo Fumin

AUDIT COMMITTEE

Ng Wing Hang Patrick *(Chairman)*
Kwok Lam Kwong Larry
Zhuo Fumin

REMUNERATION COMMITTEE

Kwok Lam Kwong Larry *(Chairman)*
Ng Wing Hang Patrick
Zhuo Fumin

COMPANY SECRETARY

Wong Che Keung Leslie

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd., Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
China Construction Bank Corporation, Hong Kong Branch
Chong Hing Bank Limited
Dah Sing Bank, Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Oversea-Chinese Banking Corporation Limited, Hong Kong Branch
Public Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

Ernst & Young

SOLICITORS

Fred Kan & Co.

REGISTERED OFFICE

28/F Citibank Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

SHARE REGISTRARS & TRANSFER OFFICE

Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE

http://www.sywg.com.hk

CHAIRMAN'S STATEMENT

I hereby present to the shareholders the annual report of Shenyin Wanguo (H.K.) Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2011.

RESULTS

For the year ended 31 December 2011, the Group recorded a net profit attributable to shareholders of approximately HK$74 million, representing a decrease of 61% over 2010. The turnover decreased by 25.4% to approximately HK$383 million (2010: HK$514 million). The basic earnings per share decreased by 61% to HK13.94 cents as compared to HK35.98 cents for last year.

DIVIDEND

The board of directors (the "Board") of the Company has resolved to recommend the payment of a final dividend of HK2.8 cents per ordinary share in respect of 2011, to shareholders whose names appear on the register of members of the Company on 18 May 2012. The proposed dividend will be paid on or about 30 May 2012 subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

REVIEW OF MARKET IN 2011

Since the beginning of 2011, Hong Kong stock market was deeply encumbered by European sovereign debt crisis with Hang Seng Index fluctuated vigorously. From mid-September to October 2011, due to the deterioration of European sovereign debt crisis, global stock market slumped with Hong Kong stock market performed like having a stock crash. On 4 October 2011, Hang Seng Index was down to 16,170, the lowest in two years and compared with the highest level of 24,469 during the year, it represented a decrease of 33.9%. The drop of many stock prices was even worse than the level during the 2008 global financial crisis. Average daily turnover of stock exchange in 2011 was HK$69.7 billion, representing an increase of 0.9% as compared with the average daily turnover of HK$69.1 billion last year. Under the above influence, the trend of Hong Kong stock market was volatile.

In 2011, the economy of Chinese Mainland continued to maintain a stable and rapid growth. According to the statistics from the National Bureau of Statistics, the GNP growth rate of Chinese Mainland was 9.2% as compared with last year due to the increase in domestic consumption and demand in Chinese Mainland, stable investment growth and rejuvenating growth in export trade. In 2011, the Central Government continued to implement relatively prudent monetary policies and measures to curb the real estate market bubbles and escalating inflation. In general, market participants were generally worried about the hard landing of the economy and poor performance of the stock markets in Chinese Mainland, in which it may also bring negative impact to Hong Kong stock market.

CHAIRMAN'S STATEMENT *(Cont'd)*

REVIEW OF MARKET IN 2011 *(Cont'd)*

The year 2011 saw the decline of securities brokerage, asset management, investment and other businesses of the Group with investment banking and lending businesses still achieved relatively substantial growth as compared with the corresponding period of last year. Notwithstanding affected by negative market factors, net commission income from the securities brokerage businesses of the Group was decreased by 20.5% from last year. Income from asset management fees was dropped by 27.3% as compared with last year. Seed monies invested by the Group recorded a book loss due to significant stock market fluctuation. However, the investment banking business of the Group made good progress and had successfully sponsored ASR Holdings Limited (1803) and RENHENG Enterprise Holdings Limited (8012) to be listed on the Main Board and GEM Board respectively. We also completed several placing and financial advisory projects for different Hong Kong listed companies. Income from investment banking business was increased by 29.6% from last year. In addition, by leveraging on the strength of adequate financial resources, the Group expanded the scale of margin financing, pushing the Group's net interest income growth by 19.3% from last year.

In 2011, the Group actively kept up with the policy changes of the Chinese Mainland Government on business managed by Chinese funded Hong Kong subsidiaries engaging in securities investment in Chinese Mainland as Renminbi Qualified Foreign Institutional Investor ("RQFII"). At the end of last year, the holding company of the Group, Shenyin Wanguo (H.K.) Holdings Limited, obtained the RQFII business qualifications approved by China Securities Regulatory Commission ("CSRC") with a RQFII limit of RMB900 million approved by State Administration of Foreign Exchange, and authorised Shenyin Wanguo Asset Management (Asia) Limited, a subsidiary of our Group, for its operation and management, thereby expanding the scope and size of the Group's asset management business.

In August 2011, the judgment by Hong Kong High Court favoured the Group regarding the legal proceedings between the Group and The New China Hong Kong Group Limited (In Creditors' Voluntary Liquidation) and The New China Hong Kong Development Limited (In Creditors' Voluntary Liquidation) (pursuant to the announcement of the Company dated 18 October 2011), which allowed the Group to successfully retrieve the shares valuing HK$43.18 million together with the respective dividends, totaling HK$85.98 million. After deducting the related expenses, the Group recorded a net gain of approximately HK$ 68.70 million for the year. With this, the historical issue that troubled the Group for many years had been resolved satisfactorily.

CHAIRMAN'S STATEMENT *(Cont'd)*

FUTURE PLAN & PROSPECTS

In 2012, the global economy will continue to be threatened by national debt crisis in the Eurozone. The US economy recovery trend is picking up, but certain problems like high unemployment rate, sluggish real estate market and lack of confidence of consumers and enterprises have no obvious sign of improvement. The global financial market continues to face a turbulent and unstable situation. As affected by the above, it is expected that it will still take time to restore the market sentiment in the Hong Kong securities market.

From the economy of Chinese Mainland perspective, the price index has fallen back recently, which has indicated that the inflation trend is under control to a certain extent. According to the mindset of the Central Economic Work Conference, in 2012, the Central Government will continue to implement a proactive fiscal policy and prudent monetary policy to maintain the continuity and stability of the macro economy policy. It can be expected that economy of Chinese Mainland will maintain a relatively steady growth, which will give a positive support for the securities market in Hong Kong in 2012. In general, the securities market in Hong Kong will probably continue to rally with occasional corrections in 2012.

In the coming year, in order to match with the development vision and objective proposed in the five-year plan by the parent company, the Group will employ a working principle of intensifying transformation, strengthening foundation, creative innovation and enhancing quality to continue the development of its securities broking business through further adjustment and expansion of institutional sales team. It is hoped that the growth momentum for institutional sales in the coming year will be fully restored. For the retail business, the Group will co-operate with the relevant departments of parent company to actively explore new channel for development in the domestic Chinese Mainland market through the parent company's various platforms, such as investment consultants, wealth management and institutional marketing. At the same time, by fully leveraged on its strengths in adequate financial resources, standard management and complete back office system, the Group will attract valuable talents and professional teams to cope with the transformation and innovative development of the Company. In 2012, the Group will promote vigorously the online trading business in which it will take it as an important means to increase trading volume, improve market share and expand commission income. For the assets management business, the Group intends to step on the opportunities of obtaining the RQFII qualifications to actively promote the issuance of Shenyin Wanguo China Policy Focus Fund and Shenyin Wanguo RMB Mainland Investment Fund to enhance its product marketing ability in assets management business. At the same time, the Group will continue to expand its assets management business in the nearby overseas market, such as South Korea, Japan, Singapore and Taiwan etc. 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 with a view to diversifying the income structure 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.

CHAIRMAN'S STATEMENT *(Cont'd)*

FUTURE PLAN & PROSPECTS *(Cont'd)*

Mr. Ying Niankang was appointed as the executive director of the Company in August 1997 and retired in March 2012. During Mr. Ying's tenure of service as executive director of the Group, it was the time that Hong Kong suffering from a number of bursting of financial asset bubbles, with Mr. Ying's expertise and extensive experience, he made valuable contribution towards the Group in navigating through these difficulties as well as its long term development. On behalf of the Board and all staff of the Group, I would like to express our gratitude and respect to Mr. Ying for his contribution towards the Group.

Chu Xiaoming
Chairman

Hong Kong
9 March 2012

MANAGEMENT DISCUSSION & ANALYSIS OF PERFORMANCE

REVIEW OF OPERATIONS

Securities Broking

The securities brokerage business of the Group focused on the stock and futures markets in Hong Kong as well as the B-share market in Chinese Mainland. In 2011, market turnover was generally much the same as that of last year amid volatile Hang Seng Index. Affected by the adverse factors in the market, both commission income from and market share of the Group's securities broking business declined as compared with that of last year, and in particular, transactions from local retail investors shrank as compared with that of last year. However, commission income from futures and options brokerage increased as compared with that of last year. In 2011, the brokerage business of the Group recorded a revenue of HK$234 million, down by 23.6% from HK$306 million in last year. Commission income from futures and options brokerage increased by 87.3% as compared with that of last year.

In respect of business expansion, during 2011, the Group made good progresses in promoting sales to overseas institutional clients and expansion of local retail teams, which laid a solid foundation for future business development.

Securities Financing

In 2011, by leveraging on its abundant financial resources, the Group enlarged the scale of its margin loans, and for the whole year of 2011, the Group recorded an interest income of HK$82.64 million, representing a growth of 19.5% as compared to HK$69.13 million for 2010.

The Group will continue as usual to exercise caution in granting securities financing to clients, closely monitor its respective credit policy and perform regular reviews and assessments on the gearing level, investment portfolio and credit record of individual borrowers.

Corporate Finance

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 2011, Shenyin Wanguo Capital acted as the sponsor to ASR Holdings Limited and RENHENG Enterprise Holdings Limited for their respective listings on the Main Board and GEM Board of the Hong Kong Stock Exchange. During 2011, Shenyin Wanguo Capital acted as underwriter for various new issues, participated in a number of share placements, acted as the compliance adviser for nine listed companies and completed a number of financial advisory assignments.

MANAGEMENT DISCUSSION & ANALYSIS OF PERFORMANCE *(Cont'd)*

REVIEW OF OPERATIONS *(Cont'd)*

Securities Research

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 key 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. During 2011, a total of 48 investment analysts from our parent company came to Hong Kong. They performed roadshows to meet with international clients in Hong Kong, and some joined our annual investment conference 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.

Asset Management

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 year, the global capital markets were highly volatile and the European sovereign debt problem remained challenging to resolve, funds of the Group drew back along with indices while the performance was better than those of comparable funds managed by other fund houses. When approaching the year end, the asset management team acquired the authorization of RQFII with Shenyin Wanguo (H.K.) Holdings Limited, the holding company of the Group, from the CSRC and the authorization of two public mutual funds from the Securities and Futures Commission of Hong Kong. At the same time, the asset management team is also collaborating with Korean, Japanese and Taiwanese banks, insurance companies and fund houses 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. The Group launched two new mutual fund products in the first quarter of 2012, to illustrate its continued effort in asset management.

CAPITAL STRUCTURE

During the year, there was no change to the share capital of the Company. As at 31 December 2011, the total number of the issued ordinary shares was 530,759,126 shares and total equity attributable to shareholders was HK$1,184 million.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2011, the Group had a cash holding of HK$393 million and short-term marketable securities of HK$136 million. As at 31 December 2011, the Group's total unutilised banking facilities amounted to HK$761 million, of which HK$288 million could be drawn down without the need of notice nor completion of condition precedent.

As at 31 December 2011, the Group had no outstanding bank borrowings and the liquidity ratio (current assets to current liabilities) was 1.52.

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.

MANAGEMENT DISCUSSION & ANALYSIS OF PERFORMANCE *(Cont'd)*

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL

During the year, 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 31 December 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 31 December 2011, all advances to customers were margin financing and amounted to HK$573 million (2010: HK$898 million), of which 9% (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 take necessary measures when the situations so justify.

CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 December 2011.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Except the future plans as disclosed in the paragraph of "Future Plan & Prospects" in the Chairman's Statement, the Group had no other future plans for material investments or capital assets as at 31 December 2011.

EMPLOYEES AND TRAINING

As at 31 December 2011, the total number of full-time employees was 233 (2010: 227). The total staff costs for the year (excluding directors' fees) amounted to approximately HK$115 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 had organised a Continuous Professional Training seminar in September 2011 for all licensed staff members.

CORPORATE GOVERNANCE REPORT

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the financial year ended 31 December 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.

CORPORATE GOVERNANCE PRINCIPLES AND SHENYIN WANGUO'S PRACTICES:

A.1 The Board of Directors

Principle: An issuer should be headed by an effective board which should assume responsibility for leadership and control of the issuer and be collectively responsible for promoting the success of the issuer by directing and supervising the issuer's affairs. Directors should take decisions objectively in the interests of the issuer.

Four board meetings were held in the financial year ended 31 December 2011. The following is the attendance record of the meetings:

Name of Directors	Number of meetings attended	Attendance rate
Executive Directors		
Chu Xiaoming *(Chairman)*	4	100%
Lu Wenqing	3	75%
Guo Chun	4	100%
Lee Man Chun Tony *(Chief Executive Officer)*	4	100%
Ying Niankang	4	100%
Non-executive Directors		
Chang Pen Tsao (in person or by authorised representative)	4	100%
Huang Gang	3	75%
Independent Non-executive Directors		
Ng Wing Hang Patrick	4	100%
Kwok Lam Kwong Larry	4	100%
Zhuo Fumin	4	100%

Drafts of the agenda were sent to directors for comments. They could include matters in the agenda for board meetings.

Notice of at least 14 days were given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice was given.

CORPORATE GOVERNANCE REPORT *(Cont'd)*

Directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable rules and regulations, are followed.

Minutes of the board meetings, and meetings of the Audit Committee and the Remuneration Committee are kept by the Company Secretary. Minutes of other board committees (as listed under D.2 Board Committees) are kept by the appointed secretary of each committee. Such minutes are open for inspection during office hour by any director by giving at least 2 days' notice to the Company Secretary.

Minutes of the board meetings and meetings of board committees recorded in sufficient detail the matters considered by the Board and the committees and decisions reached, including any concerns raised by directors or dissenting views expressed. Draft and final versions of minutes of the board meetings were sent to all directors for their comment and records respectively, in both cases normally within one month after the board meeting was held.

The Company established a policy for any director to seek independent professional advice in appropriate circumstances, at the Company's expenses. The director is required to submit a request in writing to the Chairman stating the grounds for seeking the independent professional advice. The Chairman shall either approve the director's request directly, or if thinks fit, convene a board meeting to resolve the matter.

If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall not be dealt with by way of circulation or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a board meeting) but a board meeting shall be held. Independent non-executive directors who, and whose associates, have no material interest in the transaction shall be present at such board meeting.

A.2 Chairman and Chief Executive Officer

Principle: There are two key aspects of the management of every issuer - the management of the board and the day-to-day management of the issuer's business. There should be a clear division of these responsibilities at the board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

To ensure a balance of power and authority, the role of Chairman is separate from that of Chief Executive Officer. Mr. Chu Xiaoming acts as the Chairman. Mr. Lee Man Chun Tony acted as the Chief Executive Officer until he resigned on 9 March 2012, and Mr. Guo Chun acted as Chief Executive Officer since then.

Their respective responsibilities are clearly established. The Chairman is responsible for the management of the Board whilst the Chief Executive Officer is responsible for day-to-day management of the Group's business including the implementation of significant strategies formulated by the Board.

The Chairman ensured that all directors were properly briefed on issues arising at board meetings.

The Chairman is responsible for ensuring that directors receive adequate information, which must be complete and reliable, in a timely manner.

CORPORATE GOVERNANCE REPORT *(Cont'd)*

A.3 Board Composition

Principle: The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should ensure that changes to its composition can be managed without undue disruption. The board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

During the financial year, the Board of the Company was composed of 10 directors – five executive directors, two non-executive directors and three independent non-executive directors. Their names and titles are set out below:

Executive Directors
Chu Xiaoming *(Chairman)*
Lu Wenqing
Guo Chun
Lee Man Chun Tony *(Chief Executive Officer)*
Ying Niankang

Non-executive Directors
Chang Pen Tsao
Huang Gang

Independent Non-executive Directors
Ng Wing Hang Patrick
Kwok Lam Kwong Larry
Zhuo Fumin

Subsequent to the end of the reporting period, on 9 March 2012, Mr. Guo Chun was appointed as Chief Executive Officer of the Company, Mr. Lee Man Chun Tony resigned as Chief Executive Officer of the Company and Mr. Ying Niankang resigned as a director of the Company.

All directors were expressly identified by categories of executive directors, non-executive directors and independent non-executive directors in all corporate communications that disclosed the names of the directors of the Company.

CORPORATE GOVERNANCE REPORT *(Cont'd)*

A.4 Appointments, Re-election and Removal of Directors

Principle: There should be a formal, considered and transparent procedure for the appointment of new directors to the board. There should be plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.

Any director appointed by the Board during the year shall retire at the next general meeting after his appointment. Also, every director is subject to retirement at least once every three years.

The Company has not established a nomination committee. The functions of appointment and removal of directors are performed by the Board. Proposals for the appointment of a new director will be considered and reviewed by the Board. The proposal for appointment of a new director is resolved either at meeting of directors in persons or by way of circulating resolutions among directors. The successful candidate must possess with the necessary experience or qualification which can help the Board to direct the Company's business. In addition, the newly appointed director must be able to meet the criteria stipulated in Rules 3.08 and 3.09 of the Listing Rules. A director who is to be appointed as an independent non-executive director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

A.5 Responsibilities of Directors

Principle: Every director is required to keep abreast of his responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

Every newly appointed director of the Company shall receive guidance materials from the Company Secretary upon his appointment. The guidance materials comprise the group chart, annual report and a booklet relating to the duties and responsibilities of the director so as to enable the director having a proper understanding of the operations and business of the Company and to ensure him to be fully aware of his responsibilities under statue and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the issuer. A director can also request the Company Secretary to arrange him to attend any relevant course and seminar.

The functions of non-executive directors have included the functions as specified in Code Provision A.5.2(a) to (d) of the Code.

Each director is aware that he should give sufficient time and attention to the affairs of the Company. Directors have satisfactory attendance rates at both board meetings and committee meetings.

CORPORATE GOVERNANCE REPORT *(Cont'd)*

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealings in securities of the Company by the directors or relevant employees as defined in the Model Code. The Company made specific enquiry of all directors. According to their replies, all the directors complied with the requirements set out in the Model Code during the financial year ended 31 December 2011. The Company also complied with the other requirements stipulated in the Model Code.

A.6 Supply of and Access to Information

Principle: Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as directors of an issuer.

In respect of regular board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers were sent in full to all directors in a timely manner and at least 3 days before the intended date of a board meeting and board committee meeting.

As mentioned in D.1 below, there are matters reserved to be approved by the Board. Management is aware of the duties to supply the Board and its committees with adequate information in a timely manner to enable it to make informed decisions. The information supplied must be complete and reliable. The Board and each director have separate and independent access to the Company's senior management.

All directors are entitled to have access to board papers, minutes and related materials.

B.1 The Level and Make-up of Remuneration and Disclosure

Principle: An issuer should disclose information relating to its directors' remuneration policy and other remuneration related matters. There should be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors. Levels of remuneration should be sufficient to attract and retain the directors needed to run the issuer successfully, but the issuers should avoid paying more than is necessary for this purpose. No director should be involved in deciding his own remuneration.

The Remuneration Committee of the Company was established in April 2005. The functions of the Remuneration Committee are mainly to review and make recommendations to the Board on the Company's policy and structure for all remunerations of directors and senior management. The terms of reference of the Remuneration Committee include the specific duties set out in Code Provision B.1.3(a) to (f) of the Code, with appropriate modifications where necessary. Details of terms of reference of the Remuneration Committee are published in the Company's website.

The Remuneration Committee presently consists of three independent non-executive directors, namely, Mr. Kwok Lam Kwong Larry, Mr. Ng Wing Hang Patrick and Mr. Zhuo Fumin. Mr. Kwok Lam Kwong Larry acts as the chairman of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT *(Cont'd)*

The Remuneration Committee held two meetings in the financial year ended 31 December 2011. The following is an attendance record of the meeting held by the Remuneration Committee for the financial year:

Name of Committee Members	Number of meetings attended	Attendance rate
Kwok Lam Kwong Larry *(Chairman)*	2	100%
Ng Wing Hang Patrick	2	100%
Zhuo Fumin	2	100%

During the financial year, the Remuneration Committee reviewed and considered the remuneration policy, packages and fringe benefits of the directors and senior management of the Group. In addition, the Remuneration Committee also reviewed the remuneration policies of the Group and compared with companies of similar scale as benchmark. Furthermore, the Committee made recommendations to the Board for the reward system of the Group, the salary increment of employees in 2011 and the reward of the Chief Executive Officer for 2011. None of the directors of the Company participated in the determination of the remuneration of their own. The Remuneration Committee was satisfied with the current remuneration policy and packages of the Group.

The Remuneration Committee shall consult the Chairman and/or Chief Executive Officer about their proposals relating to the remuneration of the directors and can have access to professional advice if considered necessary.

The Remuneration Committee was provided with sufficient resources to discharge its duties.

C.1 Financial Reporting

Principle: The board should present a balanced, clear and comprehensible assessment of the issuer's performance, position and prospects.

Management provided such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

It is the responsibility of the directors to prepare accounts of the Company.

A statement by the external auditors about their reporting responsibilities is included in the Independent Auditors' Report on pages 32 to 33.

The Board presented a balanced, clear and understandable assessment of the Company's performance, position or prospects in annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

CORPORATE GOVERNANCE REPORT *(Cont'd)*

C.2 Internal Controls

Principle: The board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets.

The Internal Audit Department is charged with the responsibilities to evaluate whether there are sound and effective internal controls in place to safeguard the shareholders' investment and the Company's assets. Such evaluation covers all material controls, including financial, operational and compliance controls and risk management functions. Internal Audit Department reported twice during 2011 on significant findings on internal controls to the Audit Committee, which in turn reported to the Board accordingly. The Board found that as at the publication of this report and financial statements, the internal controls were sound and effective which safeguard the shareholders' and customers' interests and the assets of the Group.

The Board also reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

C.3 Audit Committee

Principle: The board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the issuer's external auditors. The audit committee established by an issuer pursuant to the Exchange Listing Rules should have clear terms of reference.

The Audit Committee was set up in 1999. The roles of the Audit Committee are mainly to ensure integrity of financial statements, to oversee financial reporting system and internal control procedures as well as to provide advice and recommendations to the Board. The details of the terms of reference of the Audit Committee are published in the Company's website.

The Audit Committee is currently composed of three independent non-executive directors, namely, Mr. Ng Wing Hang Patrick, Mr. Kwok Lam Kwong Larry and Mr. Zhuo Fumin. Mr. Ng Wing Hang Patrick acts as the chairman of the Audit Committee.

The Audit Committee held two meetings in the financial year ended 31 December 2011. The following is an attendance record of the meeting held by the Audit Committee for the financial year:

Name of Committee Members	Number of meetings attended	Attendance rate
Ng Wing Hang Patrick *(Chairman)*	2	100%
Kwok Lam Kwong Larry	2	100%
Zhuo Fumin	2	100%

CORPORATE GOVERNANCE REPORT *(Cont'd)*

A summary of the work performed by the Audit Committee during the financial year is listed below:

(1) reviewing the financial statements and the independent auditors' report before their submission to the Board;

(2) reviewing the results of the audit on the Company's system of internal controls;

(3) reviewing the results of the audit on the connected or continuing connected parties transactions; and

(4) nominating external auditors for re-appointments and proposing the remuneration and terms of engagement of external auditors.

The work and findings of the Audit Committee were reported to the Board. During the year, no issues brought to the attention of management and the Board were of sufficient importance to require disclosure in the Annual Report.

The Board agreed with the Audit Committee's proposal for the re-appointment of Messrs. Ernst & Young as the Company's external auditors for 2012. The recommendation will be put forward for the approval of shareholders at the forthcoming annual general meeting.

Full minutes of Audit Committee meetings are kept by the Company Secretary. Draft and final versions of minutes of the Audit Committee meetings were sent to all members of the Audit Committee for their comment and records respectively, in both cases normally within one month after the meeting.

No member of the Company's Audit Committee was a former partner of the Company's existing external auditors.

During the financial year ended 31 December 2011, the remuneration paid to the external auditors, Messrs. Ernst & Young, was as below:

Nature of services	**HK$'000**
Audit services with recoverable expenses	1,980
Tax advisory services	200
Other advisory services	55

The Audit Committee was provided with sufficient resources, including the advice of external auditors and Internal Audit Department, to discharge its duties.

CORPORATE GOVERNANCE REPORT *(Cont'd)*

D.1 Management Functions

Principle: An issuer should have a formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the issuer.

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Company whilst managing the Company's day-to-day business is the responsibility of the management.

When the Board delegates aspects of its management and administration functions to the management, it has given clear directions as to the powers of management, in particular, with respect to the circumstances where management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

Matters reserved to be approved by the Board include:

(1) Appointment of directors;

(2) Business plans of the Company;

(3) Proposal for selection of external auditors;

(4) Financial statements and budgets;

(5) Substantial investments in assets other than those arising in the ordinary course of Company's businesses; and

(6) Formation of board committees.

CORPORATE GOVERNANCE REPORT *(Cont'd)*

D.2 Board Committees

Principle: Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

Where board committees are established to deal with matters, the Board shall prescribe sufficiently clear terms of reference to enable such committees to discharge their functions properly.

Apart from the Audit Committee (particulars are disclosed under C.3) and Remuneration Committee (particulars are disclosed under B.1), the Board also established an Executive Committee and a Management Committee with specific terms of reference. The Executive Committee consists of all the executive directors and is responsible for formulating and reviewing the Company's important strategies on business and operations. The Management Committee consists of the Chief Executive Officer, general manager, deputy general manager, executive directors and the head of certain important departments. The Management Committee usually meets weekly for making policy and discussing issues relating to the Company's day-to-day management and business. A monthly management report will be submitted to the Executive Directors by the Management Committee reporting their work and findings.

The terms of reference of the Audit Committee and the Remuneration Committee require such committees to report back to the Board on their decisions and recommendations. Material matters will be reported to the Board by the other board committees according to their respective terms of reference.

E.1 Effective Communication

Principle: The board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

At the annual general meeting held in 2011, a separate resolution was proposed by the Chairman in respect of each substantially separate issue.

The chairman of the Board and the members of the Audit Committee and Remuneration Committee respectively attended the 2011 annual general meeting to answer questions of shareholders.

The Company arranges for the notice to shareholders to be sent in the case of annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings.

CORPORATE GOVERNANCE REPORT *(Cont'd)*

E.2 Voting by Poll

Principle: The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll.

Since the amendment of the Listing Rules with effect from 1 January 2009, all resolutions set out in the notice of general meetings of the Company have been conducted by poll.

To ensure that shareholders are familiar with the poll procedures, at the commencement of the 2011 annual general meeting, the Chairman explained the detailed procedures of poll voting.

The poll results of general meetings were published on the website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk and the Company's website at http://www.sywg.com.hk.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 34 to 100.

An interim dividend of HK1 cent per ordinary share was paid on 6 October 2011. The directors recommend the payment of a final dividend of HK2.8 cents per ordinary share in respect of the year to shareholders on the register of members on 18 May 2012. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

REPORT OF THE DIRECTORS *(Cont'd)*

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$	HK$	HK$	HK$	HK$
			(Restated)	(Restated)	(Restated)
RESULTS					
REVENUE	**383,312,131**	513,699,858	355,242,738	222,881,804	644,603,740
Commission expenses	**(64,701,935)**	(94,535,231)	(91,920,767)	(65,432,036)	(167,971,003)
Employee benefit expenses	**(117,497,668)**	(118,437,426)	(85,979,793)	(48,193,878)	(127,351,720)
Depreciation expenses	**(8,802,207)**	(4,174,939)	(6,194,059)	(5,925,882)	(5,236,325)
Interest expenses for financial services operations	**(1,507,632)**	(1,149,424)	(352,328)	(915,792)	(9,786,301)
Fair value gains/(losses) on available-for-sale investments	**–**	–	8,874,201	(28,916,337)	29,747,489
Fair value gain/(loss) on an unlisted financial instrument at fair value through profit or loss	**–**	–	825,270	46,304,649	(29,800,555)
Impairment of an available-for-sale investment	**–**	(1,641,540)	–	(30,192,357)	–
Other gains	**980,464**	1,481,256	1,319,074	–	2,177,292
Other expenses, net	**(113,974,036)**	(92,682,335)	(95,964,317)	(80,587,045)	(101,034,382)
Share of profits of associates	**–**	–	–	13,003,124	22,473,494
PROFIT BEFORE TAX	**77,809,117**	202,560,219	85,850,019	22,026,250	257,821,729
Income tax expense	**(3,801,137)**	(11,597,862)	(11,720,185)	(7,945,187)	(32,802,473)
PROFIT FOR THE YEAR	**74,007,980**	190,962,357	74,129,834	14,081,063	225,019,256
Attributable to:					
Owners of the Company	**74,003,499**	190,976,711	74,875,249	14,396,208	225,324,940
Non-controlling interests	**4,481**	(14,354)	(745,415)	(315,145)	(305,684)
	74,007,980	190,962,357	74,129,834	14,081,063	225,019,256

REPORT OF THE DIRECTORS *(Cont'd)*

FIVE YEAR FINANCIAL SUMMARY *(Cont'd)*

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$	HK$	HK$	HK$	HK$
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**3,373,060,361**	3,652,780,863	3,743,387,015	2,555,720,256	4,101,069,587
TOTAL LIABILITIES	**(2,186,333,956)**	(2,482,819,829)	(2,728,327,172)	(1,605,775,222)	(3,074,705,519)
NON-CONTROLLING INTERESTS	**(2,623,883)**	(2,619,402)	(2,633,756)	(3,379,171)	(1,694,316)
	1,184,102,522	1,167,341,632	1,012,426,087	946,565,863	1,024,669,752

The above summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance, amounted to HK$68,052,345 of which HK$14,861,256 has been proposed as final dividend for the year. In addition, the Company's share premium account, in the amount of HK$314,739,683, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$286,437.

REPORT OF THE DIRECTORS *(Cont'd)*

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

The Group is a provider of financial services. In the opinion of the directors, it is therefore of no value to disclose details of the Group's suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Chu Xiaoming *(Chairman)*
Lu Wenqing
Guo Chun
Lee Man Chun Tony *(Chief Executive Officer)*
Ying Niankang

Non-executive directors:
Chang Pen Tsao
Huang Gang

Independent non-executive directors:
Ng Wing Hang Patrick
Kwok Lam Kwong Larry
Zhuo Fumin

Subsequent to the end of the reporting period, on 9 March 2012, Mr. Guo Chun was appointed as Chief Executive Officer of the Company, Mr. Lee Man Chun Tony resigned as Chief Executive Officer of the Company and Mr. Ying Niankang resigned as a director of the Company.

In accordance with Article 104(A) of the Company's Articles of Association, Messrs. Guo Chun, Lee Man Chun Tony and Huang Gang will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Company has received annual confirmations of independence from Messrs. Ng Wing Hang Patrick, Kwok Lam Kwong Larry and Zhuo Fumin and as at the date of this report, still considers them to be independent.

REPORT OF THE DIRECTORS *(Cont'd)*

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP

Executive directors

Chu Xiaoming, aged 49, was appointed as an Executive Director and the Chairman of the Company on 20 December 2010. He is also a Director, the Vice Chairman of the Board and President of Shenyin & Wanguo Securities Co., Ltd. (''SWSC''). Prior to joining SWSC, he was the General Manager of Zhonghai Trust Co., Ltd. Mr. Chu graduated from The University of Hong Kong with a master degree in Business Administration (International) in 2003 and obtained the qualification as Senior Economist issued by Industrial and Commercial Bank of China in 1994.

Lu Wenqing, aged 53, was appointed as a Non-executive Director of the Company in August 1996 and was re-designated as an Executive Director of the Company in September 2004. He is also the Vice President of Shenyin & Wanguo Securities Co., Ltd. He graduated from Shanghai University of Finance and Economics. He also holds a Master's Degree in Business Administration from The Asia (Macau) International Open University and W.P. Carey School of Business at Arizona State University. Prior to joining the former Shanghai Shenyin Securities Co., Ltd., he served as a senior officer in Shanghai Trust & Investment Corporation of the Industrial and Commercial Bank of China and as an attache' of the Chinese Embassy in Gabon.

Guo Chun, aged 47, was appointed as an Executive Director of the Company in May 2000, as the Managing Director of the International Business Division of Shenyin & Wanguo Securities Co., Ltd. in May 2008 and as Chief Executive Officer of the Company on 9 March 2012. Mr. Guo began his career with the Industrial and Commercial Bank of China, Shanghai Branch in 1983. Other than the banking business, he has been working in the securities industry of the People's Republic of China (the "PRC") since 1987. He has 24 years' extensive experience in stockbroking and investment banking in the PRC. In 1990, he joined the former Shanghai Shenyin Securities Co., Ltd. and served as a regional superintendent in Shanghai. He was appointed as the Deputy Managing Director of Shenyin Wanguo (H.K.) Holdings Limited on secondment to Hong Kong in early 1997 after the merger of Shanghai Shenyin Securities Co., Ltd. and Shanghai International Securities Co., Ltd. He holds a Master's Degree in Business Administration from Murdoch University, Perth, Australia.

Lee Man Chun Tony, aged 58, was appointed as an Executive Director of the Company in June 2000 and as Chief Executive Officer of the Company from July 2000 to 9 March 2012. He is an Associate of the Hong Kong Institute of Certified Public Accountants. He has more than 30 years' experience in accounting, finance and banking. He held senior positions with Standard Chartered Bank and Sanwa International Finance Ltd. before he joined the Group in 1995.

REPORT OF THE DIRECTORS *(Cont'd)*

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Cont'd)*

Non-executive directors

Chang Pen Tsao, aged 72, is a Non-executive Director of the Company. He is the Founder and Chairman of Taiwan International Securities Group, The Business Development Foundation of The Chinese Straits, Unitech Printed Circuit Board Corp., Ideal Bike Corp. and Fulltech Fiber Glass Corp. Unitech Printed Circuit Board Corp., Ideal Bike Corp. and Fulltech Fiber Glass Corp. are listed on the Taiwan Stock Exchange. Mr. Chang served as a Senator in Taiwan for 9 years and was the Chairman of Kwang Hua Securities Investment & Trust Co., Ltd. He has more than 40 years' experience in legal practice as a lawyer, prosecutor and district judge, as well as in business management, and has more than 20 years' experience in securities investment. He received his LL.B. Degree from Chung Hsin University, Taiwan in 1967.

Huang Gang, aged 45, is a Non-executive Director of the Company. He graduated from Xian Jiaotong University and holds a Master's Degree in Economics conferred by Shanghai University of Finance and Economics. He has over 19 years' management experiences with enterprises. From 1993 to 1999, he worked with Agricultural Bank of China (Shanghai Branch) as an Assistant General Manager. In 2000, Mr. Huang joined Shanghai Industrial Investment (Holdings) Company Limited as an Assistant General Manager. He also presently holds directorships in certain wholly owned subsidiaries of Shanghai Industrial Investment (Holdings) Company Limited.

Independent non-executive directors

Ng Wing Hang Patrick, aged 59, is an Independent Non-executive Director of the Company. He is a practising Certified Public Accountant in Hong Kong and is the Managing Director of Pan China (H.K.) CPA Limited, a certified public accountants firm in Hong Kong. He also serves as an Independent Non-executive Director of Far East Hotels and Entertainment Limited, which is listed on the Hong Kong Stock Exchange. Mr. Ng served as an Independent Non-executive Director of China CBM Group Limited, formerly known as Dynamic Energy Holdings Limited, which is listed on the Hong Kong Stock Exchange, until he resigned on 28 April 2010.

Kwok Lam Kwong Larry, B.B.S., J.P., aged 56, is an Independent Non-executive Director of the Company. He is a practising solicitor in Hong Kong and is also qualified to practise as a solicitor in Australia, England and Wales and Singapore. He is also qualified as a Chartered Accountant in England and Wales and a CPA in Hong Kong and Australia. He graduated from the University of Sydney, Australia with Bachelor's Degrees in Economics and Laws as well as a Master's Degree in Laws. He is currently the Chairman of the Traffic Accident Victims Assistance Advisory Committee, a member of the Hospital Governing Committee of Kwai Chung Hospital/Princess Margaret Hospital and the Insurance Claims Complaints Panel in Hong Kong. He is also a member of the Political Consultative Committee of Guangxi in the People's Republic of China.

REPORT OF THE DIRECTORS *(Cont'd)*

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Cont'd)*

Independent non-executive directors *(Cont'd)*

Zhuo Fumin, aged 60, is an Independent Non-executive Director of the Company. He graduated from Shanghai Jiaotong University's Electrical Engineering School and holds a Master's Degree in Economics conferred by Fudan University. Mr. Zhuo has more than 36 years of experience in running joint stock companies and in corporate management and has extensive capital market experience. Mr. Zhuo currently serves as a General Partner in SIG Capital Limited and as Managing Partner in GGV Capital. He also serves as a Director of Daqo New Energy Corp. (a company listed on the New York Stock Exchange), an Independent Director of Focus Media Holding Ltd. (a company listed on the NASDAQ Stock Market), a Non-executive Director of Besunyun Holdings Company Limited (a company listed on the Hong Kong Stock Exchange) and an Independent Non-executive Director of SRE Group Limited (a company listed on the Hong Kong Stock Exchange) since 30 November 2010. He had been an Independent Director of China Enterprise Company Limited (a company listed on the Shanghai Stock Exchange) until he resigned on 8 April 2009.

Senior management

Bai Youge, aged 49, was appointed as Deputy General Manager of the Group in 2004. He used to be a non-practising member of the Chinese Institute of Certified Public Accountants and has previously worked for Arthur Andersen & Co. He joined the former Shanghai International Securities Co., Ltd. in 1994 as the Deputy General Manager of the Investment Bank Division. After the merger of Shanghai International Securities Co., Ltd. and Shanghai Shenyin Securities Co., Ltd. in 1996, he was appointed as the Deputy General Manager of the International Business and Brokerage Departments of Shenyin & Wanguo Securities Co., Ltd. respectively, and has over 10 years' experience in the securities field of the PRC. He graduated from Sichuan University in Mathematics and holds a Master's Degree in Economics from the Shanghai Academy of Social Sciences and a Master's Degree in Finance and Securities from the University of Reading in the United Kingdom.

Fu Xingyi, aged 49, has been appointed as the Deputy General Manager of the Group since November 2007. Mr. Fu was appointed as the Assistant to General Manager of the Group in 2004. He previously worked for the International Business Division, Investment Bank Division and Merger & Acquisition Division of Shenyin & Wanguo Securities Co., Ltd. and has more than 10 years' experience in corporate finance. He holds a Bachelor's Degree from Fudan University in Shanghai.

REPORT OF THE DIRECTORS *(Cont'd)*

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Cont'd)*

Senior management *(Cont'd)*

Wong Che Keung Leslie, aged 47, is the Chief Operating Officer and Company Secretary of the Group. Besides company secretarial duties, Mr. Wong is also responsible for overseeing accounting, securities settlement, credit, treasury and information technology activities of the Group. Mr. Wong once served as the Head of Compliance of the Group and subsequently, a Director of Shenyin Wanguo Securities (H.K.) Limited and the Finance Director before succeeding to the current position of the Chief Operating Officer of the Group in 2010. Mr. Wong was appointed as the Company Secretary of the Group in December 2004. Prior to joining the Group in 1996, he has worked in the Securities and Futures Commission for 7 years and in the stockbroking and treasury field for a further 2 years. He is a Fellow of the Hong Kong Institute of Certified Public Accountants. He obtained his Bachelor's Degree in Economics at the University of Hong Kong and a Master's Degree in Business Administration at the Chinese University of Hong Kong. Mr. Wong was the Independent Non-executive Director of Rainbow Brothers Holdings Limited, which is listed on the Hong Kong Stock Exchange, from 4 June 2007 to 8 May 2011.

Ting Kay Loong, Willis, aged 50, is the Head of Corporate Finance of the Group. He has over 23 years of experience in the securities industry. Prior to joining the Group in 2006, he worked for several international financial institutions and listed companies in Hong Kong, responsible for capital market activities and equity investments. He holds a Bachelor of Economics Degree from Macquarie University, Australia and is a fellow member of the Australian Society of Certified Public Accountants.

Philip Chan, aged 49, joined the Group in 1994. He is responsible for Institutional Equity Sales and has been based in Hong Kong for 23 years, working first with Mansion House Group Ltd. and later with PBI Securities Hong Kong Ltd. (formerly part of the Dutch ABN-AMRO Group), as an analyst. Prior to working in Hong Kong, he worked in the United Kingdom for 3 years for two securities brokerage firms as an analyst. He was born in the United Kingdom and obtained his Bachelor's Degree in Chemistry at Cardiff University, in Wales.

REPORT OF THE DIRECTORS *(Cont'd)*

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board of the Company with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party during the year.

DIRECTOR'S INTEREST IN SHARES

At 31 December 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

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 31 December 2011, none of the directors of the Company had any interest or short position 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 by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS *(Cont'd)*

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

At 31 December 2011, the interests of substantial shareholders, other than directors or chief executive of the Company, in the issued 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	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. 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 31 December 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 by the Company pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The connected transactions and continuing connected transactions of the Company and the Group during the year are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules in note 30 to the financial statements.

The independent non-executive directors of the Company have reviewed and confirmed that the continuing connected transactions as set out in note 30 to the financial statements that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to/from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

REPORT OF THE DIRECTORS *(Cont'd)*

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(Cont'd)*

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

DIRECTOR'S INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, a non-executive director, Mr. Huang Gang, is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules. Mr. Huang Gang is also a director of SIIC Asset Management Company Limited, which is also involved in the provision of asset management services.

As the Board of the Company is independent from the board of directors of SIIC Asset Management Company Limited and Mr. Huang Gang does not control the Board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of SIIC Asset Management Company Limited.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chu Xiaoming
Chairman

Hong Kong
9 March 2012

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

To the shareholders of Shenyin Wanguo (H.K.) Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shenyin Wanguo (H.K.) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 34 to 100, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

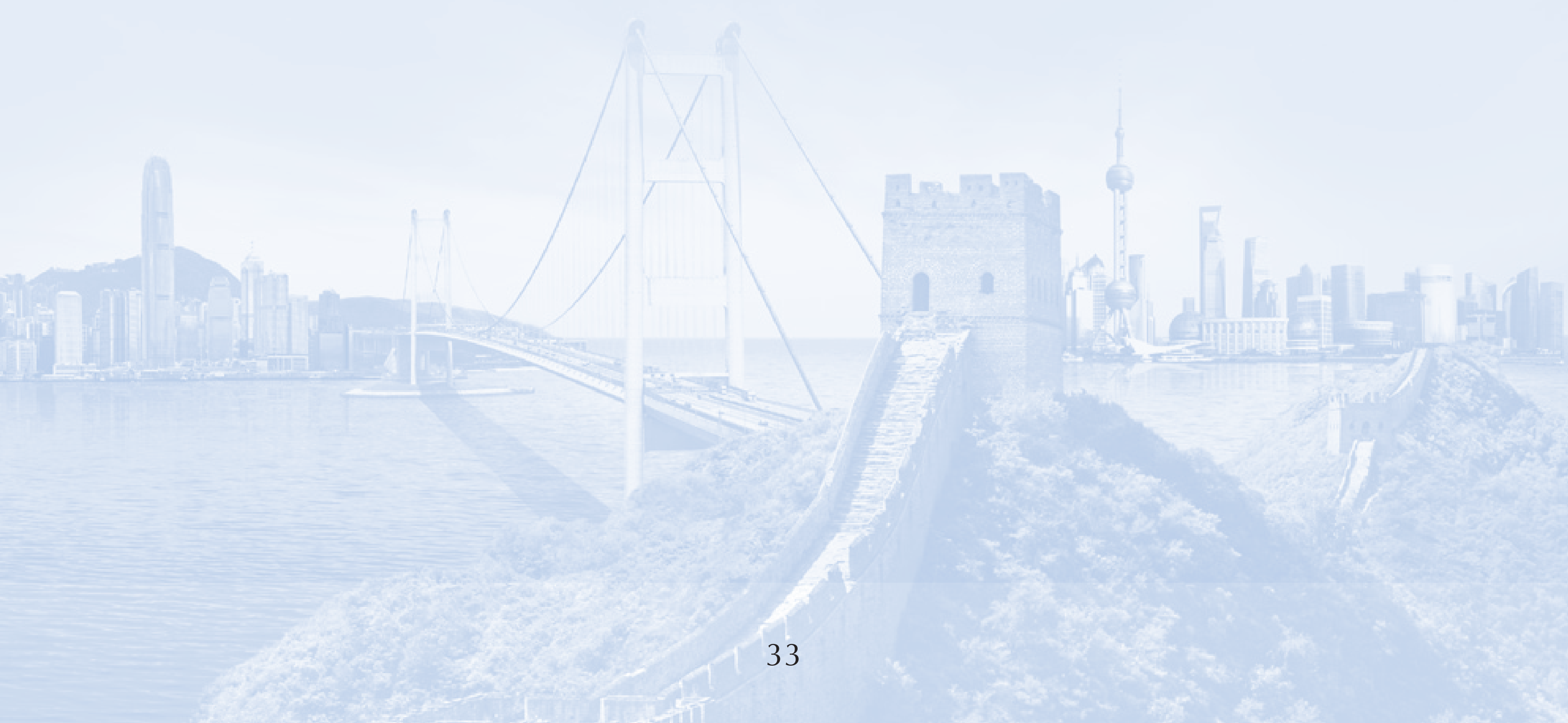
INDEPENDENT AUDITORS' REPORT *(Cont'd)*

To the shareholders of Shenyin Wanguo (H.K.) Limited
(Incorporated in Hong Kong with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
9 March 2012



CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 HK$	2010 HK$
REVENUE	5	**383,312,131**	513,699,858
Commission expenses		**(64,701,935)**	(94,535,231)
Employee benefit expenses	6	**(117,497,668)**	(118,437,426)
Depreciation expenses	13	**(8,802,207)**	(4,174,939)
Interest expenses for financial services operations	6	**(1,507,632)**	(1,149,424)
Impairment of an available-for-sale investment	16	**–**	(1,641,540)
Other gains	5	**980,464**	1,481,256
Other expenses, net		**(113,974,036)**	(92,682,335)
PROFIT BEFORE TAX	6	**77,809,117**	202,560,219
Income tax expense	9	**(3,801,137)**	(11,597,862)
PROFIT FOR THE YEAR		**74,007,980**	190,962,357
Attributable to:			
Owners of the Company	10	**74,003,499**	190,976,711
Non-controlling interests		**4,481**	(14,354)
		74,007,980	190,962,357
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic and diluted		**HK13.94 cents**	HK35.98 cents

Details of the dividends payable and proposed for the year are disclosed in note 11 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	**2011** **HK$**	2010 HK$
PROFIT FOR THE YEAR		**74,007,980**	190,962,357
OTHER COMPREHENSIVE INCOME/(LOSS)			
Available-for-sale investments:			
Changes in fair value		**(4,166,697)**	(198,192)
Transfer of loss to the consolidated income statement			
– impairment loss		**–**	1,641,540
Income tax effect	*17*	**–**	66,030
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(4,166,697)**	1,509,378
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**69,841,283**	192,471,735
Attributable to:			
Owners of the Company	*10*	**69,836,802**	192,486,089
Non-controlling interests		**4,481**	(14,354)
		69,841,283	192,471,735

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$	2010 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	13	17,811,857	9,633,833
Stock and Futures Exchange trading rights	14	4,211,831	4,211,831
Other assets		16,989,494	12,692,220
Available-for-sale investments	16	12,595,080	12,820,657
Deferred tax assets	17	1,437,686	1,960,700
Total non-current assets		53,045,948	41,319,241
CURRENT ASSETS			
Investments at fair value through profit or loss	16	136,490,550	145,709,361
Accounts receivable	18	228,109,841	534,953,817
Loans and advances	19	560,272,894	885,172,114
Prepayments, deposits and other receivables	20	12,928,269	15,167,792
Tax recoverable		7,579,700	53,758
Bank balances held on behalf of customers	21	1,981,941,336	1,906,405,768
Cash and cash equivalents	22	392,691,823	123,999,012
Total current assets		3,320,014,413	3,611,461,622
CURRENT LIABILITIES			
Accounts payable	23	2,107,840,448	2,312,439,777
Other payables and accruals	24	75,724,789	100,198,989
Interest-bearing bank borrowings	25	–	62,491,770
Tax payable		2,400,066	7,689,293
Total current liabilities		2,185,965,303	2,482,819,829
NET CURRENT ASSETS		1,134,049,110	1,128,641,793
TOTAL ASSETS LESS CURRENT LIABILITIES		1,187,095,058	1,169,961,034
NON-CURRENT LIABILITY			
Deferred tax liability	17	368,653	–
Net assets		1,186,726,405	1,169,961,034

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*

31 December 2011

	Notes	2011 HK$	2010 HK$
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*26*	**265,379,563**	265,379,563
Reserves	*27(a)*	**903,861,703**	854,193,748
Proposed dividends	*11*	**14,861,256**	47,768,321
		1,184,102,522	1,167,341,632
Non-controlling interests		**2,623,883**	2,619,402
Total equity		**1,186,726,405**	1,169,961,034

Chu Xiaoming
Director

Lee Man Chun Tony
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

		Attributable to owners of the Company										
	Notes	Issued capital HK$	Share premium account HK$	Capital reserve HK$	Available-for-sale investment revaluation reserve HK$	General reserve HK$ (Note 27(a))	Exchange fluctuation reserve HK$ (Note 27(a))	Retained profits HK$	Proposed dividends HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
At 1 January 2010		265,379,563	314,739,683	15,043	334,154	138,611	21,647,770	399,556,080	10,615,183	1,012,426,087	2,633,756	1,015,059,843
Profit/(loss) for the year		–	–	–	–	–	–	190,976,711	–	190,976,711	(14,354)	190,962,357
Other comprehensive income for the year:												
Change in fair value of available-for-sale investments, net of tax		–	–	–	1,509,378	–	–	–	–	1,509,378	–	1,509,378
Total comprehensive income for the year		–	–	–	1,509,378	–	–	190,976,711	–	192,486,089	(14,354)	192,471,735
Exchange fluctuation reserve released to the consolidated income statement upon disposal of a foreign investment		–	–	–	–	–	(21,647,770)	–	–	(21,647,770)	–	(21,647,770)
Final 2009 dividend declared		–	–	–	–	–	–	–	(10,615,183)	(10,615,183)	–	(10,615,183)
Interim 2010 dividend	*11*	–	–	–	–	–	–	(5,307,591)	–	(5,307,591)	–	(5,307,591)
Proposed final 2010 dividend	*11*	–	–	–	–	–	–	(10,615,183)	10,615,183	–	–	–
Proposed special 2010 dividend	*11*	–	–	–	–	–	–	(37,153,138)	37,153,138	–	–	–
At 31 December 2010 and 1 January 2011		**265,379,563**	**314,739,683**	**15,043**	**1,843,532**	**138,611**	**–**	**537,456,879**	**47,768,321**	**1,167,341,632**	**2,619,402**	**1,169,961,034**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**74,003,499**	**–**	**74,003,499**	**4,481**	**74,007,980**
Other comprehensive income for the year:												
Change in fair value of available-for-sale investments, net of tax		**–**	**–**	**–**	**(4,166,697)**	**–**	**–**	**–**	**–**	**(4,166,697)**	**–**	**(4,166,697)**
Total comprehensive income for the year		**–**	**–**	**–**	**(4,166,697)**	**–**	**–**	**74,003,499**	**–**	**69,836,802**	**4,481**	**69,841,283**
Final 2010 dividend declared		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10,615,183)**	**(10,615,183)**	**–**	**(10,615,183)**
Special 2010 dividend declared		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(37,153,138)**	**(37,153,138)**	**–**	**(37,153,138)**
Interim 2011 dividend	*11*	**–**	**–**	**–**	**–**	**–**	**–**	**(5,307,591)**	**–**	**(5,307,591)**	**–**	**(5,307,591)**
Proposed final 2011 dividend	*11*	**–**	**–**	**–**	**–**	**–**	**–**	**(14,861,256)**	**14,861,256**	**–**	**–**	**–**
At 31 December 2011		**265,379,563**	**314,739,683***	**15,043***	**(2,323,165)***	**138,611***	**–**	**591,291,531***	**14,861,256**	**1,184,102,522**	**2,623,883**	**1,186,726,405**

* These reserve accounts comprise the consolidated reserves of HK$903,861,703 (2010: HK$854,193,748) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

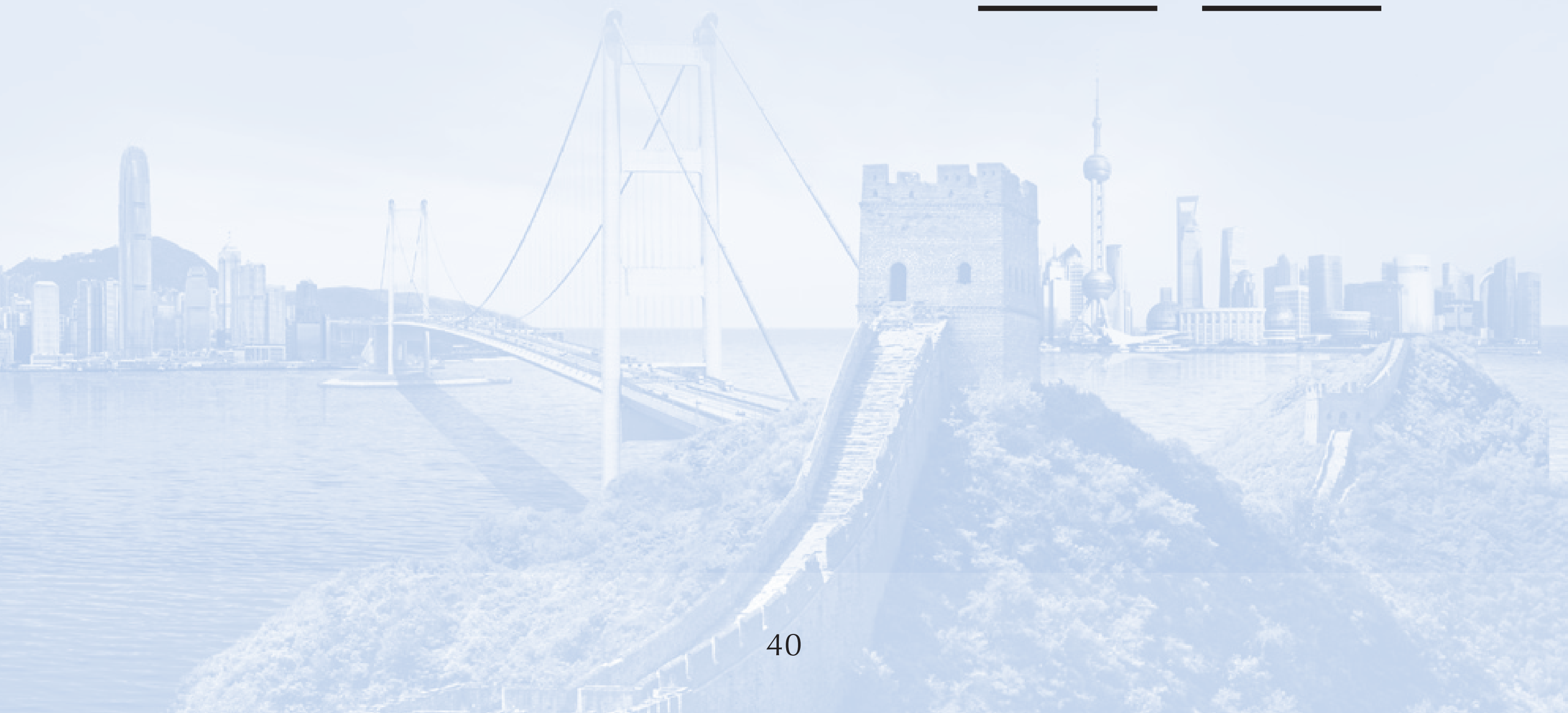
Year ended 31 December 2011

	Notes	2011 HK$	2010 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**77,809,117**	202,560,219
Adjustments for:			
Bank interest income	5	**(12,739,203)**	(7,085,895)
Dividend income	5	**(43,482,550)**	(657,117)
Gain on disposal of an available-for-sale investment	5	**(43,186,821)**	(119,697,916)
Depreciation	13	**8,802,207**	4,174,939
Impairment of an available-for-sale investment	16	**–**	1,641,540
Loss/(gain) on disposal of items of property, plant and equipment	6	**100**	(1,200)
		(12,797,150)	80,934,570
Increase in other assets		**(4,297,274)**	(771,913)
Decrease in investments at fair value through profit or loss		**9,218,811**	32,127,731
Decrease in accounts receivable		**306,843,976**	89,192,861
Decrease/(increase) in loans and advances		**324,899,220**	(199,476,718)
Decrease/(increase) in prepayments, deposits and other receivables		**2,239,523**	(4,339,438)
Decrease/(increase) in bank balances held on behalf of customers		**(75,535,568)**	32,935,471
Decrease in accounts payable		**(204,599,329)**	(195,793,218)
Increase/(decrease) in other payables and accruals		**(24,474,200)**	21,476,830
Cash from/(used in) operations		**321,498,009**	(143,713,824)
Bank interest received		**12,739,203**	7,085,895
Dividends received from equity investments		**43,482,550**	657,117
Hong Kong profits tax paid		**(15,724,639)**	(10,591,751)
Net cash flows from/(used in) operating activities		**361,995,123**	(146,562,563)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(16,982,851)**	(4,994,511)
Purchases of an available-for-sale investment		**(3,941,120)**	(5,985,001)
Proceeds from disposal of an available-for-sale investment		**43,186,821**	284,206,560
Proceeds from disposal of items of property, plant and equipment		**2,520**	1,200
Net cash flows from investing activities – page 40		**22,265,370**	273,228,248

CONSOLIDATED STATEMENT OF CASH FLOWS *(Cont'd)*

Year ended 31 December 2011

	Notes	2011 HK$	2010 HK$
Net cash flows from investing activities – page 39		**22,265,370**	273,228,248
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**–**	25,000,000
Repayment of bank loans		**(25,000,000)**	(102,000,000)
Dividends paid		**(53,075,912)**	(15,922,774)
Net cash flows used in financing activities		**(78,075,912)**	(92,922,774)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**306,184,581**	33,742,911
Cash and cash equivalents at beginning of year		**86,507,242**	52,764,331
CASH AND CASH EQUIVALENTS AT END OF YEAR		**392,691,823**	86,507,242
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**121,757,823**	72,605,012
Time deposits with original maturity of less than three months when acquired	22	**270,934,000**	51,394,000
Cash and cash equivalents as stated in the consolidated statement of financial position		**392,691,823**	123,999,012
Bank overdrafts	25	**–**	(37,491,770)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**392,691,823**	86,507,242



STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$	2010 HK$
NON-CURRENT ASSETS			
Interests in subsidiaries	15	**647,146,091**	697,794,097
CURRENT ASSETS			
Prepayments, deposits and other receivables	20	**1,019,478**	1,602,749
Tax recoverable		**438,661**	–
Cash and cash equivalents	22	**3,484,562**	4,369,384
Total current assets		**4,942,701**	5,972,133
CURRENT LIABILITIES			
Other payables and accruals	24	**3,917,201**	3,384,690
Tax payable		**–**	5,551
Total current liabilities		**3,917,201**	3,390,241
NET CURRENT ASSETS		**1,025,500**	2,581,892
Net assets		**648,171,591**	700,375,989
EQUITY			
Issued capital	26	**265,379,563**	265,379,563
Reserves	27(b)	**367,930,772**	387,228,105
Proposed dividends	11	**14,861,256**	47,768,321
Total equity		**648,171,591**	700,375,989

Chu Xiaoming
Director

Lee Man Chun Tony
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2011

1. CORPORATE INFORMATION

Shenyin Wanguo (H.K.) Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is situated at 28th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

- securities trading and investment holding
- securities broking and dealing
- securities financing and direct loans
- investment advisory services

The Company is a subsidiary of Shenyin Wanguo Holdings (B.V.I.) Limited, a company incorporated in the British Virgin Islands with limited liability. In the opinion of the directors, the ultimate holding company of the Company is Shenyin & Wanguo Securities Co., Ltd., which was established in the People's Republic of China (the "PRC").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 30 to the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Cont'd)*

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

2.3 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 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* [4]
HKFRS 9	*Financial Instruments* [6]
HKFRS 10	*Consolidated Financial Statements* [4]
HKFRS 11	*Joint Arrangements* [4]
HKFRS 12	*Disclosure of Interests in Other Entities* [4]
HKFRS 13	*Fair Value Measurement* [4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* [3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [5]
HKAS 19 (2011)	*Employee Benefits* [4]
HKAS 27 (2011)	*Separate Financial Statements* [4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [4]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in the income statement, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in the income statement. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to the income statement at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired assets.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance leases	Over the lease terms
Buildings	4%
Leasehold improvements	Over the lease terms
Furniture, fixtures and equipment	15% – 33$\frac{1}{3}$%
Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Other assets

Other assets, mainly representing deposits, are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the other assets are derecognised or impaired, as well as through the amortisation process.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Intangible assets, which consist of the Stock and Futures Exchange trading rights, being the eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited with indefinite useful lives, are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of the Stock and Futures Exchange trading rights is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include other assets, available-for-sale investments, investments at fair value through profit or loss, accounts receivable, loans and advances, deposits and other receivables, bank balances held on behalf of customers and cash and cash equivalents.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

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

Subsequent measurement (Cont'd)

Financial assets at fair value through profit or loss (Cont'd)

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the income statement. The loss arising from impairment is recognised in the income statement.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and club debentures. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

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

Subsequent measurement (Cont'd)

Available-for-sale financial investments (Cont'd)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date at reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amounts is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

Impairment of financial assets *(Cont'd)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

Impairment of financial assets *(Cont'd)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include accounts payable, other payables and accruals, and interest-bearing bank borrowings.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

Financial liabilities *(Cont'd)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

Income tax *(Cont'd)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) realised fair value gains or losses on securities and futures contracts trading, on a trade date basis whilst unrealised fair value gains or losses, on change in fair value at the end of the reporting period;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(c) commission and brokerage income, on a trade date basis;

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

(e) income from the rendering of services, as the underlying services have been provided; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. The Group also retains its previous retirement scheme (the "ORSO Scheme") registered under the Occupational Retirement Scheme Ordinance as a top-up benefit for its employees.

Contributions are made based on a percentage of the employees' relevant income or basic salaries, whichever is greater, and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme and the ORSO Scheme. When the contribution exceeds the statutory maximum requirements, the excess contribution is credited as the employer's voluntary contribution to the ORSO Scheme. The employer's mandatory contributions vest fully with the employees when contributed into the MPF Scheme. The employer's voluntary contributions vest with the employees according to the vesting scale of the ORSO Scheme. Forfeited contributions in respect of employees who leave the Group before their contributions fully vest are available to the Group to offset its future voluntary contributions.

The assets of the MPF Scheme and the ORSO Scheme are held separately from those of the Group in independently administered funds.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Fair value of unlisted financial instruments

The unlisted financial instruments have been valued using a valuation technique based on assumptions and estimates including the discount rate, volatility and dividend yield, and hence they are subject to uncertainty. Estimating the value of the financial instruments requires the Group to make certain estimates and assumptions, further details of which are given in note 16.

(b) Impairment of available-for-sale investments

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. During the year ended 31 December 2011, no impairment loss (2010: impairment loss of HK$1,641,540) was recognised for available-for-sale investments. The aggregate carrying amount of the available-for-sale investments was HK$12,595,080 (2010: HK$12,820,657) at 31 December 2011.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has four reportable operating segments as follows:

(a) securities trading and investment holding;

(b) securities broking and dealing;

(c) securities financing and direct loans; and

(d) investment advisory services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of profit/(loss) before tax.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

4. OPERATING SEGMENT INFORMATION *(Cont'd)*

Segment assets exclude deferred tax assets, tax recoverable and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable and deferred tax liability as these liabilities are managed on a group basis.

	Securities trading and investment holding HK$	Securities broking and dealing HK$	Securities financing and direct loans HK$	Investment advisory services HK$	Total HK$
Year ended 31 December 2011					
Segment revenue from external customers	43,900,289	235,207,309	69,920,850	34,283,683	383,312,131
Segment results and profit/(loss) before tax	29,578,080	(8,861,472)	56,416,039	676,470	77,809,117
Segment assets	154,608,736	2,605,169,664	566,129,209	35,665,366	3,361,572,975
Reconciliation:					
Deferred tax assets					1,437,686
Tax recoverable					7,579,700
Unlisted club debentures included in financial instruments					2,470,000
Total assets					3,373,060,361
Segment liabilities	38,250,176	2,130,882,013	10,012,336	4,420,712	2,183,565,237
Reconciliation:					
Deferred tax liability					368,653
Tax payable					2,400,066
Total liabilities					2,186,333,956
Other segment information:					
Depreciation	–	8,145,214	345,754	311,239	8,802,207
Capital expenditure*	–	15,693,877	84,440	1,204,534	16,982,851

* Capital expenditure consists of additions to property, plant and equipment.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

4. OPERATING SEGMENT INFORMATION *(Cont'd)*

	Securities trading and investment holding HK$	Securities broking and dealing HK$	Securities financing and direct loans HK$	Investment advisory services HK$	Total HK$
Year ended 31 December 2010					
Segment revenue from external customers	125,006,292	297,207,121	62,062,018	29,424,427	513,699,858
Segment results and profit before tax	115,554,569	36,006,750	47,391,432	3,607,468	202,560,219
Segment assets	186,615,516	2,551,636,542	889,612,196	20,432,151	3,648,296,405
Reconciliation:					
Deferred tax assets					1,960,700
Tax recoverable					53,758
Unlisted club debentures included in financial instruments					2,470,000
Total assets					3,652,780,863
Segment liabilities	25,418,320	2,429,885,491	14,813,152	5,013,573	2,475,130,536
Reconciliation:					
Tax payable					7,689,293
Total liabilities					2,482,819,829
Other segment information:					
Depreciation	–	3,877,766	158,018	139,155	4,174,939
Capital expenditure*	–	4,849,504	74,000	71,007	4,994,511
Impairment of an available-for-sale investment	1,641,540	–	–	–	1,641,540

* Capital expenditure consists of additions to property, plant and equipment.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

4. OPERATING SEGMENT INFORMATION *(Cont'd)*

Geographical information

(a) Revenue from external customers

	2011 HK$	2010 HK$
Hong Kong	**364,946,679**	504,075,231
Mainland China	**6,804,442**	8,230,509
United States of America	**9,166,529**	377,027
Other countries	**2,394,481**	1,017,091
	383,312,131	513,699,858

The revenue information above is based on the location of the markets.

(b) Non-current assets

	2011 HK$	2010 HK$
Hong Kong	**48,595,939**	36,693,006
Mainland China	**2,949,759**	2,665,535
Other countries	**62,564**	–
	51,608,262	39,358,541

The non-current asset information above is based on the location of assets excluding deferred tax assets.

Information about major customers

As no customer of the Group has individually accounted for over 10% of the Group's total revenue during the year, no information about major customers is presented.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

5. REVENUE AND OTHER GAINS

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

	Group	
	2011	2010
	HK$	HK$
Revenue		
Financial services:		
Commission and brokerage income	**233,923,507**	306,098,292
Interest income from securities financing and direct loans	**69,901,348**	62,047,852
Net fair value gains/(losses) on securities and futures contracts trading	**(43,220,098)**	4,091,623
Income from the rendering of services	**23,166,942**	13,918,003
	283,771,699	386,155,770
Others:		
Gain on disposal of an available-for-sale investment#	**43,186,821**	119,697,916
Bank interest income	**12,739,203**	7,085,895
Dividend income from:		
Unlisted available-for-sale equity investment#	**42,798,176**	–
Listed available-for-sale equity investments	**189,524**	89,912
Listed equity investments at fair value through profit or loss	**494,850**	567,205
Others	**131,858**	103,160
	99,540,432	127,544,088
	383,312,131	513,699,858
Other gains		
Exchange gains, net	**980,464**	1,481,256

\# During the year ended 31 December 2010, a gain on disposal of HK$119,697,916 was credited to the consolidated income statement in relation to the disposal of the Group's entire equity interest in The New China Hong Kong Highway Limited ("NCHK").

In addition to the above equity interest in NCHK held by the Group, there was a certain amount of equity interest in NCHK ("NCHK Shares") placed in the Court of First Instance of Hong Kong ("Court") pending the judgement of the legal proceedings against the Group by two plaintiffs.

According to an agreement dated 31 March 2011 signed by the solicitors on behalf of the Group and the plaintiffs, respectively, and a third party purchaser of the NCHK Shares ("Purchaser"), the NCHK Shares placed in the Court were sold to the Purchaser at a consideration of HK$43,186,821 and the sales proceeds were then placed with the Court.

On 17 October 2011, the Group received a total amount of HK$85,984,997 from the Court which included the proceeds from the disposal of the NCHK Shares of HK$43,186,821 and dividends paid on the NCHK Shares of HK$42,798,176 upon the settlement of the legal proceedings ruled in favour of the Group by the Court. Accordingly, such proceeds and dividends were recognised in the consolidated income statement as gain on disposal of an available-for-sale investment and dividend income from unlisted available-for-sale equity investment, respectively, during the year ended 31 December 2011.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

6. PROFIT BEFORE TAX

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

	Group	
	2011	2010
	HK$	HK$
Employee benefit expenses (including directors' remuneration – note 7):		
Salaries and other staff costs	**112,786,295**	112,989,740
Retirement benefit scheme contributions	**5,983,333**	5,694,332
Less: Forfeited contributions	**(1,271,960)**	(246,646)
Net retirement benefit scheme contributions*	**4,711,373**	5,447,686
	117,497,668	118,437,426
Interest expenses for financial services operations on bank loans and overdrafts wholly repayable within five years	**1,507,632**	1,149,424
Minimum lease payments under operating leases in respect of land and buildings	**30,713,597**	25,274,029
Auditors' remuneration	**1,985,000**	1,800,000
Loss/(gain) on disposal of items of property, plant and equipment	**100**	(1,200)
Net realised gains on trading of listed equity investments and futures contracts	**(2,616,387)**	(4,418,460)
Gain on disposal of an available-for-sale investment	**(43,186,821)**	(119,697,916)
Foreign exchange differences, net	**(980,464)**	(1,481,256)

* At 31 December 2011, the Group had forfeited contributions of HK$899 (2010: HK$79,842) available to reduce its contributions to the retirement benefit schemes in future.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

7. DIRECTORS' REMUNERATION

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

	Group	
	2011	2010
	HK$	HK$
Fees	**2,950,000**	780,000
Other emoluments:		
Salaries, allowances and benefits in kind	**6,695,123**	4,529,416
Retirement benefit scheme contributions	**261,600**	261,600
	6,956,723	4,791,016
	9,906,723	5,571,016

(a) Independent non-executive directors

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

	2011	2010
	HK$	HK$
Ng Wing Hang Patrick	**250,000**	150,000
Kwok Lam Kwong Larry	**250,000**	150,000
Zhuo Fumin	**250,000**	150,000
	750,000	450,000

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

(b) Executive directors and non-executive directors

The remuneration paid to executive directors and non-executive directors during the year was as follows:

	Fees HK$	Salaries, allowances and benefits in kind HK$	Retirement benefit scheme contributions HK$	Total remuneration HK$
2011				
Executive directors:				
Chu Xiaoming	–	–	–	–
Lu Wenqing	–	–	–	–
Guo Chun	1,000,000	–	–	1,000,000
Lee Man Chun Tony	–	6,695,123	261,600	6,956,723
Ying Niankang	1,000,000	–	–	1,000,000
	2,000,000	6,695,123	261,600	8,956,723
Non-executive directors:				
Chang Pen Tsao	100,000	–	–	100,000
Huang Gang	100,000	–	–	100,000
	200,000	–	–	200,000
	2,200,000	6,695,123	261,600	9,156,723

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

(b) Executive directors and non-executive directors *(Cont'd)*

	Fees HK$	Salaries, allowances and benefits in kind HK$	Retirement benefit scheme contributions HK$	Total remuneration HK$
2010				
Executive directors:				
Feng Guorong *	–	–	–	–
Chu Xiaoming #	–	–	–	–
Lu Wenqing	–	–	–	–
Guo Chun	165,000	–	–	165,000
Lee Man Chun Tony	–	4,529,416	261,600	4,791,016
Ying Niankang	165,000	–	–	165,000
	330,000	4,529,416	261,600	5,121,016
Non-executive directors:				
Chang Pen Tsao	–	–	–	–
Huang Gang	–	–	–	–
	–	–	–	–
	330,000	4,529,416	261,600	5,121,016

* Feng Guorong resigned as executive director and the chairman of the Company on 20 December 2010.

Chu Xiaoming was appointed as executive director and the chairman of the Company on 20 December 2010.

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

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2010: one) director, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining four (2010: four) non-director, highest paid employees for the year are as follows:

	Group	
	2011	2010
	HK$	HK$
Salaries, allowances and benefits in kind	**11,603,308**	14,273,729
Bonuses	**1,441,205**	2,250,546
Retirement benefit scheme contributions	**317,157**	300,900
	13,361,670	16,825,175

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

	Number of employees	
	2011	2010
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**1**	–
HK$4,500,001 to HK$5,000,000	**–**	1
HK$5,500,001 to HK$6,000,000	**1**	–
HK$6,500,001 to HK$7,000,000	**–**	1
	4	4

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

9. 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 year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates.

	2011 HK$	2010 HK$
Group:		
Current – Hong Kong		
Charge for the year	6,841,454	11,699,576
Underprovision in prior years	7,738	–
Overprovision in prior years	(4,114,493)	(629,896)
Current – Elsewhere	174,771	46,112
Deferred (note 17)	891,667	482,070
Total tax charge for the year	3,801,137	11,597,862

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

	2011 HK$	2010 HK$
Profit before tax	77,809,117	202,560,219
Tax at the statutory tax rate of 16.5% (2010: 16.5%)	12,838,504	33,422,436
Adjustments in respect of current tax of previous periods	(4,106,755)	(629,896)
Income not subject to tax	(17,887,298)	(22,406,380)
Expenses not deductible for tax	4,556,712	2,176,799
Effect of different tax rates of companies operating in other jurisdictions	50,626	–
Tax losses from previous periods utilised	(703,899)	(2,815,529)
Deductible temporary differences not recognised	9,053,247	1,850,432
Tax expense for the year at the Group's effective rate	3,801,137	11,597,862

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

10. PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2011 includes a profit of HK$871,514 (2010: HK$56,073,705) which has been dealt with in the financial statements of the Company (note 27(b)).

11. DIVIDENDS

	2011 **HK$**	2010 HK$
Interim – HK1 cent (2010: HK1 cent) per ordinary share	**5,307,591**	5,307,591
Proposed final – HK2.8 cents (2010: HK2 cents) per ordinary share	**14,861,256**	10,615,183
Proposed special – Nil (2010: HK7 cents) per ordinary share	**–**	37,153,138
	20,168,847	53,075,912

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

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$74,003,499 (2010: HK$190,976,711) and 530,759,126 (2010: 530,759,126) ordinary shares in issue during the year.

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

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$	Leasehold improvements HK$	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Total HK$
31 December 2011					
At 31 December 2010 and at 1 January 2011:					
Cost	4,095,000	13,859,918	30,536,239	2,228,454	50,719,611
Accumulated depreciation	(2,067,975)	(12,334,179)	(24,675,596)	(2,008,028)	(41,085,778)
Net carrying amount	2,027,025	1,525,739	5,860,643	220,426	9,633,833
At 1 January 2011, net of accumulated depreciation	2,027,025	1,525,739	5,860,643	220,426	9,633,833
Additions	–	10,935,697	6,047,154	–	16,982,851
Disposals	–	–	(2,620)	–	(2,620)
Depreciation provided during the year	(122,850)	(4,431,579)	(4,058,841)	(188,937)	(8,802,207)
At 31 December 2011, net of accumulated depreciation	1,904,175	8,029,857	7,846,336	31,489	17,811,857
At 31 December 2011:					
Cost	4,095,000	23,447,832	34,162,626	2,228,454	63,933,912
Accumulated depreciation	(2,190,825)	(15,417,975)	(26,316,290)	(2,196,965)	(46,122,055)
Net carrying amount	1,904,175	8,029,857	7,846,336	31,489	17,811,857

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

Group

	Leasehold land and buildings HK$	Leasehold improvements HK$	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Total HK$
31 December 2010					
At 1 January 2010:					
Cost	4,095,000	12,514,141	26,918,816	3,500,229	47,028,186
Accumulated depreciation	(1,945,125)	(11,415,935)	(21,812,588)	(3,040,277)	(38,213,925)
Net carrying amount	2,149,875	1,098,206	5,106,228	459,952	8,814,261
At 1 January 2010, net of accumulated depreciation	2,149,875	1,098,206	5,106,228	459,952	8,814,261
Additions	–	1,366,777	3,627,734	–	4,994,511
Depreciation provided during the year	(122,850)	(939,244)	(2,873,319)	(239,526)	(4,174,939)
At 31 December 2010, net of accumulated depreciation	2,027,025	1,525,739	5,860,643	220,426	9,633,833
At 31 December 2010:					
Cost	4,095,000	13,859,918	30,536,239	2,228,454	50,719,611
Accumulated depreciation	(2,067,975)	(12,334,179)	(24,675,596)	(2,008,028)	(41,085,778)
Net carrying amount	2,027,025	1,525,739	5,860,643	220,426	9,633,833

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

14. STOCK AND FUTURES EXCHANGE TRADING RIGHTS

	Group HK$
Cost and carrying amount at 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	4,211,831

15. INTERESTS IN SUBSIDIARIES

	Company 2011 HK$	2010 HK$
Unlisted shares, at cost	**228,066,150**	228,066,150
Due from subsidiaries	**618,676,901**	643,685,315
	846,743,051	871,751,465
Due to subsidiaries	**(104,458,252)**	(78,818,660)
	742,284,799	792,932,805
Impairment#	**(95,138,708)**	(95,138,708)
	647,146,091	697,794,097

\# An impairment was recognised for certain unlisted investments and receivables with an aggregate carrying amount of HK$221,275,540 (before deducting the impairment loss) (2010: HK$134,678,907) because these subsidiaries have been making losses for years or had deficiency in assets at the end of the reporting period. There was no change in the impairment account during the current and prior years.

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for amounts due from subsidiaries totalling HK$170,000,000 (2010: HK$170,000,000) which bears interest at a rate of prime rate, less 3% (2010: ranging from bank deposit savings rate to the prime rate) per annum. The directors of the Company do not intend to demand settlement/proceed with the repayment of the amounts involved within one year after the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

All of the principal subsidiaries, unless otherwise indicated, are incorporated and operate in Hong Kong. Particulars of the principal subsidiaries are as follows:

Name	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company				Principal activities
		Direct		Indirect		
		2011	2010	2011	2010	
Shenyin Wanguo Securities (H.K.) Limited	HK$130,000,000	100	100	–	–	Securities broking and margin financing
Shenyin Wanguo Futures (H.K.) Limited	HK$30,000,000	100	100	–	–	Futures and options broking
Shenyin Wanguo Capital (H.K.) Limited	HK$20,000,000	100	100	–	–	Corporate finance
Shenyin Wanguo Asset Management (Asia) Limited	HK$1,000,000	–	–	100	100	Provision of asset management services
Shenyin Wanguo Research (H.K.) Limited	HK$300,000	100	100	–	–	Provision of securities research services
Shenyin Wanguo Strategic Investments (H.K.) Limited	HK$10,000	100	100	–	–	Securities trading and investment holding
Shenyin Wanguo Finance (H.K.) Limited	HK$25,000,000	100	100	–	–	Provision of financial services
Shenyin Wanguo Enterprises (H.K.) Limited	HK$15,000,000	100	100	–	–	Provision of management and treasury services

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

Name	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct 2011	Direct 2010	Indirect 2011	Indirect 2010	Principal activities
Shenyin Wanguo Online Limited	HK$2	100	100	–	–	Leasing of computer equipment
Shenyin Wanguo Trading (H.K.) Limited	HK$375,000	100	100	–	–	Securities trading
Sparkle Well Limited	HK$2	100	100	–	–	Property holding
Wealthy Limited	HK$2	100	100	–	–	Property holding
Shenyin Wanguo (Holdings) Limited	HK$2	100	100	–	–	Investment holding
First Million Holdings Ltd *	US$1	100	100	–	–	Investment holding
Crux Assets Limited *	US$1	–	–	100	100	Investment holding
Shenyin Wanguo Nominees (H.K.) Limited	HK$1,000	–	–	100	100	Provision of share custodian and nominee services
Shenyin Wanguo Online Broker (H.K.) Limited	HK$10,000,000	60	60	–	–	Dormant

* Incorporated in the British Virgin Islands

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

16. INVESTMENTS

	Group 2011 HK$	2010 HK$
Available-for-sale investments, at fair value		
Listed equity investments in Hong Kong	**2,922,464**	3,482,937
Unlisted equity investment	**7,202,616**	6,867,720
Unlisted club debentures	**2,470,000**	2,470,000
	12,595,080	12,820,657
Investments at fair value through profit or loss		
Listed equity investments in Hong Kong, at fair value	**23,029,802**	12,756,000
Unlisted investment funds, at fair value	**113,460,748**	132,953,361
	136,490,550	145,709,361

The investments at fair value through profit or loss at 31 December 2011 of HK$136,490,550 (2010: HK$145,709,361) were classified as held for trading.

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$4,166,697 (2010: HK$198,192).

There had been a significant decline in the fair value of a listed equity investment classified as an available-for-sale investment during the year ended 31 December 2010. The directors considered that such a decline indicated that the listed equity investment was impaired and an impairment loss of HK$1,641,540, which represented a reclassification from other comprehensive income of HK$1,641,540, had been recognised in the consolidated income statement for that year.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

17. DEFERRED TAX

The movements in deferred tax assets and liability during the year are as follows:

Deferred tax assets

Group	Deductible temporary differences HK$
At 1 January 2010	2,442,770
Deferred tax charged to the consolidated income statement during the year (note 9)	(482,070)
At 31 December 2010 and 1 January 2011	**1,960,700**
Deferred tax charged to the consolidated income statement during the year (note 9)	**(523,014)**
At 31 December 2011	**1,437,686**

Deferred tax liability

Group	Fair value change in available-for-sale investments HK$	Accelerated tax depreciation HK$	Total HK$
At 1 January 2010	66,030	–	66,030
Deferred tax credited to other comprehensive income during the year	(66,030)	–	(66,030)
At 31 December 2010 and 1 January 2011	**–**	**–**	**–**
Deferred tax charged to the consolidated income statement during the year (note 9)	**–**	**368,653**	**368,653**
At 31 December 2011	**–**	**368,653**	**368,653**

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

17. DEFERRED TAX *(Cont'd)*

The Group has tax losses arising in Hong Kong of HK$194,676,000 (2010: HK$144,074,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is uncertain whether sufficient future taxable profits will be available from these group companies against which the tax losses can be utilised.

At 31 December 2011, there was no significant unrecognised deferred tax liability (2010: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted due to the availability of double tax relief.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

18. ACCOUNTS RECEIVABLE

	Group	
	2011	2010
	HK$	HK$
Accounts receivable	**249,879,724**	556,723,700
Less: Impairment	**(21,769,883)**	(21,769,883)
	228,109,841	534,953,817

Save for the credit period allowed by the Group, the accounts receivable shall be due on the settlement day of the respective securities and futures contracts transactions. In view of the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Although the Group does not hold any collateral or other credit enhancements over its accounts receivable balances, the Group is allowed to dispose of the securities deposited by the customers with the Group to settle any overdue amounts. Overdue accounts receivable from cash clients of HK$111,666,265 (2010: HK$111,601,702) bear interest at interest rates with reference to the prime rate (2010: with reference to the prime rate).

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

18. ACCOUNTS RECEIVABLE *(Cont'd)*

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

	Group	
	2011	2010
	HK$	HK$
Within 1 month	**157,896,391**	496,857,793
1 to 2 months	**52,778,765**	17,931,926
2 to 3 months	**1,034,757**	7,591,899
Over 3 months	**38,169,811**	34,342,082
	249,879,724	556,723,700

The movements in provision for impairment of accounts receivable are as follows:

	Group	
	2011	2010
	HK$	HK$
At 1 January	**21,769,883**	21,920,819
Amount written off as uncollectible	**–**	(150,936)
	21,769,883	21,769,883

Included in the provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of HK$21,769,883 (2010: HK$21,769,883) with a carrying amount before provision of HK$21,769,883 (2010: HK$21,769,883). The individually impaired accounts receivable relate to customers that were in default or delinquency in payments and the receivables are not expected to be recovered.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

18. ACCOUNTS RECEIVABLE *(Cont'd)*

The aged analysis of the accounts receivable that are not individually nor collectively considered to be impaired is as follows:

	Group 2011 HK$	2010 HK$
Neither past due nor impaired	**138,213,460**	445,121,998
Less than 1 month past due	**23,694,145**	52,684,697
1 to 3 months past due	**49,802,379**	24,719,033
Over 3 months past due	**16,399,857**	12,428,089
	228,109,841	534,953,817

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default or are covered by securities deposited with the Group.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the accounts receivable balance as at 31 December 2011 is a broker receivable amount due from the ultimate holding company of HK$2,399,663 (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.

19. LOANS AND ADVANCES

	Group 2011 HK$	2010 HK$
Loans and advances to customers:		
Secured	**571,233,758**	896,132,978
Unsecured	**2,212,158**	2,212,158
	573,445,916	898,345,136
Less: Impairment	**(13,173,022)**	(13,173,022)
	560,272,894	885,172,114

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

19. LOANS AND ADVANCES *(Cont'd)*

Customers are required to provide collateral to the Group for the loans and advances granted. As at 31 December 2011, the total market value of securities pledged by customers to the Group as collateral in respect of the above loans and advances to customers was HK$1,697,062,711 (2010: HK$3,512,218,018), of which a total market value of HK$238,324,000 of such collateral was pledged with banks to secure certain of the Group's overdrafts and bank loans (note 25) as at 31 December 2010. The Group is allowed to dispose of the collateral in settlement of the customers' obligation to maintain the agreed level of margin and any other liability of the customers due to the Group. The Group is allowed to deposit the collateral with an authorised institution as collateral for financial accommodation provided to the Group according to the applicable legislations and regulations.

In view of the fact that the Group's loans and advances relate to a large number of diversified customers, there is no significant concentration of credit risk. Loans and advances to margin clients of HK$560,118,400 (2010: HK$885,017,620) bear interest at interest rates with reference to the prime rate (2010: with reference to the prime rate).

The Group's loans and advances to customers are repayable on demand at the end of the reporting period.

There were no movements in the provision for impairment during the years ended 31 December 2011 and 2010.

Included in the provision for impairment of loans and advances is a provision for individually impaired loans and advances of HK$13,173,022 (2010: HK$13,173,022) with a carrying amount before provision of HK$13,327,516 (2010: HK$13,327,516). The individually impaired loans and advances relate to customers that were in default or delinquency in payments and only a portion of the loans and advances is expected to be recovered. The remaining balances of loans and advances that were not impaired relate to a large number of diversified customers for whom there was no recent history of default or are secured by securities collateral pledged by the customers to the Group.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$	HK$	**HK$**	HK$
Prepayments	**4,554,260**	3,135,785	**174,200**	176,250
Deposits and other receivables	**8,374,009**	12,032,007	**845,278**	1,426,499
	12,928,269	15,167,792	**1,019,478**	1,602,749

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

21. BANK BALANCES HELD ON BEHALF OF CUSTOMERS

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

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	HK$	HK$	**HK$**	HK$
Cash and bank balances	**121,757,823**	72,605,012	**3,484,562**	4,369,384
Time deposits	**270,934,000**	51,394,000	**–**	–
	392,691,823	123,999,012	**3,484,562**	4,369,384

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one week and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

23. ACCOUNTS PAYABLE

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

	Group	
	2011	2010
	HK$	HK$
Within 1 month	**2,107,840,448**	2,312,439,777

Included in the accounts payable balance as at 31 December 2011 was a broker payable amount due to the ultimate holding company of the Company of HK$544,126 (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 31 December 2011 was the amount of segregated client money held on behalf of an intermediate holding company of the Company of HK$288,930 (2010: HK$21,614,123) which arose from securities dealing transactions. This balance is unsecured, bears interest at the bank deposit savings rate and is payable on demand.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

23. ACCOUNTS PAYABLE *(Cont'd)*

Except for the accounts payable to clients of HK$1,830,837,636 (2010: HK$1,770,271,232), which bear interest at the bank deposit savings rate per annum, the remaining accounts payable are non-interest-bearing.

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	HK$	HK$	**HK$**	HK$
Other payables	**36,405,439**	28,425,916	**1,234,596**	1,032,865
Accruals	**39,319,350**	71,773,073	**2,682,605**	2,351,825
	75,724,789	100,198,989	**3,917,201**	3,384,690

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

25. INTEREST-BEARING BANK BORROWINGS

Group

	2011			2010		
	Effective interest rate	**Maturity**	**HK$**	Effective interest rate	Maturity	HK$
Current						
Bank overdrafts – secured	–	–	–	Hong Kong Interbank Offered Rate ("HIBOR")+1% to HIBOR+1.75%	On demand	37,491,770
Bank loans – secured	–	–	–	HIBOR+1.3%	2011	25,000,000
			–			62,491,770

	Group	
	2011	2010
	HK$	HK$
Analysed into:		
Bank loans and overdrafts repayable within one year or on demand	–	62,491,770

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

25. INTEREST-BEARING BANK BORROWINGS *(Cont'd)*

Notes:

(a) The Group's bank overdrafts were secured by the pledge of certain marketable securities pledged by customers to the Group as collateral amounting to HK$114,574,000 as at 31 December 2010 (note 19).

In addition, the Company had guaranteed the bank overdrafts up to HK$80,000,000 as at 31 December 2010.

(b) Certain of the Group's bank loans were secured by the pledge of certain marketable securities pledged by customers to the Group as collateral amounting to HK$123,750,000 as at 31 December 2010 (note 19).

In addition, the Company had guaranteed the bank loans up to HK$100,000,000 as at 31 December 2010.

(c) At 31 December 2011, the Group's unutilised banking facilities are secured by guarantees given by the Company and marketable securities pledged by customers to the Group as collateral amounting to HK$159,703,100, respectively.

(d) All borrowings are denominated in Hong Kong dollars.

(e) The carrying amounts of the Group's borrowings approximate to their fair values.

26. SHARE CAPITAL

	Company	
	Number of ordinary shares of HK$0.50 each	HK$
Authorised:	2,000,000,000	1,000,000,000
Issued and fully paid:		
At 31 December 2010 and 31 December 2011	530,759,126	265,379,563

27. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 38 of the financial statements.

The Group's general reserve represents prior year appropriations of profits which are distributable to the shareholders.

The Group's exchange fluctuation reserve represented the share of the exchange fluctuation reserve of the associates which was reclassified as an available-for-sale investment during the year ended 31 December 2008.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

27. RESERVES *(Cont'd)*

(b) Company

	Note	Share premium account HK$	General reserve HK$	Retained profits HK$	Total HK$
At 1 January 2010		314,739,683	656,293	68,834,336	384,230,312
Total comprehensive income for the year		–	–	56,073,705	56,073,705
Interim 2010 dividend	*11*	–	–	(5,307,591)	(5,307,591)
Proposed final 2010 dividend	*11*	–	–	(10,615,183)	(10,615,183)
Proposed special 2010 dividend	*11*	–	–	(37,153,138)	(37,153,138)
At 31 December 2010 and 1 January 2011		**314,739,683**	**656,293**	**71,832,129**	**387,228,105**
Total comprehensive income for the year		**–**	**–**	**871,514**	**871,514**
Interim 2011 dividend	*11*	**–**	**–**	**(5,307,591)**	**(5,307,591)**
Proposed final 2011 dividend	*11*	**–**	**–**	**(14,861,256)**	**(14,861,256)**
At 31 December 2011		**314,739,683**	**656,293**	**52,534,796**	**367,930,772**

The Company's general reserve represents prior year appropriations of profits which are distributable to the shareholders.

During the year ended 31 December 2010, there was a dividend from a subsidiary of HK$53,000,000 included in the profit of HK$56,073,705.

28. CONTINGENT LIABILITIES

As at 31 December 2011, the banking facilities granted to the subsidiaries subject to the guarantees given to the banks by the Company were HK$1,567,500,000 (2010: HK$554,500,000), of which none (2010: HK$62,491,770) was utilised.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

29. COMMITMENTS

(a) Capital commitments

	Group 2011 HK$	2010 HK$
Contracted, but not provided for the purchases of furniture, fixtures and equipment	**3,371,950**	530,582

(b) Operating lease commitments as a lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years (2010: one to five years).

At 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group 2011 HK$	2010 HK$
Within one year	**29,102,115**	19,422,635
In the second to fifth years, inclusive	**25,307,638**	14,847,130
	54,409,753	34,269,765

At 31 December 2011, the Company did not have any significant commitments (2010: Nil).

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

30. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(a) The Group paid brokerage commissions totalling HK$1,818,132 (2010: HK$3,472,468) to the ultimate holding company of the Company during the year. The brokerage commissions 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.

(b) The Group paid research fees totalling HK$12,330,000 (2010: HK$10,000,000) to a subsidiary of the ultimate holding company of the Company during the year. The research fees were charged in accordance with the agreement signed between the Group and that related company.

(c) During the year ended 31 December 2010, the Group received brokerage commission income of HK$28,192 from an intermediate holding company of the Company which was charged at a commission rate and conditions similar to those offered to other customers of the Group.

(d) Compensation of key management personnel of the Group:

	2011	2010
	HK$	HK$
Short term employee benefits	**26,949,059**	23,043,124
Post-employment benefits	**1,252,040**	1,239,600
	28,201,099	24,282,724

Further details of directors' emoluments are included in note 7 to the financial statements.

(e) Outstanding balances with related parties

Details of the Group's accounts receivable and accounts payable with the ultimate holding company and an intermediate holding company of the Company as at the end of the reporting period are included in notes 18 and 23 to the financial statements, respectively.

Except for item (d), the above transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2011 — **Group**

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$	Loans and receivables HK$	Available-for-sale financial assets HK$	Total HK$
Other assets	–	16,989,494	–	16,989,494
Available-for-sale investments	–	–	12,595,080	12,595,080
Investments at fair value through profit or loss	136,490,550	–	–	136,490,550
Accounts receivable	–	228,109,841	–	228,109,841
Loans and advances	–	560,272,894	–	560,272,894
Financial assets included in prepayments, deposits and other receivables	–	8,374,009	–	8,374,009
Bank balances held on behalf of customers	–	1,981,941,336	–	1,981,941,336
Cash and cash equivalents	–	392,691,823	–	392,691,823
	136,490,550	3,188,379,397	12,595,080	3,337,465,027

Financial liabilities

	Financial liabilities at amortised cost HK$
Accounts payable	2,107,840,448
Financial liabilities included in other payables and accruals	75,724,789
	2,183,565,237

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

31. FINANCIAL INSTRUMENTS BY CATEGORY *(Cont'd)*

2010 **Group**

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$	Loans and receivables HK$	Available-for-sale financial assets HK$	Total HK$
Other assets	–	12,692,220	–	12,692,220
Available-for-sale investments	–	–	12,820,657	12,820,657
Investments at fair value through profit or loss	145,709,361	–	–	145,709,361
Accounts receivable	–	534,953,817	–	534,953,817
Loans and advances	–	885,172,114	–	885,172,114
Financial assets included in prepayments, deposits and other receivables	–	12,032,007	–	12,032,007
Bank balances held on behalf of customers	–	1,906,405,768	–	1,906,405,768
Cash and cash equivalents	–	123,999,012	–	123,999,012
	145,709,361	3,475,254,938	12,820,657	3,633,784,956

Financial liabilities

	Financial liabilities at amortised cost HK$
Accounts payable	2,312,439,777
Financial liabilities included in other payables and accruals	100,198,989
Interest-bearing bank borrowings	62,491,770
	2,475,130,536

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

31. FINANCIAL INSTRUMENTS BY CATEGORY *(Cont'd)*

Financial assets

	Company	
	Loans and receivables	
	2011	2010
	HK$	HK$
Financial assets included in prepayments, deposits and other receivables	**845,278**	1,426,499
Cash and cash equivalents	**3,484,562**	4,369,384
	4,329,840	5,795,883

Financial liabilities

	Financial liabilities at amortised cost	
	2011	2010
	HK$	HK$
Financial liabilities included in other payables and accruals	**3,917,201**	3,384,690

32. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

32. FAIR VALUE HIERARCHY *(Cont'd)*

As at 31 December 2011 and 2010, the Group held the following financial instruments measured at fair value:

	Level 1 HK$	Level 2 HK$	Total HK$
2011			
Available-for-sale investments:			
Listed equity investments in Hong Kong	**2,922,464**	**–**	**2,922,464**
Unlisted equity investment	**–**	**7,202,616**	**7,202,616**
Unlisted club debentures	**–**	**2,470,000**	**2,470,000**
Investments at fair value through profit or loss	**23,029,802**	**113,460,748**	**136,490,550**
	25,952,266	**123,133,364**	**149,085,630**
2010			
Available-for-sale investments:			
Listed equity investments in Hong Kong	3,482,937	–	3,482,937
Unlisted equity investment	–	6,867,720	6,867,720
Unlisted club debentures	–	2,470,000	2,470,000
Investments at fair value through profit or loss	12,756,000	132,953,361	145,709,361
	16,238,937	142,291,081	158,530,018

The Company did not have any financial instruments measured at fair value as at 31 December 2011 (2010: Nil).

During the years ended 31 December 2011 and 2010, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's operating segments include securities trading and investment holding, securities broking and dealing, securities financing and direct loans and investment advisory services.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's borrowings from banks during the year are for the provision of financing and loans to customers. The majority of the bank borrowings bear interest at interest rates with reference to the HIBOR whereas loans to customers bear interest at interest rates with reference to the Hong Kong dollar prime rate. As the Hong Kong dollar prime rate basically changes in line with the HIBOR, the Group's exposure to the risk of changes in market interest rates is minimal.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings, interest-bearing accounts receivable and loans and advances) and the Group's equity.

		Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** HK$	**Increase/ (decrease) in equity*** HK$
2011			
Hong Kong dollar	**25**	**2,653,640**	**–**
Hong Kong dollar	**(25)**	**(2,653,640)**	**–**
2010			
Hong Kong dollar	25	2,217,425	–
Hong Kong dollar	(25)	(2,217,425)	–

* Excluding retained profits

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

Foreign currency risk

The Group's securities broking and dealing business is primarily conducted in the stock markets of Hong Kong and the B-share markets of Mainland China, which are denominated in Hong Kong dollars or United States dollars. As the Hong Kong dollar is also pegged to the United States dollar, the Group's exposure to foreign currency risk is minimal. The Group's revenue denominated in currencies other than Hong Kong dollars and United States dollars constituted approximately 1% (2010: 2%) of the total revenue only and the Group's exposure to foreign currency risk is insignificant.

Credit risk

The Group has put in place a well-established credit policy governing the granting of credit limit to customers. Customers are generally required to deposit their securities with the Group as collateral to their borrowings. The credit department is responsible for assisting the directors in formulating the credit policy of the Group, monitoring the credit risks of customers with reference to the realisable values of the collateral, managing the concentration of credit risk by customer and recommending measures to the directors for granting credit facilities which exceed the authority limit of the credit department. There are no significant concentrations of credit risk within the Group as it relates to a large number of diversified customers.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, bank balances held on behalf of customers, available-for-sale investments, investments at fair value through profit or loss, other assets, deposits and other receivables, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and loans and advances are disclosed in notes 18 and 19 to the financial statements, respectively.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

Liquidity risk

There is a constant need of funding for the settlement of securities transactions and for the provision of financing and loans to the customers. The source of funding is either from the Group's own capital or borrowings from financial institutions, if necessary.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., accounts receivable) and projected cash flows from operations.

The Group's borrowings from banks during the year are for the provision of financing and loans to customers for their purchases and continuous holding of securities. The maturity of bank borrowings of the Group usually ranges from overnight to one month, where the borrowings are either rolled over or repaid by the Group's own funding. In addition, for those clients who are unable to settle their settlement obligations or margin deficits, the Group may dispose of the securities collateral pledged by the customers to the Group. The Group always ensures that the securities collateral pledged by customers is able to be realised in the market within a reasonable period of time.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2011		**Group**		
	On demand	**Less than 1 year**	**1 to 5 years**	**Total**
	HK$	HK$	HK$	HK$
Accounts payable	**2,025,322,280**	**82,518,168**	**–**	**2,107,840,448**
Financial liabilities included in other payables and accruals	**–**	**75,724,789**	**–**	**75,724,789**
	2,025,322,280	**158,242,957**	**–**	**2,183,565,237**

2010		Group		
	On demand	Less than 1 year	1 to 5 years	Total
	HK$	HK$	HK$	HK$
Accounts payable	1,967,570,115	344,869,662	–	2,312,439,777
Financial liabilities included in other payables and accruals	–	100,198,989	–	100,198,989
Interest-bearing bank borrowings	37,491,770	25,003,104	–	62,494,874
	2,005,061,885	470,071,755	–	2,475,133,640

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as held-for-trading investments (note 16) and available-for-sale investments (note 16) as at 31 December 2011.

The following table demonstrates the sensitivity to every 1% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the consolidated income statement.

		Group	
	Increase/ (decrease) in fair value	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity***
	%	HK$	HK$
2011			
Investments listed in Hong Kong:			
– Available-for-sale	**1**	**–**	**29,225**
	(1)	**–**	**(29,225)**
– Held-for-trading	**1**	**230,298**	**–**
	(1)	**(230,298)**	**–**
Unlisted investments			
– Available-for-sale	**1**	**–**	**72,026**
	(1)	**–**	**(72,026)**
– Investment funds	**1**	**1,134,607**	**–**
	(1)	**(1,134,607)**	**–**
2010			
Investments listed in Hong Kong:			
– Available-for-sale	1	–	34,829
	(1)	–	(34,829)
– Held-for-trading	1	127,560	–
	(1)	(127,560)	–
Unlisted investments			
– Available-for-sale	1	–	68,678
	(1)	–	(68,768)
– Investment funds	1	1,329,534	–
	(1)	(1,329,534)	–

* Excluding retained profits

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2011

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

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Certain subsidiaries of the Group are regulated by the Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 2010.

The Group monitors capital using a gearing ratio, which is interest-bearing bank borrowings divided by total equity. The gearing ratio is reviewed and assessed regularly by the board of directors. The gearing ratios as at the ends of the reporting periods were as follows:

Group	2011 HK$	2010 HK$
Interest-bearing bank borrowings	–	62,491,770
Total equity	1,186,726,405	1,169,961,034
Gearing ratio	0%	5.3%

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 9 March 2012.

Shenyin Wanguo (H.K.) Limited
申 銀 萬 國（香 港）有 限 公 司

28/F Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong
香港中環花園道3號花旗銀行廣場花旗銀行大廈28樓

Tel 電話: (852) 2509 8333
Fax 傳真: (852) 3525 8368
Website 網址: www.sywg.com.hk