ANNUAL REPORT 2008

SWS

Shenyin Wanguo (H.K.) Limited

申 銀 萬 國（香 港）有 限 公 司

(Stock Code 股份代號: 218)

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Feng Guorong *(Chairman)*
Lu Wenqing
Lee Man Chun Tony *(Chief Executive Officer)*
Guo Chun
Ying Niankang

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

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 2008.

RESULTS

For the year ended 31 December 2008, the Group recorded a net profit attributable to shareholders of approximately HK$14.4 million, representing a decrease of 93.6% over 2007. The turnover decreased by 65.4% to approximately HK$222.9 million (2007: HK$644.6 million). The basic earnings per share decreased by 93.6% to HK2.71 cents as compared to HK42.45 cents for last year.

DIVIDEND

The board of directors (the "Board") of the Company has resolved to recommended the payment of a final dividend of HK1 cent per ordinary share in respect of 2008, to shareholders whose names appear on the register of members of the Company on 15 May 2009. The proposed final dividend will be paid on or about 22 May 2009 subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

REVIEW OF MARKET IN 2008

In 2008, the securities market in Hong Kong experienced severe volatility given the emergence of the global financial crisis stemming from the problems associated with the U.S. sub-prime phenomenon. Hang Seng Index started to slide from the historic high of 31958 points at the beginning of November 2007, it continued to drop since then, and dropped significantly to 10676 points on 27 October 2008, representing a decrease of 66.6% as compared with the historic high. At the same time, China Enterprises Index reached the historic high of 20609 points, and dropped with the market trend. It dropped to 4792 points on 27 October 2008, representing a decrease of 76.7% as compared with the historic high recorded in November 2007. The global financial storm led to a downturn of turnover in the secondary securities market in Hong Kong and a significant decrease in the number of new shares listed and funds raised in the primary market.

In 2008, the PRC economy still recorded relatively rapid growth with an increase of 9% of GDP as compared with the previous year. Since the fourth quarter of last year, with the exacerbation of the global financial storm, the economic growth of China has slowed down significantly. The growth rate of GDP decreased to 6.8% in the fourth quarter, and for the first time since 2001 there was negative growth for foreign exports in December. The PRC securities market also dropped significantly under the impact of the international economy and financial condition. Shanghai Composite Index dropped to 1664 points in November of last year, representing a decrease of more than 72.8% as compared with the peak of 6124 points during this round.

In 2008, as the Board of the Group was aware of the risks of probable fallout from the US sub-prime phenomenon, at an early stage, it reminded the management team to implement various plans at the beginning of the year. Therefore, the Group maintained prudent business practices in order to ensure the safety of the consumer's assets, as well as financial soundness, assets integrity and stable management amid the financial storm. In 2008, the Group continued to build on its business philosophy of having the PRC as the hinterland and Hong Kong as the foothold when stepping towards the world to expand various businesses in the stringent business environment.

CHAIRMAN'S STATEMENT *(Cont'd)*

REVIEW OF MARKET IN 2008 *(Cont'd)*

The Group continued to develop local retail brokerage business while progressively expanding the overseas institutional customer market. Meanwhile, the Group took the advantage of its abundant financial resources to enlarge its asset management scale and extended the asset management business to the surrounding overseas markets, the result of which is quite good. In the past year, the Group further strengthened the cooperation with its parent company in various business fields to develop customers of the PRC market, and the business progress was satisfactory. The Group also made progress under its continued dedication in recommending the PRC enterprises to become listed in Hong Kong and providing listed state-owned enterprises with various consultancy services. There was an impairment of an available-for-sale investment of the Group as a result of a significant decline in its fair value amid with the financial crisis, contributed to the decrease of this year's profit. It is believed that this unfavourable factor will be mitigated along with the favourable change in circumstances.

During the previous year, the Group continued to reinforce its corporate governance structure and has strictly enforced the regulations laid down in the Company's Articles of Association and the Group's authorization and credit policy to reinforce internal control and legal compliance, in order to ensure the efficient operation of the Group under the prerequisite of "legal, compliance and discipline", which safeguard asset security and the sustained business development of the Group.

FUTURE PLAN & PROSPECTS

In view of the international economy and financial conditions, we expect the international financial market turmoil will continue in 2009. There will be a further slow down of the global economic growth and various uncertainties in respect of the international economy and financial environment will remain. Hong Kong Monetary Authority recently announced to the media that, investors should remain cautious as it believed the second round of the financial crisis was coming. In view of the current economic condition of the PRC, the government announced at the end of last year to use RMB 4000 billion to boost internal demand, and hence the economic growth by adopting ten measures. It also announced that there would be industry-boosting plans for automobiles, ships, electronics and equipment and so on. The various measures carried out by the government will help to maintain the stability of the economic growth of the PRC and provide a drive for the China's stock markets. As the effect of the financial crisis spreads from developed countries in Europe and U.S. to the whole world, there will be a slow down of export growth, decrease in the profit of enterprises, harsh business environment for SMEs and increased unemployment. These adverse factors pose great challenges for the economic growth of the PRC in 2009. People generally consider that, the atmosphere of the securities market in Hong Kong in 2009 should be better than 2008, however, the market is still weak and needs adjustment.

In the coming year, the Group will pay close attention to the evolvement of the global financial crisis and the trend of macro-economics for China and adopt active and prudent business strategies when expanding the asset management business, developing direct investment business, enlarging our institutional customer base through different channels. We will also enlarge our brokerage teams, expand local retail businesses, strengthen the cooperation with our headquarters, develop the business of the China markets and advance our business in IPO, financing and financial consultancy services provided to the PRC enterprises. The Group will continue to employ the management philosophy of 'legal, compliance and discipline'. When we strive for developing various businesses, we shall strengthen our risk management, improve corporate governance and promote a corporate culture of progressive and active development. By capitalizing on our unique advantage, the Group will be able to sustain a healthy and steady growth in business. While expanding the businesses and improving the operating income, the Group will pay attention to strengthening risk control in order to ensure asset integrity for the best interests of the shareholders.

CHAIRMAN'S STATEMENT *(Cont'd)*

FUTURE PLAN & PROSPECTS *(Cont'd)*

Finally, I would like to take this opportunity to thank the Board and the Group's staff for their dedication, loyalty and contribution, as well as the Group's shareholders and customers for their trust and support over the past year.

Feng Guorong
Chairman

Hong Kong
13 March 2009

MANAGEMENT DISCUSSION & ANALYSIS OF PERFORMANCE

REVIEW OF OPERATIONS

Securities Broking

The Group focused its securities broking business on the stocks and futures market in Hong Kong as well as the B-share market in Chinese Mainland. In 2008, the indexes of both the securities markets of Chinese Mainland and Hong Kong were very volatile, turnover dampened. The Hang Seng Index continued to drop at the beginning of the year as the market suffered downturn extensively and fell to 10676 in October 2008, a decrease of 66.6% as compared with historical high in November of the previous year. The average daily turnover of the Hong Kong Stock Exchange also decreased from HK$87.8 billion to HK$72.4 billion, a decrease of 17.5%. Being affected by the unfavourable circumstances, both the commission derived from the securities brokerage and the market share decreased. The revenue derived from institutional clients dropped to a large extent, while the transactions from the local retail investors decreased as a result of equity depreciation brought by the financial crisis. Due to the above reasons, the futures and options brokerage commission also declined. The brokerage business for the year recorded an income of HK$189.0 million, decreased by 55.7% as compared to HK$426.7 million last year.

Despite of the unfavourable influences of the circumstances, the Group still achieves a steady progress in promoting sales from overseas institutional clients and enlarging the local retail teams, which lay down the foundation for future business development.

Securities Financing

The continuous falling trend of the securities market dampened the demand for margin financing from clients in both primary and secondary market. Moreover, our credit policy has been tightened in response to the turmoil arising from the financial crisis. As a result, turnover of and profit from financing activities decreased significantly as compared with those of 2007. Thanks to our prudent credit policy, no provision for bad debt was required during the year.

The Group recorded an interest income of HK$70.1 million in 2008, representing a decrease of 40.1%, as compared to HK$117.0 million of 2007.

The Group will continue to exercise caution in the granting of securities financing to clients, closely monitor its credit policy and perform regular reviews and assessment 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. During the year of 2008, Shenyin Wanguo Capital provided financial advisory services to a number of listed companies, which included, among others, Shanghai Tonva Petrochemical Co., Ltd., Xiamen International Port Co., Ltd., China Eastern Airlines Corporation Limited and Hong Kong Resources Holdings Limited (formerly Ocean Grand Chemicals Holdings Limited). In addition, Shenyin Wanguo Capital acted as the compliance advisor for Fosun International Limited and Xtep International Holdings Limited and participated in the IPO of China Railway Construction Corporation Limited.

MANAGEMENT DISCUSSION & ANALYSIS OF PERFORMANCE
(Cont'd)

Securities Research

Our securities trading and broking businesses are supported by a securities research team. With the support of our parent company, which is one of the leading securities companies in China, our securities research team is a specialist in the securities market in China and produces regular reports on the securities market in China covering the macroeconomics, market strategy as well as comments on individual China-related enterprises listed on the Hong Kong, Shanghai and Shenzhen stock exchanges. Our research team also produces detailed company analyses, which are circulated to our clients. In 2008, a total of 22 investment analysts from our parent company joined our exchange programs. They familiarised themselves with the local economy and stock market during their visits in Hong Kong. We believe that the exchange programs are beneficial to the collaboration between our parent company and us on the research and investment banking fronts.

Asset Management

Equity markets fell significantly during 2008. China A shares and Hong Kong have been the hardest hit among all major equity markets. Under such adverse market environment, the Group operated its asset management business with a prudent and positive attitude. The Group considered it appropriate and took the opportunity to form a new team to manage our funds. The strategy adopted by the new team was apt for the stock market conditions. After the change of team, our funds outperformed the market.

CAPITAL STRUCTURE

During the year, there was no change to the share capital of the Company. As at 31 December 2008, the total number of the issued ordinary shares was 530,759,126 shares and total equity attributable to shareholders was HK$947 million.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2008, the Group had a cash holding of HK$500 million and short-term marketable securities of HK$66 million. As at 31 December 2008, the Group's total unutilised banking facilities amounted to HK$522 million, of which HK$187 million could be drawn down without the need of notice nor completion of condition precedent.

As at 31 December 2008, the Group had no outstanding bank borrowings and the liquidity ratio (current assets to current liabilities) was 1.44.

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 continued to hold 26.19% interest in The New China Hong Kong Highway Limited ("NCHK"), which in turn held a 60% interest in Sichuan Chengmian Expressway Co., Ltd.

During the year, there was a change in the controlling shareholder of the immediate holding company of NCHK resulting in the appointment of new directors of NCHK. As a result of these changes, the new directors of NCHK operate without regard to the views of the Group. Accordingly, the Group had lost its significant influence over NCHK since then and has reclassified the Group's interests in associates at the then carrying value of HK$128 million as an available-for-sale investment since the date of loss of significant influence.

Early in the year, the Group held 1,325,736,121 non-voting convertible redeemable preference shares ("Preference Shares") in Century City International Holdings Limited ("Century City"). As a result of the consolidation of the ordinary shares in the share capital of Century City effective on 23 October 2008 (on the basis that every 10 then existing issued and unissued ordinary shares of HK$0.01 each were consolidated into one ordinary share of HK$0.1 ("Consolidated Ordinary Shares")), the total number of 1,325,736,121 ordinary shares which the Group are entitled to upon conversion of the 1,325,736,121 Preference Shares held by the Group were adjusted to 132,573,612 Consolidated Ordinary Shares. During the year, 662,868,060 Preference Shares were converted into 66,286,806 Consolidated Ordinary Shares and were recorded under the investments at fair value through profit or loss.

As at the balance sheet date, the Group held 662,868,061 Preference Shares which were recorded at a fair value of HK$23 million. The Preference Shares can be converted into 66,286,806 Consolidated Ordinary Shares at the maturity date of 15 December 2009, whereas Century City has the right to redeem any or all Preference Shares at HK$0.15 per Preference Share before the maturity date.

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

CHARGES ON THE GROUP'S ASSET

No asset of the Group was subject to any charge as at 31 December 2008.

RISK MANAGEMENT

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

The management closely monitors the market condition so that precautionary measures will be taken to eliminate any risk that the Group may encounter. As at 31 December 2008, all advances to customers were margin financing and amounted to HK$204 million (2007: HK$736 million), of which 10% (2007: 10%) was attributable to corporate customers with the rest attributable to individual customers. There were no direct loans as at 31 December 2008 (2007: Nil).

MANAGEMENT DISCUSSION & ANALYSIS OF PERFORMANCE

(Cont'd)

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 2008.

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 2008.

EMPLOYEES AND TRAINING

As at 31 December 2008, the total number of full-time employees was 167 (2007: 173). The total staff costs for the year (excluding directors' fees) amounted to approximately HK$47.6 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 organized a Continuous Professional Training seminar in September 2008 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 2008.

Code A.4.1 specifies that non-executive directors should be appointed for a specific term, subject to re-election. Even though non-executive directors 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 2008. The following is the attendance record of the meetings:

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

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

Notice of at least 14 days are given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice will be 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 have 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 are sent to all directors for their comment and records respectively, in both cases normally within one month after the board meeting is held.

The Company has 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. Feng Guorong presently acts as the Chairman and Mr. Lee Man Chun Tony acts as the Chief Executive Officer.

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 shall ensure that all directors are 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 is 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
Feng Guorong *(Chairman)*
Lu Wenqing
Lee Man Chun Tony *(Chief Executive Officer)*
Guo Chun
Ying Niankang

Non-executive Directors
Chang Pen Tsao
Huang Gang

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

All directors are expressly identified by categories of executive directors, non-executive directors and independent non-executive directors in all corporate communications that disclose 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 shall be 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 has 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 has made specific enquiry of all directors. According to their replies, all the directors have complied with the requirements set out in the Model Code during the financial year ended 31 December 2008. The Company has 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 are 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 shall 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 2008. 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)*	1	50%
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 2008 and the reward of the Chief Executive Officer for 2008. 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 is 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 shall provide 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 31 to 32.

The Board shall present 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 has reported twice during 2008 on significant findings on internal controls to the Audit Committee, which in turn has reported to the Board accordingly. The Board found that as at the publication of this report and financial statements, the internal controls are sound and effective which safeguard the shareholders' and customers' interests and the assets of the Group.

The Board shall also review 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 2008. 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	1	50%
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 propose the remuneration and terms of engagement of external auditors.

The work and findings of the Audit Committee have been 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 agrees with the Audit Committee's proposal for the re-appointment of Messrs. Ernst & Young as the Company's external auditors for 2009. 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 will be sent to all members of the Audit Committee for their comment and records respectively, in both cases normally within one month after the meeting.

There is not any member of the Company's Audit Committee who was a former partner of the Company's existing external auditors.

During the financial year ended 31 December 2008, the remuneration paid to the external auditors, Messrs. Ernst & Young, was as below:

Nature of services	**HK$'000**
Audit services with recoverable expenses	1,570
Tax advisory services	210
Other advisory services	61

The Audit Committee is 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 has 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 and 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 2008, 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 2008 annual general meeting to answer questions of shareholders.

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.

The procedures for and rights of shareholders to demand a poll by the shareholders were disclosed in a circular of the Company dated 23 April 2008, inter alia, a notice convening the 2008 annual general meeting.

At the commencement of the 2008 annual general meeting, to ensure that shareholders are familiar with the poll procedures, an explanation of the detailed procedures of conducting a poll was provided.

Following the amendments to the Code on 1 January 2009, all resolutions set out in the notice of general meetings will be conducted by poll.

The poll results of general meetings shall be 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 the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company consists of investment holding. Details of the principal activities of the principal subsidiaries and the associates are set out in notes 16 and 17, respectively, 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 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 94.

An interim dividend of HK1.5 cents per ordinary share was paid on 17 October 2008. The directors recommend the payment of a final dividend of HK1 cent per ordinary share in respect of the year to shareholders on the register of members on 15 May 2009. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

REPORT OF THE DIRECTORS *(Cont'd)*

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and minority 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				
	2008	2007	2006	2005	2004
	HK$	HK$	HK$	HK$	HK$
RESULTS					
REVENUE	**222,881,804**	644,603,740	229,778,162	101,438,022	121,285,235
Commission expenses	**(65,432,036)**	(167,971,003)	(48,484,678)	(20,005,871)	(26,595,136)
Employee benefits expenses	**(48,193,878)**	(127,351,720)	(92,010,431)	(42,651,283)	(44,000,984)
Depreciation and amortisation expenses	**(5,884,932)**	(5,195,375)	(4,370,568)	(2,028,359)	(8,181,734)
Interest expenses for financial services operations	**(915,792)**	(9,786,301)	(282,541)	(954,361)	(1,680,833)
Fair value gains/(losses) on available-for-sale investments	**(28,916,337)**	29,747,489	48,314,483	–	–
Fair value gain/(loss) on an unlisted financial instrument at fair value through profit or loss	**46,304,649**	(29,800,555)	33,291,492	10,806,166	–
Impairment of an available-for-sale investment	**(30,192,357)**	–	–	–	–
Write-back of impairment/(write-off and impairment) of accounts receivable and loans and advances	**–**	–	1,700,000	3,200,000	(8,689,753)
Other gains	**–**	2,177,292	892,075	144,607	417,353
Other expenses, net	**(80,627,995)**	(101,075,332)	(48,080,245)	(30,667,760)	(34,098,210)
Finance costs	**–**	–	–	–	(37,724)
Share of profits of associates	**13,003,124**	22,473,494	15,373,215	8,636,045	11,022,829
PROFIT BEFORE TAX	**22,026,250**	257,821,729	136,120,964	27,917,206	9,441,043
Tax	**(7,945,187)**	(32,802,473)	(6,232,000)	(1,054,000)	(385,433)
PROFIT FOR THE YEAR	**14,081,063**	225,019,256	129,888,964	26,863,206	9,055,610
Attributable to:					
Equity holders of the Company	**14,396,208**	225,324,940	129,888,964	26,863,206	9,055,610
Minority interests	**(315,145)**	(305,684)	–	–	–
	14,081,063	225,019,256	129,888,964	26,863,206	9,055,610

REPORT OF THE DIRECTORS *(Cont'd)*

FIVE YEAR FINANCIAL SUMMARY *(Cont'd)*

	As at 31 December				
	2008	2007	2006	2005	2004
	HK$	HK$	HK$	HK$	HK$
ASSETS, LIABILITIES AND MINORITY INTERESTS					
TOTAL ASSETS	**2,555,720,256**	4,101,069,587	2,582,896,294	1,308,191,548	1,636,546,131
TOTAL LIABILITIES	**(1,605,775,222)**	(3,074,705,519)	(1,785,431,223)	(618,373,139)	(984,917,342)
MINORITY INTERESTS	**(3,379,171)**	(1,694,316)	–	–	–
	946,565,863	1,024,669,752	797,465,071	689,818,409	651,628,789

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 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 31(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2008, 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$49,127,495 of which HK$5,307,591 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$542,000.

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
Feng Guorong *(Chairman)*
Lu Wenqing
Lee Man Chun Tony *(Chief Executive Officer)*
Guo Chun
Ying Niankang

Non-executive directors
Chang Pen Tsao
Huang Gang

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

In accordance with Article 104(A) of the Company's Articles of Association, Messrs. Huang Gang, Kwok Lam Kwong Larry, Lee Man Chun Tony and Guo Chun 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

Feng Guorong, aged 58, was appointed as an Executive Director and Chairman of the Company in February 2004. He is also the Vice Chairman and President of Shenyin & Wanguo Securities Co., Ltd. He holds a PhD in Economics and obtained high-ranking securities management recognition from the China Securities Regulatory Commission. Prior to joining the Group, he worked as an officer at the President's Affairs Office of the Industrial and Commercial Bank of China, Shanghai Branch as well as the People's Bank of China, Shanghai Branch. He had also participated in the founding of China Everbright Bank, Shanghai Branch and worked as the Governor. He also worked as the Managing Director and Deputy Governor at China Everbright Bank, Head Office. He also participated in the drafting of early securities rules and regulations in the new China and had more than 27 years' experience in financial management. He also has in-depth study in risk management of financial enterprises.

Lu Wenqing, aged 50, has been appointed as a Non-executive Director of the Company since 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.

Lee Man Chun Tony, aged 55, was appointed as an Executive Director and Chief Executive Officer of the Company in June 2000 and July 2000 respectively. 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.

Guo Chun, aged 44, was appointed as an Executive Director of the Company in May 2000. He was further appointed as the Managing Director of the International Business Division of Shenyin & Wanguo Securities Co., Ltd. in May 2008. 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 21 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.

Ying Niankang, aged 57, was appointed as an Executive Director of the Company in August 1997. He was a Deputy General Manager of the International Business Division of Shenyin & Wanguo Securities Co., Ltd. and has more than 10 years' experience in corporate finance. He was the Chief of Division of Technology & Economics, Department of Project Management, College of Civil Engineering, in Shanghai, between 1983 and 1991. He holds a Master's Degree and a Bachelor's Degree from the Department of Industrial Economics at Shanghai University of Finance and Economics.

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 69, is a Non-executive Director of the Company. He is the Founder and Chairman of Taiwan International Securities Group, Global Securities Finance Corp., The Business Development Foundation of The Chinese Straits, Unitech Printed Circuit Board Corp. and Ideal Bike Corp. Both Unitech Printed Circuit Board Corp. and Ideal Bike 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 20 years' experience in legal practice as a lawyer, prosecutor and district judge, as well as in business management, and has more than 10 years' experience in securities investment. He received his LL.B. Degree from Chung Hsin University, Taiwan in 1967.

Huang Gang, aged 42, 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 16 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 56, 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 NCN CPA Limited, a certified public accountants firm in Hong Kong. He also serves as an Independent Non-executive Director of Dynamic Energy Holdings Limited and Far East Hotels and Entertainment Limited, which are listed on the Hong Kong Stock Exchange.

Kwok Lam Kwong Larry, B.B.S., J.P., aged 53, 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.

Zhuo Fumin, aged 57, 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 33 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 an Independent Director of China Enterprise Company Limited, a company listed on the Shanghai Stock Exchange and Focus Media Holding Ltd, a company listed on the NASDAQ Stock Market. He had been a Chairman of SIIC Medical Science and Technology (Group) Limited, the Vice Chairman and an Executive Director of Shanghai Industrial Holdings Limited, a Non-executive Director of Imagi International Holdings Limited as well as the Chairman and Chief Executive Officer of Vertex China Investment Limited until he resigned on 25 January 2002, 30 June 2002, 8 April 2004 and 30 June 2005 respectively.

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

Bai Youge, aged 46, was appointed as Deputy General Manager of the Group in 2004. He is 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 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 46, 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.

Wong Che Keung Leslie, aged 44, is the Finance Director and Company Secretary of the Group. Besides accounting and company secretarial duties, Mr. Wong is also responsible for overseeing the operations, 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 before succeeding to the current position of the Finance Director of the Group in 2001. Mr. Wong was appointed as the Company Secretary of the Group in December 2004. Prior to joining the Group in 1996, he 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 appointed on 4 June 2007 as an Independent Non-executive Director of Rainbow Brothers Holdings Limited, which is listed on the Hong Kong Stock Exchange.

Ting Kay Loong, Willis, aged 47, is the Head of Corporate Finance of the Group. He has over 20 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 46, joined the Group in 1994. He is a Director of Shenyin Wanguo Research (H.K.) Limited and has been based in Hong Kong for 20 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 2008, the interest of a director in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), was as follows:

Long position in ordinary shares of the Company

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

Save as disclosed above, as at 31 December 2008, none of the directors of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

REPORT OF THE DIRECTORS *(Cont'd)*

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

At 31 December 2008, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Shenyin Wanguo Holdings (B.V.I.) Limited ("SWHBVI")	Directly beneficially owned	268,334,875*	50.56
Venture-Some Investments Limited ("VSI")	Through controlled corporation	268,334,875*	50.56
Shenyin Wanguo (H.K.) Holdings Limited ("SWHKH")	Through controlled corporation Directly beneficially owned	268,334,875* 2,045,000*	50.56 0.38
Shenyin & Wanguo Securities Co., Ltd. ("SWSC")	Through controlled corporation	270,379,875*	50.94

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

Save as disclosed above, as at 31 December 2008, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 35 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 35 to the financial statements 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)*

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 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

Feng Guorong
Chairman

Hong Kong
13 March 2009

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

Ernst & Young
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

安永會計師事務所
香港中環金融街8號
國際金融中心2期18樓

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

We have audited the financial statements of Shenyin Wanguo (H.K.) Limited set out on pages 33 to 94, which comprise the consolidated and Company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 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

Hong Kong
13 March 2009

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$	2007 HK$
REVENUE	5	**222,881,804**	644,603,740
Commission expenses		**(65,432,036)**	(167,971,003)
Employee benefits expenses	6	**(48,193,878)**	(127,351,720)
Depreciation expenses		**(5,884,932)**	(5,195,375)
Interest expenses for financial services operations		**(915,792)**	(9,786,301)
Fair value gains/(losses) on available-for-sale investments		**(28,916,337)**	29,747,489
Fair value gain/(loss) on an unlisted financial instrument at fair value through profit or loss		**46,304,649**	(29,800,555)
Impairment of an available-for-sale investment	19	**(30,192,357)**	–
Other gains	5	**–**	2,177,292
Other expenses, net		**(80,627,995)**	(101,075,332)
Share of profits of associates	17	**13,003,124**	22,473,494
PROFIT BEFORE TAX	6	**22,026,250**	257,821,729
Tax	9	**(7,945,187)**	(32,802,473)
PROFIT FOR THE YEAR		**14,081,063**	225,019,256
Attributable to:			
Equity holders of the Company	10	**14,396,208**	225,324,940
Minority interests		**(315,145)**	(305,684)
		14,081,063	225,019,256
DIVIDENDS	11	**13,268,979**	63,691,096
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		**HK2.71 cents**	HK42.45 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 HK$	2007 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	13	**9,476,238**	7,779,939
Prepaid land lease payments	14	**1,399,125**	1,440,075
Stock and Futures Exchange trading rights	15	**4,211,831**	4,211,831
Other assets		**9,497,048**	12,719,191
Interests in associates	17	**–**	123,293,074
Goodwill	18	**57,632,404**	57,632,404
Financial instruments	19	**156,929,503**	121,066,896
Deferred tax assets	20	**3,036,770**	–
Total non-current assets		**242,182,919**	328,143,410
CURRENT ASSETS			
Investments at fair value through profit or loss	19	**65,813,019**	111,265,031
Accounts receivable	21	**183,657,637**	892,826,316
Loans and advances	22	**191,158,701**	722,898,351
Prepayments, deposits and other receivables	23	**7,909,838**	5,895,512
Tax recoverable		**8,739,296**	6,524,151
Bank balances held on behalf of customers	24	**1,355,956,147**	1,959,132,439
Cash and cash equivalents	25	**500,302,699**	74,384,377
Total current assets		**2,313,537,337**	3,772,926,177
CURRENT LIABILITIES			
Accounts payable	26	**1,503,625,709**	2,725,099,844
Other payables and accruals	27	**64,037,261**	141,301,902
Interest-bearing bank borrowings	28	**–**	155,044,513
Tax payable		**35,906,252**	28,362,260
Total current liabilities		**1,603,569,222**	3,049,808,519
NET CURRENT ASSETS		**709,968,115**	723,117,658
TOTAL ASSETS LESS CURRENT LIABILITIES		**952,151,034**	1,051,261,068
NON-CURRENT LIABILITIES			
Deferred tax liabilities	20	**–**	9,200,000
Other payables	29	**2,206,000**	15,697,000
Total non-current liabilities		**2,206,000**	24,897,000
Net assets		**949,945,034**	1,026,364,068

CONSOLIDATED BALANCE SHEET *(Cont'd)*

31 December 2008

	Notes	2008 HK$	2007 HK$
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*30*	**265,379,563**	265,379,563
Reserves	*31(a)*	**675,878,709**	711,521,867
Proposed dividends	*11*	**5,307,591**	47,768,322
		946,565,863	1,024,669,752
Minority interests		**3,379,171**	1,694,316
Total equity		**949,945,034**	1,026,364,068

Feng Guorong
Director

Lee Man Chun Tony
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

		Attributable to equity holders 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 31(a))	Exchange fluctuation reserve HK$	Retained profits HK$	Proposed dividends HK$	Total HK$	Minority interests HK$	Total equity HK$
At 1 January 2007		265,379,563	314,739,683	15,043	11,450,892	138,611	6,668,381	177,842,532	21,230,366	797,465,071	–	797,465,071
Changes in fair value of available-for-sale investments		–	–	–	70,903,031	–	–	–	–	70,903,031	–	70,903,031
Share of exchange fluctuation reserve of associates		–	–	–	–	–	7,077,339	–	–	7,077,339	–	7,077,339
Tax on items taken directly to equity		–	–	–	(9,200,000)	–	–	–	–	(9,200,000)	–	(9,200,000)
Total income and expense recognised directly in equity		–	–	–	61,703,031	–	7,077,339	–	–	68,780,370	–	68,780,370
Profit/(loss) for the year		–	–	–	–	–	–	225,324,940	–	225,324,940	(305,684)	225,019,256
Total income and expense for the year		–	–	–	61,703,031	–	7,077,339	225,324,940	–	294,105,310	(305,684)	293,799,626
Contribution by a minority shareholder		–	–	–	–	–	–	–	–	–	2,000,000	2,000,000
Release on derecognition		–	–	–	(29,747,489)	–	–	–	–	(29,747,489)	–	(29,747,489)
Final 2006 dividend declared		–	–	–	–	–	–	–	(21,230,366)	(21,230,366)	–	(21,230,366)
Interim 2007 dividend	11	–	–	–	–	–	–	(15,922,774)	–	(15,922,774)	–	(15,922,774)
Proposed final and special 2007 dividends	11	–	–	–	–	–	–	(47,768,322)	47,768,322	–	–	–
At 31 December 2007		265,379,563	314,739,683 *	15,043*	43,406,434 *	138,611*	13,745,720*	339,476,376 *	47,768,322	1,024,669,752	1,694,316	1,026,364,068

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

Year ended 31 December 2008

		Attributable to equity holders 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 31(a))	Exchange fluctuation reserve HK$ (Note 31(a))	Retained profits HK$	Proposed dividends HK$	Total HK$	Minority interests HK$	Total equity HK$
At 1 January 2008		265,379,563	314,739,683	15,043	43,406,434	138,611	13,745,720	339,476,376	47,768,322	1,024,669,752	1,694,316	1,026,364,068
Changes in fair value of available-for-sale investments		–	–	–	(112,981,131)	–	–	–	–	(112,981,131)	–	(112,981,131)
Share of exchange fluctuation reserve of associates		–	–	–	–	–	7,902,050	–	–	7,902,050	–	7,902,050
Release of tax on items taken directly to equity		–	–	–	9,200,000	–	–	–	–	9,200,000	–	9,200,000
Total income and expense recognised directly in equity		–	–	–	(103,781,131)	–	7,902,050	–	–	(95,879,081)	–	(95,879,081)
Impairment of an available-for-sale investment	19	–	–	–	30,192,357	–	–	–	–	30,192,357	–	30,192,357
Profit/(loss) for the year		–	–	–	–	–	–	14,396,208	–	14,396,208	(315,145)	14,081,063
Total income and expense for the year		–	–	–	(73,588,774)	–	7,902,050	14,396,208	–	(51,290,516)	(315,145)	(51,605,661)
Contribution by a minority shareholder		–	–	–	–	–	–	–	–	–	2,000,000	2,000,000
Release on derecognition		–	–	–	28,916,337	–	–	–	–	28,916,337	–	28,916,337
Final and special 2007 dividends declared		–	–	–	–	–	–	–	(47,768,322)	(47,768,322)	–	(47,768,322)
Interim 2008 dividend	11	–	–	–	–	–	–	(7,961,388)	–	(7,961,388)	–	(7,961,388)
Proposed final 2008 dividend	11	–	–	–	–	–	–	(5,307,591)	5,307,591	–	–	–
At 31 December 2008		**265,379,563**	**314,739,683***	**15,043***	**(1,266,003)***	**138,611***	**21,647,770***	**340,603,605***	**5,307,591**	**946,565,863**	**3,379,171**	**949,945,034**

* These reserve accounts comprise the consolidated reserves of HK$675,878,709 (2007: HK$711,521,867) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$	2007 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**22,026,250**	257,821,729
Adjustments for:			
Bank interest income	5	**(22,777,746)**	(22,389,376)
Dividend income	5	**(870,436)**	(152,063)
Share of profits of associates		**(13,003,124)**	(22,473,494)
Fair value losses/(gains) on available-for-sale investments (transfer from equity upon disposal)		**28,916,337**	(29,747,489)
Depreciation	13	**5,884,932**	5,195,375
Recognition of prepaid land lease payments	14	**40,950**	40,950
Fair value loss/(gain) on an unlisted financial instrument at fair value through profit or loss		**(46,304,649)**	29,800,555
Impairment of an available-for-sale investment	19	**30,192,357**	–
Loss on disposal of items of property, plant and equipment	6	**454,789**	6,838
		4,559,660	218,103,025
Decrease/(increase) in other assets		**3,222,143**	(3,553,043)
Decrease in investments at fair value through profit or loss	32	**70,972,433**	32,572,022
Decrease/(increase) in accounts receivable		**709,168,679**	(16,035,863)
Decrease/(increase) in loans and advances		**531,739,650**	(384,167,269)
Decrease/(increase) in prepayments, deposits and other receivables		**(2,014,326)**	3,445,984
Decrease/(increase) in bank balances held on behalf of customers		**603,176,292**	(1,081,238,114)
Increase/(decrease) in accounts payable		**(1,221,474,135)**	1,018,425,660
Increase/(decrease) in other payables and accruals		**(90,755,641)**	83,610,196
Cash generated from/(used in) operations		**608,594,755**	(128,837,402)
Bank interest received		**22,777,746**	22,389,376
Dividends received from listed equity investments		**870,436**	152,063
Hong Kong profits tax paid		**(5,653,110)**	(16,332,697)
Net cash inflow/(outflow) from operating activities – page 39		**626,589,827**	(122,628,660)

CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

Year ended 31 December 2008

	Notes	2008 HK$	2007 HK$
Net cash inflow/(outflow) from operating activities – page 38		**626,589,827**	(122,628,660)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from an associate		**16,138,738**	7,762,935
Purchases of available-for-sale investments		**–**	(2,691,945)
Purchases of items of property, plant and equipment	13	**(8,036,290)**	(2,590,417)
Proceeds from disposal of items of property, plant and equipment		**270**	800
Net cash inflow from investing activities		**8,102,718**	2,481,373
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**–**	132,000,000
Repayment of bank loans		**(132,000,000)**	–
Contribution by a minority shareholder		**2,000,000**	2,000,000
Dividends paid		**(55,729,710)**	(37,153,140)
Net cash inflow/(outflow) from financing activities		**(185,729,710)**	96,846,860
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**448,962,835**	(23,300,427)
Cash and cash equivalents at beginning of year		**51,339,864**	74,640,291
CASH AND CASH EQUIVALENTS AT END OF YEAR		**500,302,699**	51,339,864
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**306,960,699**	20,723,902
Time deposits with original maturity of less than three months when acquired	25	**193,342,000**	53,660,475
Bank overdrafts	28	**–**	(23,044,513)
		500,302,699	51,339,864

BALANCE SHEET

31 December 2008

	Notes	2008 HK$	2007 HK$
NON-CURRENT ASSETS			
Interests in subsidiaries	16	**626,177,008**	725,815,125
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	**774,164**	1,098,476
Tax recoverable		**563,541**	–
Cash and cash equivalents	25	**4,441,232**	4,413,356
Total current assets		**5,778,937**	5,511,832
CURRENT LIABILITIES			
Other payables and accruals	27	**2,709,204**	3,253,103
Tax payable		**–**	182,356
Total current liabilities		**2,709,204**	3,435,459
NET CURRENT ASSETS		**3,069,733**	2,076,373
Net assets		**629,246,741**	727,891,498
EQUITY			
Issued capital	30	**265,379,563**	265,379,563
Reserves	31(b)	**358,559,587**	414,743,613
Proposed dividends	11	**5,307,591**	47,768,322
Total equity		**629,246,741**	727,891,498

Feng Guorong
Director

Lee Man Chun Tony
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2008

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

In addition, the associates of the Group, which were reclassified as an available-for-sale investment during the year, were involved in highway operations.

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 ("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 financial instruments and certain equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars 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 2008. 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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiary.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements. The adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing it in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

The amendments have had no impact on the financial position or results of operations of the Group.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

(b) HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions*

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(c) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services.

An associate of the Group, which was reclassified as available-for-sale investment during the year, is a toll road operator. Prior to the adoption of HK(IFRIC)-Int 12, the toll roads were recognised as property, plant and equipment. Upon the adoption of HK(IFRIC)-Int 12, the toll roads under the service concession arrangements are reclassified as intangible assets. The adoption of HK(IFRIC)-Int 12 has had no impact on the profit for the year and total equity on the financial statements of the associates and accordingly having no impact on the consolidated financial statements of the Group.

(d) HK(IFRIC)-Int 14 *HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [2]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [2]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates were stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates was included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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

Goodwill *(Cont'd)*

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and goodwill), 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, unless the asset is carried at a revalued asset, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date 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, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group or any of its holding companies;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

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 it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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:

Buildings	4%
Leasehold improvements	Over the lease terms
Furniture, fixtures and equipment	15% – $33^1/_3$%
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.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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

Property, plant and equipment and depreciation *(Cont'd)*

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment 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 sales 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.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are 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 balance sheet date.

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 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 an intangible asset with an indefinite life is reviewed annually to determine whether 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.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the 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.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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

Investments and other financial assets

Financial assets in 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 assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. 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 under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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.

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. Gains or losses on investments held for trading or these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities and club debentures that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Revenue" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment of an available-for-sale investment" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities 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 securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using 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 2008

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

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost 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 been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. 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 impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

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 transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or ''prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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 where:

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

Where the Group has transferred its rights to receive cash flows from an asset and 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. 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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing bank borrowings)

Financial liabilities including trade and other payables and interest-bearing bank borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "interest expenses for financial services operations" or "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

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.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, 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 balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, 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 balance sheet date 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 is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period 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.

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

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

- where the deferred tax liability arises from goodwill or 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 and associates, where 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.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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

Income tax *(Cont'd)*

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

- where 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 and associates, 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 each balance sheet date 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. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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 at the balance sheet date.

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.

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 on the balance sheet date;

(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;

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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

Revenue recognition *(Cont'd)*

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

(e) income from 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 benefits 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.

Dividends

Final and special dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, 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.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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

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 are initially recorded using the 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 balance sheet date. All differences 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 functional currencies of certain overseas subsidiaries and associates are currencies other than Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, 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.

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 reporting date. 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 balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2008 was HK$57,632,404 (2007: HK$57,632,404). More details are given in note 18.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

3. SIGNIFICANT ACCOUNTING ESTIMATES *(Cont'd)*

Estimation uncertainty *(Cont'd)*

(b) 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 19.

(c) Impairment of an available-for-sale investment

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. At 31 December 2008, an impairment loss of HK$30,192,357 (2007: Nil) has been recognised for an available-for-sale investment. The aggregate carrying amount of the available-for-sale investments was HK$157,754,773 (2007: HK$168,196,815).

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. The summarised details of the business segments are as follows:

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

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the markets, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the terms and conditions used for similar transactions with third parties at the then prevailing market prices.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

4. SEGMENT INFORMATION *(Cont'd)*

(a) Business segments

The following tables represent revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

Group	Securities trading and investment holding		Securities broking and dealing		Securities financing and direct loans		Investment advisory services		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$
Segment revenue:												
External customers	**(54,272,594)**	32,242,190	**189,141,057**	426,957,154	**70,093,187**	117,013,839	**17,920,154**	68,390,557	**–**	–	**222,881,804**	644,603,740
Intersegment	**–**	–	**–**	–	**141,804**	215,890	**3,300,000**	6,120,000	**(3,441,804)**	(6,335,890)	**–**	–
Total	**(54,272,594)**	32,242,190	**189,141,057**	426,957,154	**70,234,991**	117,229,729	**21,220,154**	74,510,557	**(3,441,804)**	(6,335,890)	**222,881,804**	644,603,740
Segment results	**(68,478,363)**	26,153,647	**20,502,592**	90,537,492	**56,369,657**	87,938,918	**6,968,961**	54,446,419	**–**	–	**15,362,847**	259,076,476
Unallocated expenses											**(6,339,721)**	(23,728,241)
Share of profits of associates	**13,003,124**	22,473,494	**–**	–	**–**	–	**–**	–	**–**	–	**13,003,124**	22,473,494
Profit before tax											**22,026,250**	257,821,729
Tax											**(7,945,187)**	(32,802,473)
Profit for the year											**14,081,063**	225,019,256

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

4. SEGMENT INFORMATION *(Cont'd)*

(a) Business segments *(Cont'd)*

Group	Securities trading and investment holding		Securities broking and dealing		Securities financing and direct loans		Investment advisory services		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$
Assets and liabilities												
Segment assets	**233,939,591**	277,981,691	**2,022,527,154**	2,732,260,737	**194,835,447**	835,786,891	**25,755,790**	32,682,602	**–**	–	**2,477,057,982**	3,878,711,921
Goodwill	**57,632,404**	57,632,404	**–**	–	**–**	–	**–**	–	**–**	–	**57,632,404**	57,632,404
Interests in associates	**–**	123,293,074	**–**	–	**–**	–	**–**	–	**–**	–	**–**	123,293,074
Bank overdrafts included in segment assets	**–**	–	**–**	23,044,513	**–**	–	**–**	–	**–**	–	**–**	23,044,513
Unallocated assets											**21,029,870**	18,387,675
Total assets											**2,555,720,256**	4,101,069,587
Segment liabilities	**17,601,377**	35,576,832	**1,533,847,111**	2,268,037,680	**14,458,592**	707,328,386	**3,961,890**	12,355,848	**–**	–	**1,569,868,970**	3,023,298,746
Bank overdrafts included in segment assets	**–**	–	**–**	23,044,513	**–**	–	**–**	–	**–**	–	**–**	23,044,513
Unallocated liabilities											**35,906,252**	28,362,260
Total liabilities											**1,605,775,222**	3,074,705,519
Other segment information:												
Capital expenditure	**–**	–	**3,363,767**	600,696	**–**	–	**221,981**	–	**–**	–	**3,585,748**	600,696
Unallocated amounts											**4,450,542**	1,989,721
											8,036,290	2,590,417
Depreciation of												
segment assets	**–**	–	**3,486,129**	1,299,516	**–**	–	**228,967**	–	**–**	–	**3,715,096**	1,299,516
unallocated amounts											**2,169,836**	3,895,859
											5,884,932	5,195,375

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

4. SEGMENT INFORMATION *(Cont'd)*

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007.

Group

	2008 **HK$**	2007 HK$
Segment revenue:		
The PRC:		
Hong Kong	**210,765,859**	624,963,807
Mainland China	**11,766,332**	19,318,100
Others	**349,613**	321,833
	222,881,804	644,603,740
Segment assets:		
The PRC:		
Hong Kong	**2,349,915,981**	3,874,808,622
Mainland China	**198,736,056**	207,124,623
Others	**7,068,219**	19,136,342
	2,555,720,256	4,101,069,587
Capital expenditure:		
The PRC:		
Hong Kong	**7,822,109**	2,590,417
Mainland China	**214,181**	–
	8,036,290	2,590,417

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

5. REVENUE AND OTHER GAINS

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

	Group	
	2008	2007
	HK$	HK$
Revenue		
Financial services:		
Commission and brokerage income	**188,991,018**	426,734,081
Interest income from securities financing and direct loans	**47,315,441**	94,624,463
Net fair value gains/(losses) on securities and futures contracts trading	**(55,143,030)**	32,090,127
Income from rendering of services	**17,920,154**	68,390,557
	199,083,583	621,839,228
Others:		
Bank interest income	**22,777,746**	22,389,376
Dividend income from:		
Listed available-for-sale equity investments	**134,716**	126,746
Listed equity investments at fair value through profit or loss	**735,720**	25,317
Others	**150,039**	223,073
	23,798,221	22,764,512
	222,881,804	644,603,740
Other gains		
Exchange gains, net	**–**	2,177,292

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

6. PROFIT BEFORE TAX

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

	Group	
	2008	2007
	HK$	HK$
Employee benefits expenses		
(including directors' remuneration – note 7):		
Salaries and other staff costs	**44,266,480**	124,427,278
Retirement benefits schemes contributions	**4,615,158**	3,273,005
Less: Forfeited contributions	**(687,760)**	(348,563)
Net retirement benefits schemes contributions*	**3,927,398**	2,924,442
	48,193,878	127,351,720
Interest expenses for financial services operations on bank loans and overdrafts	**915,792**	9,786,301
Minimum lease payments under operating leases in respect of land and buildings	**23,236,359**	11,184,646
Auditors' remuneration	**1,470,000**	1,400,000
Loss on disposal of items of property, plant and equipment	**454,789**	6,838
Net realised losses/(gains) on trading of listed equity investments and futures contracts	**2,886,376**	(25,250,671)
Fair value losses/(gains) on available-for-sale investments (transfer from equity upon disposal)	**28,916,337**	(29,747,489)
Exchange losses, net	**1,082,211**	–

* At 31 December 2008, the Group had forfeited contributions of HK$199,014 (2007: HK$25,563) available to reduce its contributions to the retirement benefits schemes in future years.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

7. DIRECTORS' REMUNERATION

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

	Group	
	2008	2007
	HK$	HK$
Fees	**582,000**	2,700,000
Other emoluments:		
Salaries, allowances and benefits in kind	**2,897,207**	2,491,217
Performance related bonuses*	**–**	9,926,000
Retirement benefits schemes contributions	**253,200**	228,000
	3,150,407	12,645,217
	3,732,407	15,345,217

* Certain executive directors of the Company were entitled to bonus payments which were determined with reference to the profit after tax of the Group during the year ended 31 December 2007.

(a) Independent non-executive directors

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

	2008	2007
	HK$	HK$
Ng Wing Hang Patrick	**150,000**	300,000
Kwok Lam Kwong Larry	**150,000**	300,000
Zhuo Fumin	**150,000**	300,000
	450,000	900,000

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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 were as follows:

	Fees HK$	Salaries, allowances and benefits in kind HK$	Retirement benefits schemes contributions HK$	Total remuneration HK$
2008				
Executive directors:				
Feng Guorong	–	–	–	–
Lu Wenqing	–	–	–	–
Lee Man Chun Tony	–	2,897,207	253,200	3,150,407
Guo Chun	66,000	–	–	66,000
Ying Niankang	66,000	–	–	66,000
	132,000	2,897,207	253,200	3,282,407
Non-executive directors:				
Chang Pen Tsao	–	–	–	–
Huang Gang	–	–	–	–
	–	–	–	–
	132,000	2,897,207	253,200	3,282,407

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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

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

	Fees HK$	Salaries, allowances and benefits in kind HK$	Performance related bonuses HK$	Retirement benefits schemes contributions HK$	Total remuneration HK$
2007					
Executive directors:					
Feng Guorong	–	–	–	–	–
Lu Wenqing	–	–	–	–	–
Lee Man Chun Tony	–	2,491,217	9,926,000	228,000	12,645,217
Guo Chun	750,000	–	–	–	750,000
Ying Niankang	750,000	–	–	–	750,000
	1,500,000	2,491,217	9,926,000	228,000	14,145,217
Non-executive directors:					
Chang Pen Tsao	150,000	–	–	–	150,000
Huang Gang	150,000	–	–	–	150,000
	300,000	–	–	–	300,000
	1,800,000	2,491,217	9,926,000	228,000	14,445,217

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

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2007: one) director, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining four (2007: four) non-director, highest paid employees are as follows:

	Group 2008 HK$	Group 2007 HK$
Salaries, allowances and benefits in kind	**5,502,250**	3,609,170
Bonuses	**258,000**	13,648,000
Retirement benefits schemes contributions	**477,600**	356,190
	6,237,850	17,613,360

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

8. FIVE HIGHEST PAID EMPLOYEES *(Cont'd)*

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

	Number of employees	
	2008	2007
HK$1,000,001 to HK$1,500,000	**3**	–
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**–**	1
HK$5,000,001 to HK$5,500,000	**–**	1
HK$6,500,001 to HK$7,000,000	**–**	1
	4	4

9. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008.

	2008 **HK$**	2007 HK$
Group:		
Current – Hong Kong		
Charge for the year	**7,757,222**	32,802,722
Underprovision in prior years	**3,306,059**	896
Overprovision in prior years	**(81,324)**	(1,145)
Deferred *(note 20)*	**(3,036,770)**	–
Total tax charge for the year	**7,945,187**	32,802,473

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

9. TAX *(Cont'd)*

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

	2008 **HK$**	2007 HK$
Profit before tax	**22,026,250**	257,821,729
Tax at the statutory tax rate of 16.5% (2007: 17.5%)	**3,634,331**	45,118,803
Adjustments in respect of current tax of previous periods	**3,306,059**	(249)
Profits attributable to associates	**(2,145,515)**	(3,932,861)
Income not subject to tax	**(6,223,553)**	(3,946,681)
Expenses not deductible for tax	**1,072,887**	3,787,290
Tax losses utilised from previous periods	**(587,312)**	(8,596,575)
Unrecognised deferred tax assets	**8,888,290**	372,746
Tax charge for the year	**7,945,187**	32,802,473

The share of tax attributable to associates amounting to HK$3,771,835 (2007: HK$3,716,030) is included in "Share of profits of associates" on the face of the consolidated income statement.

10. PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2008 includes a loss of HK$42,915,047 (2007: profit of HK$130,958,381) which has been dealt with in the financial statements of the Company (note 31(b)).

11. DIVIDENDS

	2008 **HK$**	2007 HK$
Interim – HK1.5 cents (2007: HK3 cents) per ordinary share	**7,961,388**	15,922,774
Proposed final – HK1 cent (2007: HK3 cents) per ordinary share	**5,307,591**	15,922,774
Proposed special – Nil (2007: HK6 cents per ordinary share)	**–**	31,845,548
	13,268,979	63,691,096

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

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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

(a) Basic earnings per share

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$14,396,208 (2007: HK$225,324,940) and the 530,759,126 (2007: 530,759,126) ordinary shares in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share has been presented for the current and prior years because there was no dilutive potential ordinary share in existence during the years ended 31 December 2008 and 2007.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$	Leasehold improvements HK$	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Total HK$
31 December 2008					
At 1 January 2008:					
Cost	**2,047,500**	**15,591,585**	**28,638,006**	**2,744,482**	**49,021,573**
Accumulated depreciation	**(1,132,950)**	**(13,583,227)**	**(24,033,917)**	**(2,491,540)**	**(41,241,634)**
Net carrying amount	**914,550**	**2,008,358**	**4,604,089**	**252,942**	**7,779,939**
At 1 January 2008, net of accumulated depreciation	**914,550**	**2,008,358**	**4,604,089**	**252,942**	**7,779,939**
Additions	**–**	**4,755,320**	**2,525,223**	**755,747**	**8,036,290**
Disposals	**–**	**(442,073)**	**(12,986)**	**–**	**(455,059)**
Depreciation provided during the year	**(81,900)**	**(2,862,474)**	**(2,681,934)**	**(258,624)**	**(5,884,932)**
At 31 December 2008, net of accumulated depreciation	**832,650**	**3,459,131**	**4,434,392**	**750,065**	**9,476,238**
At 31 December 2008:					
Cost	**2,047,500**	**19,353,402**	**30,548,156**	**3,500,229**	**55,449,287**
Accumulated depreciation	**(1,214,850)**	**(15,894,271)**	**(26,113,764)**	**(2,750,164)**	**(45,973,049)**
Net carrying amount	**832,650**	**3,459,131**	**4,434,392**	**750,065**	**9,476,238**

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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

Group

	Buildings HK$	Leasehold improvements HK$	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Total HK$
31 December 2007					
At 1 January 2007:					
Cost	2,047,500	15,158,853	30,752,433	4,172,482	52,131,268
Accumulated depreciation	(1,051,050)	(11,666,491)	(25,202,829)	(3,818,363)	(41,738,733)
Net carrying amount	996,450	3,492,362	5,549,604	354,119	10,392,535
At 1 January 2007, net of accumulated depreciation	996,450	3,492,362	5,549,604	354,119	10,392,535
Additions	–	1,090,971	1,499,446	–	2,590,417
Disposals	–	(4,330)	(3,308)	–	(7,638)
Depreciation provided during the year	(81,900)	(2,570,645)	(2,441,653)	(101,177)	(5,195,375)
At 31 December 2007, net of accumulated depreciation	914,550	2,008,358	4,604,089	252,942	7,779,939
At 31 December 2007:					
Cost	2,047,500	15,591,585	28,638,006	2,744,482	49,021,573
Accumulated depreciation	(1,132,950)	(13,583,227)	(24,033,917)	(2,491,540)	(41,241,634)
Net carrying amount	914,550	2,008,358	4,604,089	252,942	7,779,939

14. PREPAID LAND LEASE PAYMENTS

	Group 2008 HK$	Group 2007 HK$
Carrying amount at 1 January	**1,481,025**	1,521,975
Recognised during the year	**(40,950)**	(40,950)
Carrying amount at 31 December	**1,440,075**	1,481,025
Current portion included in prepayments, deposits and other receivables	**(40,950)**	(40,950)
Non-current portion	**1,399,125**	1,440,075

The leasehold land is held under long term leases and is situated in Hong Kong.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

15. STOCK AND FUTURES EXCHANGE TRADING RIGHTS

	Group HK$
Cost and carrying amount at 1 January 2007, 31 December 2007 and 31 December 2008	4,211,831

16. INTERESTS IN SUBSIDIARIES

	Company 2008 HK$	2007 HK$
Unlisted shares, at cost	**201,066,150**	198,066,150
Due from subsidiaries	**554,218,002**	666,721,116
	755,284,152	864,787,266
Due to subsidiaries	**(36,268,436)**	(122,204,587)
	719,015,716	742,582,679
Impairment	**(92,838,708)**	(16,767,554)
	626,177,008	725,815,125

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$370,000,000 (2007: HK$370,000,000) and an amount due to a subsidiary of HK$198,503,831 (2007: HK$198,343,310) which bear interest at rates ranging from the bank deposit savings rate to the prime rate (2007: 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 from the balance sheet date. The carrying amounts of these amounts due from/(to) subsidiaries approximate to their fair values.

The movements in provision for impairment of interests in subsidiaries are as follows:

	Company 2008 HK$	2007 HK$
At 1 January	**16,767,554**	81,767,554
Impairment losses recognised/(reversed)	**76,071,154**	(65,000,000)
At 31 December	**92,838,708**	16,767,554

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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

An impairment was recognised for certain subsidiaries with an aggregate carrying amount of HK$191,593,866 (before deducting the impairment loss) (2007: HK$69,703,086) because these subsidiaries have been making losses for years or had deficiency in assets at the balance sheet date.

All of the principal subsidiaries, unless otherwise indicated, are incorporated and operate in Hong Kong. Details of the Company's principal subsidiaries at the balance sheet date are as follows:

Name	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct		Indirect		Principal activities
		2008	2007	**2008**	2007	
Shenyin Wanguo Securities (H.K.) Limited	HK$130,000,000	**100**	100	**–**	–	Securities broking and margin financing
Shenyin Wanguo Futures (H.K.) Limited	HK$13,000,000	**100**	100	**–**	–	Futures and options broking
Shenyin Wanguo Capital (H.K.) Limited	HK$10,000,000	**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

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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

Name	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct 2008	Direct 2007	Indirect 2008	Indirect 2007	Principal activities
Shenyin Wanguo Enterprises (H.K.) Limited	HK$15,000,000	**100**	100	**–**	–	Provision of management and treasury services
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 2008

17. INTERESTS IN ASSOCIATES

	Group 2008 HK$	Group 2007 HK$
Share of net assets	–	123,293,074

Particulars of the associates as at 31 December 2007 were as follows:

Name	Class of issued shares/registered capital held	Place of incorporation/ registration	Percentage of Ownership interest	Percentage of Voting interest	Percentage of Profit sharing	Principal activities
The New China Hong Kong Highway Limited ("NCHK")#	Ordinary shares of US$0.01each	British Virgin Islands	26.19	26.19	26.19	Investment holding
Sichuan Chengmian Expressway Co., Ltd. ("SCECL")#	Registered capital	PRC	15.71	15.71	15.71	Highway operations

Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

The above interests in associates were indirectly held by the Company.

NCHK holds a 60% equity interest in SCECL. In accordance with the terms of the revised joint venture agreement of SCECL dated 18 March 1994, NCHK is entitled to all of the net profit generated by SCECL from the date of registration of SCECL to 21 December 2003. Thereafter, NCHK is entitled to 60% and 50% of the net profit generated by SCECL for the periods from 22 December 2003 to 21 December 2008 and from 22 December 2008 to 21 December 2018, respectively. For the period from 22 December 2018 to the end of the joint venture period on 21 December 2024, NCHK is entitled to 40% of the net profit generated by SCECL.

During the year, there was a change of the controlling shareholder of the immediate controlling holding company of NCHK, resulting in the appointment of new directors of NCHK. As a result of these changes, the new directors of NCHK operate without regard to the views of the Group. Accordingly, the directors of the Company considered that the Group had lost its significant influence over NCHK since then and have reclassified the Group's interests in associates as an available-for-sale investment (note 19) since the date of loss of significant influence. The Group's share of profits of the associates up to the date of reclassifying NCHK as an available-for-sale investment included in the consolidated income statement was HK$13,003,124.

As at 31 December 2007, the interests in associates were pledged to secure certain of the Group's banking facilities, which were not utilised as at 31 December 2007 (note 28(c)). During the year, the pledge was released.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

17. INTERESTS IN ASSOCIATES *(Cont'd)*

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2008 **HK$**	2007 HK$
Assets	–	1,421,087,437
Liabilities	–	685,161,910
Revenues	–	348,102,169
Profit	–	139,895,664

18. GOODWILL

	Group HK$
Cost and carrying amount at 1 January 2007, 31 December 2007 and 31 December 2008	57,632,404

Impairment testing of goodwill

Goodwill arising from the acquisition of a subsidiary has been allocated to the cash-generating unit of investment holding on the equity investment for impairment testing.

The recoverable amount of the goodwill has been determined based on a value in use calculation using cash flow projections based on the financial results of the past three years. The cash flow projections are discounted by the prevailing market rate of return of similar companies in the market adjusted with the specific risks relating to the cash-generating unit over the expected useful lives of the investment until the end of the joint venture period of the underlying investment. No growth rate has been taken into account in the cash flow projections as the Group considers that the growth rate cannot be reliably measured. Key assumptions used in the cash flow projections included financial forecasts and discount rates of 4.2% (2007: 3.1%).

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

19. INVESTMENTS

	Group 2008 HK$	Group 2007 HK$
Financial instruments		
Available-for-sale investments, at fair value:		
Listed equity investments in Hong Kong^	**2,980,864**	9,555,100
Host component of an unlisted hybrid financial instrument*	**24,244,399**	156,171,715
Unlisted club debentures	**2,470,000**	2,470,000
	29,695,263	168,196,815
Available-for-sale investment, at cost:		
Unlisted equity investment #	**128,059,510**	–
Embedded derivative component of an unlisted hybrid financial instrument, at fair value*	**(825,270)**	(47,129,919)
	156,929,503	121,066,896
Investments at fair value through profit or loss		
Listed equity investments in Hong Kong, at fair value^	**45,333,925**	92,576,231
Unlisted investment funds, at fair value	**20,479,094**	18,688,800
	65,813,019	111,265,031

* The hybrid financial instrument, which composes of a host component and an embedded derivative component, represented 662,868,061 (2007: 1,325,736,121) convertible non-voting redeemable series C preference shares (the "Preference Shares") in Century City International Holdings Limited ("CCIH"). The Preference Shares are not freely transferable, will not be entitled to any income distribution and are non-voting. The Preference Shares may be fully or partly converted into fully paid CCIH ordinary shares on the basis of one CCIH ordinary share for ten Preference Shares (2007: one CCIH ordinary share for one Preference Share), subject to adjustment, in stages on or after 15 December 2006 pursuant to the terms of the Preference Shares, up to 15 December 2009 (the "Maturity Date"). During the year ended 31 December 2008, the ordinary shares of CCIH were consolidated on a ten to one basis. The Preference Shares which have not been converted and remain outstanding on the Maturity Date shall be mandatorily converted into CCIH ordinary shares on the Maturity Date. CCIH has the right (the "Right") to redeem all or part of the Preference Shares at the rate of HK$0.15 (2007: HK$0.15) for every Preference Share before the Maturity Date. The Right is classified as the embedded derivative component and is measured at fair value. The holders of the Preference Shares have no right to require CCIH to redeem or buy back the Preference Shares and the holders of the Preference Shares have pre-emptive rights should CCIH propose to issue new CCIH ordinary shares.

During the year ended 31 December 2008, 662,868,060 Preference Shares were converted into 66,286,806 CCIH ordinary shares.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

19. INVESTMENTS *(Cont'd)*

Pursuant to the disclosure requirement of Section 129(1) of the Hong Kong Companies Ordinance, the Group holds 81.6% of CCIH's issued convertible preference series C shares, exceeding 20% of the nominal value of CCIH's issued shares of that class at the balance sheet date. CCIH was incorporated in Bermuda.

^ The market values of the Group's listed equity investments at the balance sheet date and at the date of approval of these financial statements were approximately HK$48,314,789 and HK$39,321,212, respectively.

During the year, as a result of the loss of significant influence over NCHK (note 17), the Group has reclassified its interests in NCHK and SCECL at their aggregate carrying amount of HK$128,059,510 as an available-for-sale investment thereafter.

As at 31 December 2008, the carrying amount of HK$128,059,510 (2007: Nil) was stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably.

The investments at fair value through profit or loss at 31 December 2008 of HK$65,813,019 (2007: HK$111,265,031) were classified as held for trading.

During the year, the gross loss of the Group's available-for-sale investments recognised directly in equity amounted to HK$112,981,131 (2007: gross gain of HK$70,903,031) and HK$28,916,337 (2007: gross gain of HK$29,747,489) was released from equity upon disposal and recognised in the consolidated income statement for the year.

During the year, the fair value gain on the Group's embedded derivative component of an unlisted hybrid financial instrument recognised in the consolidated income statement amounted to HK$46,304,649 (2007: fair value loss of HK$29,800,555).

There has been a significant decline in the fair value of the host component of an unlisted hybrid financial instrument during the year. The directors consider that such a decline indicates that the host component of an unlisted hybrid financial instrument has been impaired and an impairment loss of HK$30,192,357 (2007: Nil), which included a transfer from the available-for-sale investment revaluation reserve of HK$30,192,357 (2007: Nil), has been recognised in the consolidated income statement for the year.

The fair values of the listed equity investments are based on quoted market prices. The fair value of the unlisted hybrid financial instrument has been estimated using a valuation technique based on assumptions and estimates including the discount rate, volatility and dividend yield. The valuation requires the directors to make estimates about the expected future cash flows including expected future proceeds on subsequent realisation of the investments, which are discounted at the current rate of 0.25% (2007: 3.1%). The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated balance sheet, and the related changes in fair values, which are recorded in the consolidated statement of changes in equity and the consolidated income statement, are reasonable, and that they were the most appropriate values at the balance sheet date.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

19. INVESTMENTS *(Cont'd)*

The valuation of the Preference Shares is subject to the limitations of the Binomial option pricing model and the uncertainty in estimates used by the Group. The Binomial option pricing model is modified for the features of the Preference Shares. Should the estimates including the volatility of underlying securities, risk-free interest rate and other factors relevant to the underlying securities be changed, there would be changes in the valuation of the Preference Shares and the fair value gains/(losses) recognised in the available-for-sale investment revaluation reserve and the consolidated income statement.

Management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model, and considered that the differences in fair values using less or more favourable assumptions are not significantly different from the carrying value.

20. DEFERRED TAX

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred tax assets

Group	**Deductible temporary differences** HK$
At 1 January 2008	–
Deferred tax credited to the consolidated income statement during the year *(note 9)*	3,036,770
Gross deferred tax assets at 31 December 2008	3,036,770

Deferred tax liabilities

Group	**Fair value change in available-for-sale investments** HK$
At 1 January 2007	–
Deferred tax debited to equity during the year	9,200,000
At 31 December 2007 and 1 January 2008	9,200,000
Deferred tax credited to equity during the year including a credit of HK$525,714 due to the effect of a change in tax rate *(note 9)*	(9,200,000)
At 31 December 2008	–

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

20. DEFERRED TAX *(Cont'd)*

The Group has tax losses arising in Hong Kong of HK$175,185,000 (2007: HK$124,876,000) 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 2008, there was no significant unrecognised deferred tax liability (2007: 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.

21. ACCOUNTS RECEIVABLE

	Group	
	2008	2007
	HK$	HK$
Accounts receivable	**205,578,456**	914,747,135
Less: Impairment	**(21,920,819)**	(21,920,819)
	183,657,637	892,826,316

Save for credit period allowed by the Group, the accounts receivable shall be due on the settlement day of the respective securities and futures contracts transactions. 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. Overdue accounts receivable from cash clients of HK$51,050,060 (2007: HK$149,461,495) bear interest at interest rates with reference to the prime rate.

An aged analysis of accounts receivable, based on the trade day, as at the balance sheet date is as follows:

	Group	
	2008	2007
	HK$	HK$
Within 1 month	**173,406,238**	827,574,507
1 to 2 months	**308,027**	33,690,052
2 to 3 months	**2,380,426**	22,446,446
Over 3 months	**29,483,765**	31,036,130
	205,578,456	914,747,135

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

21. ACCOUNTS RECEIVABLE *(Cont'd)*

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

	Group	
	2008	2007
	HK$	HK$
At 1 January	**21,920,819**	22,106,949
Amount written off as uncollectible	**–**	(186,130)
At 31 December	**21,920,819**	21,920,819

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of HK$21,920,819 (2007: HK$21,920,819) with a carrying amount of HK$21,920,819 (2007: HK$21,920,819). 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. Although the Group does not hold any collateral or other credit enhancements over these balances, the Group is allowed to dispose of the securities deposited by the customers with the Group to settle any overdue amounts.

The aged analysis of the accounts receivable that are not considered to be impaired is as follows:

	Group	
	2008	2007
	HK$	HK$
Neither past due nor impaired	**154,528,397**	765,285,640
Less than 1 month past due	**18,906,909**	62,288,867
1 to 3 months past due	**3,465,029**	56,136,498
Over 3 months past due	**6,757,302**	9,115,311
	183,657,637	892,826,316

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

21. ACCOUNTS RECEIVABLE *(Cont'd)*

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 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 2008 is a broker receivable amount due from the ultimate holding company of HK$7,510,926 (2007: HK$13,948,404) which arose from securities dealing transactions. This balance is unsecured, interest-free and repayable on the settlement day of the relevant transactions.

22. LOANS AND ADVANCES

	Group	
	2008	2007
	HK$	HK$
Loans and advances to customers:		
Secured	**202,119,565**	733,859,215
Unsecured	**2,212,158**	2,212,158
	204,331,723	736,071,373
Less: Impairment	**(13,173,022)**	(13,173,022)
	191,158,701	722,898,351

Customers are required to provide collateral to the Group for the loans and advances granted. As at 31 December 2008, 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$830,381,948 (2007: HK$3,604,260,713), of which a total market value of HK$399,214,000 of such collateral was pledged with banks to secure certain of the Group's overdrafts and bank loans (note 28) as at 31 December 2007. The Group is allowed to dispose of the collateral in settlement of the customer's 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$191,004,208 (2007: HK$722,743,859) bear interest at interest rates with reference to the prime rate.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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

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

	Group	
	2008	2007
	HK$	HK$
Repayable on demand	**191,004,207**	722,743,857
Undated	**13,327,516**	13,327,516
	204,331,723	736,071,373

Included in the above provision for impairment of loans and advances is a provision for individually impaired loans and advances of HK$13,173,022 (2007: HK$13,173,022) with a carrying amount of HK$13,327,516 (2007: 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 secured by securities collateral pledged by the customers to the Group.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Prepayments	**2,956,067**	3,880,025	**205,033**	207,006
Deposits and other receivables	**4,953,771**	2,015,487	**569,131**	891,470
	7,909,838	5,895,512	**774,164**	1,098,476

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.

24. 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 balance sheet, 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.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Cash and bank balances	**306,960,699**	20,723,902	**4,441,232**	4,413,356
Time deposits	**193,342,000**	53,660,475	**–**	–
	500,302,699	74,384,377	**4,441,232**	4,413,356

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one week and one month 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. The carrying amounts of the cash and cash equivalents approximate to their fair values.

26. ACCOUNTS PAYABLE

An aged analysis of accounts payable, based on the trade day, as at balance sheet date is as follows:

	Group	
	2008	2007
	HK$	HK$
Within 1 month	**1,503,625,709**	2,725,099,844

Included in the accounts payable balance as at 31 December 2008 is a broker payable amount due to the ultimate holding company of the Company of HK$4,703,508 (2007: HK$18,233,258) which arose from securities dealing transactions. This balance is unsecured, interest-free and payable on the settlement day of the relevant transactions.

Included in the accounts payable balance as at 31 December 2008 represented the amount of segregated client money held on behalf of an intermediate holding company of the Company of HK$14,834,896 (2007: HK$16,758,619) which also arose from securities dealing transactions. This balance is unsecured, bears interest at the bank deposit savings rate (2007: bank deposit savings rate) per annum and is payable on request.

Except for the accounts payable to clients of HK$1,289,268,273 (2007: HK$1,920,608,077), which bear interest at the bank deposit savings rate (2007: bank deposit savings rate) per annum, the remaining accounts payable are non-interest-bearing.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Other payables	**4,958,275**	10,559,822	**978,991**	453,585
Accruals	**59,078,986**	130,742,080	**1,730,213**	2,799,518
	64,037,261	141,301,902	**2,709,204**	3,253,103

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

28. INTEREST-BEARING BANK BORROWINGS

Group

	2008			2007		
	Effective interest rate (%)	**Maturity**	**HK$**	Effective interest rate (%)	Maturity	HK$
Current						
Bank overdrafts – secured	–	–	–	4.26-8.25	On demand	23,044,513
Bank loans – secured	–	–	–	4.43-5.33	2008	132,000,000
			–			155,044,513

	Group	
	2008	2007
	HK$	HK$
Analysed into:		
Bank loans and overdrafts repayable within one year or on demand	–	155,044,513

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$71,755,000 as at 31 December 2007 (note 22).

In addition, the Company had guaranteed the bank overdrafts up to HK$90,000,000 as at 31 December 2007.

(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$327,459,000 as at 31 December 2007 (note 22).

In addition, the Company had guaranteed the bank loans up to HK$149,500,000 as at 31 December 2007.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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

Notes: (Cont'd)

(c) Certain of the Group's unutilised banking facilities were supported by the pledge of interests in the associates (note 17) as at 31 December 2007.

(d) Certain of the Group's unutilised banking facilities were secured by guarantees given by the Company.

(e) All borrowings are in Hong Kong dollars.

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

29. OTHER PAYABLES

Other payables are non-interest-bearing and the carrying amount of other payables approximates to their fair value.

30. 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 2007 and 31 December 2008	530,759,126	265,379,563

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

31. 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 pages 36 to 37 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 represents the share of the exchange fluctuation reserve of the associates which were reclassified as an available-for-sale investment during the year ended 31 December 2008.

(b) Company

	Note	**Share premium account** HK$	**General reserve** HK$	**Retained profits** HK$	**Total** HK$
At 1 January 2007		314,739,683	656,293	32,080,352	347,476,328
Profit for the year		–	–	130,958,381	130,958,381
Interim 2007 dividend	*11*	–	–	(15,922,774)	(15,922,774)
Proposed final and special 2007 dividends	*11*	–	–	(47,768,322)	(47,768,322)
At 31 December 2007 and 1 January 2008		**314,739,683**	**656,293**	**99,347,637**	**414,743,613**
Loss for the year		**–**	**–**	**(42,915,047)**	**(42,915,047)**
Interim 2008 dividend	*11*	**–**	**–**	**(7,961,388)**	**(7,961,388)**
Proposed final 2008 dividend	*11*	**–**	**–**	**(5,307,591)**	**(5,307,591)**
At 31 December 2008		**314,739,683**	**656,293**	**43,163,611**	**358,559,587**

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

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(a) During the year ended 31 December 2008, available-for-sale investments with an aggregate fair value of HK$25,520,421 (2007: HK$84,184,244) were reclassified as investments at fair value through profit or loss upon the conversion of 662,868,060 (2007: 662,868,060) Preference Shares into 66,286,806 (2007: 662,868,060) CCIH ordinary shares.

(b) During the year ended 31 December 2008, interests in associates of a carrying amount of HK$128,059,510 were reclassified as an available-for-sale investment.

33. CONTINGENT LIABILITIES

As at 31 December 2008, the banking facilities granted to the subsidiaries subject to the guarantees given to the banks by the Company were HK$522,000,000 (2007: HK$1,554,500,000), of which none (2007: HK$155,044,513) was utilised.

34. COMMITMENTS

(a) Capital commitments

	Group	
	2008	2007
	HK$	HK$
Contracted, but not provided for the purchases of furniture, fixtures and equipment	**1,218,531**	4,661,029

(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 three years.

At 31 December 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2008	2007
	HK$	HK$
Within one year	**24,251,756**	22,446,694
In the second to fifth years, inclusive	**23,240,178**	47,105,415
	47,491,934	69,552,109

At 31 December 2008, the Company did not have any significant commitments (2007: Nil).

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

35. 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$5,074,105 (2007: HK$7,170,729) 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$3,150,000 (2007: HK$1,930,000) to a subsidiary of the ultimate holding company of the Company during the year. The research fees were charged in accordance with the respective agreements signed between the Group and that related company.

(c) The Group received brokerage commission income totalling HK$19,734 (2007: HK$211,161) from an intermediate holding company of the Company which was charged on commission rate and conditions similar to other customers of the Group.

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

	2008 **HK$**	2007 HK$
Short term employee benefits	**14,123,946**	42,033,604
Post-employment benefits	**1,230,900**	1,128,090
	15,354,846	43,161,694

(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 are included in notes 21 and 26 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 2008

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2008 **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	–	9,497,048	–	9,497,048
Available-for-sale investments included in financial instruments	–	–	157,754,773	157,754,773
Investments at fair value through profit or loss	65,813,019	–	–	65,813,019
Accounts receivable	–	183,657,637	–	183,657,637
Loans and advances	–	191,158,701	–	191,158,701
Financial assets included in prepayments, deposits and other receivables	–	4,953,771	–	4,953,771
Bank balances held on behalf of customers	–	1,355,956,147	–	1,355,956,147
Cash and cash equivalents	–	500,302,699	–	500,302,699
	65,813,019	2,245,526,003	157,754,773	2,469,093,795

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$	Financial liabilities at amortised cost HK$	Total HK$
Embedded derivative included in financial instruments	825,270	–	825,270
Accounts payable	–	1,503,625,709	1,503,625,709
Other payables	–	7,164,275	7,164,275
	825,270	1,510,789,984	1,511,615,254

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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

2007 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	–	12,719,191	–	12,719,191
Available-for-sale investments included in financial instruments	–	–	168,196,815	168,196,815
Investments at fair value through profit or loss	111,265,031	–	–	111,265,031
Accounts receivable	–	892,826,316	–	892,826,316
Loans and advances	–	722,898,351	–	722,898,351
Financial assets included in prepayments, deposits and other receivables	–	2,015,487	–	2,015,487
Bank balances held on behalf of customers	–	1,959,132,439	–	1,959,132,439
Cash and cash equivalents	–	74,384,377	–	74,384,377
	111,265,031	3,663,976,161	168,196,815	3,943,438,007

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$	Financial liabilities at amortised cost HK$	Total HK$
Embedded derivative included in financial instruments	47,129,919	–	47,129,919
Accounts payable	–	2,725,099,844	2,725,099,844
Other payables	–	26,256,822	26,256,822
Interest-bearing bank borrowings	–	155,044,513	155,044,513
	47,129,919	2,906,401,179	2,953,531,098

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's business 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 prime rate. As the prime rate in Hong Kong 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$
2008			
Hong Kong dollar	**25**	**1,915,508**	**–**
Hong Kong dollar	**(25)**	**(1,915,508)**	**–**
2007			
Hong Kong dollar	25	1,430,380	–
Hong Kong dollar	(25)	(1,430,383)	–

* Excluding retained earnings

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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

Foreign currency risk

The Group's securities broking and dealing business are 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 Hong Kong dollar is also pegged with 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% 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 collaterals, managing the concentration of credit risk by customers and recommending measures to the directors for granting credit facilities which exceed the authority limits 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, available-for-sale investments, investments at fair value through profit or loss, other assets and other receivables, arises from the 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 21 and 22 to the financial statements, respectively.

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, and they 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 are able to be realised in the market within a reasonable period of time.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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

Liquidity risk *(Cont'd)*

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

2008		**Group**		
	On demand	**Less than 1 year**	**1 to 5 years**	**Total**
	HK$	HK$	HK$	HK$
Accounts payable	**1,380,719,328**	**122,906,381**	**–**	**1,503,625,709**
Other payables	**–**	**4,958,275**	**2,206,000**	**7,164,275**
	1,380,719,328	**127,864,656**	**2,206,000**	**1,510,789,984**

2007		Group		
	On demand	Less than 1 year	1 to 5 years	Total
	HK$	HK$	HK$	HK$
Interest-bearing bank borrowings	23,044,513	132,000,000	–	155,044,513
Accounts payable	2,044,655,873	680,443,971	–	2,725,099,844
Other payables	–	10,559,822	15,697,000	26,256,822
	2,067,700,386	823,003,793	15,697,000	2,906,401,179

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 is exposed to equity price risk arising from individual equity investments classified as held-for-trading investments (note 19) and available-for-sale investments (note 19) as at 31 December 2008.

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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

Equity price risk *(Cont'd)*

The following table demonstrates the sensitivity to every 1% change in the fair values of the equity investments or the underlying instrument of the unlisted hybrid financial instrument, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date. 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 on the income statement.

		Group	
	Increase/ (decrease) in fair value	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity***
	%	HK$	HK$
2008			
Investments listed in Hong Kong:			
– Available-for-sale	**1**	**–**	**29,809**
	(1)	**–**	**(29,809)**
– Held-for-trading	**1**	**453,339**	**–**
	(1)	**(453,339)**	**–**
Unlisted investment funds	**1**	**204,791**	**–**
	(1)	**(204,791)**	**–**
Unlisted hybrid financial instrument:			
– Available-for-sale	**1**	**–**	**242,444**
	(1)	**–**	**(242,444)**
– Embedded derivative classified as financial liability	**1**	**(17,069)**	**–**
	(1)	**23,698**	**–**
2007			
Investments listed in Hong Kong:			
– Available-for-sale	1	–	78,830
	(1)	–	(78,830)
– Held-for-trading	1	925,762	–
	(1)	(925,762)	–
Unlisted investment funds	1	186,888	–
	(1)	(186,888)	–
Unlisted hybrid financial instrument:			
– Available-for-sale	1	–	1,288,417
	(1)	–	(1,288,417)
– Embedded derivative classified as financial liability	1	(1,110,429)	–
	(1)	1,110,429	–

* Excluding retained earnings

NOTES TO FINANCIAL STATEMENTS *(Cont'd)*

31 December 2008

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

Capital management

The primary objective of the Group's capital management is 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 shareholder's 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 2008 and 31 December 2007.

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 balance sheet dates were as follows:

Group

	2008 **HK$**	2007 HK$
Interest-bearing bank borrowings	**–**	155,044,513
Total equity	**949,945,034**	1,026,364,068
Gearing ratio	**0%**	15%

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 13 March 2009.

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