



**SHENYIN WANGUO (H.K.) LIMITED**

**申銀萬國(香港)有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 218)**

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007**

**RESULTS**

The Directors of Shenyin Wanguo (H.K.) Limited (the “Company”) are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 together with comparative figures for the corresponding period of last year.

**CONDENSED CONSOLIDATED INCOME STATEMENT**

|   |              | <b>Six months ended 30 June</b> |                 |
|---|--------------|---------------------------------|-----------------|
|   |              | <b>2007</b>                     | 2006            |
|   |              | <b>(Unaudited)</b>              | (Unaudited)     |
|   | <i>Notes</i> | <b>HK\$'000</b>                 | <i>HK\$'000</i> |
|   |              |                                 | (Restated)      |
| REVENUE   | 3            | <b>284,369</b>                  | 156,260         |
| Other gains   |              | <b>1,723</b>                    | 478             |
| Commission expenses   |              | <b>(62,738)</b>                 | (48,485)        |
| Employee benefits expenses  |              | <b>(55,109)</b>                 | (31,331)        |
| Depreciation expenses   |              | <b>(2,491)</b>                  | (1,972)         |
| Interest expenses for financial services operations   |              | <b>(2,463)</b>                  | (152)           |
| Fair value losses on an unlisted financial instrument<br>at fair value through profit or loss |              | <b>(36,695)</b>                 | (9,808)         |
| Other expenses, net   |              | <b>(33,254)</b>                 | (21,055)        |
| Share of profits of associates  |              | <b>8,039</b>                    | 8,694           |
| PROFIT BEFORE TAX   | 4            | <b>101,381</b>                  | 52,629          |
| Tax   | 5            | <b>(14,248)</b>                 | (2,400)         |
| PROFIT FOR THE PERIOD ATTRIBUTABLE<br>TO EQUITY HOLDERS OF THE COMPANY                        |              | <b>87,133</b>                   | 50,229          |
| INTERIM DIVIDEND  | 6            | <b>15,923</b>                   | 10,615          |
| EARNINGS PER SHARE  | 7            |                                 |                 |
| Basic   |              | <b>16.42 cents</b>              | 9.46 cents      |
| Diluted   |              | <b>N/A</b>                      | N/A             |

## CONDENSED CONSOLIDATED BALANCE SHEET

|   |              | <b>30 June<br/>2007<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2006<br>(Audited)<br>HK\$'000 |
|---|--------------|--|--|
|   | <i>Notes</i> |  |  |
| <b>NON-CURRENT ASSETS</b>                               |              |  |  |
| Property, plant and equipment                           |              | <b>8,863</b>   | 10,393                                       |
| Prepaid land lease payments                             |              | <b>1,461</b>   | 1,481  |
| Stock and Futures Exchange trading rights               |              | <b>4,212</b>   | 4,212  |
| Other assets  |              | <b>6,751</b>   | 9,166  |
| Interests in associates                                 |              | <b>101,904</b>                                       | 101,505                                      |
| Goodwill  |              | <b>57,632</b>  | 57,632                                       |
| Financial instruments                                   | 8            | <b>256,632</b>                                       | 161,457                                      |
| Total non-current assets                                |              | <b><u>437,455</u></b>                                | <u>345,846</u>                               |
| <b>CURRENT ASSETS</b>                                   |              |  |  |
| Equity investments at fair value through profit or loss |              | <b>50,220</b>  | 59,653                                       |
| Accounts receivable                                     | 9            | <b>1,047,912</b>                                     | 876,790                                      |
| Loans and advances                                      | 10           | <b>2,725,278</b>                                     | 338,731                                      |
| Deposits, prepayments and other receivables             |              | <b>18,411</b>  | 9,342  |
| Bank balances held on behalf of customers               |              | <b>1,076,175</b>                                     | 877,894                                      |
| Cash and cash equivalents                               |              | <b>186,952</b>                                       | 74,640                                       |
| Total current assets                                    |              | <b><u>5,104,948</u></b>                              | <u>2,237,050</u>                             |
| <b>CURRENT LIABILITIES</b>                              |              |  |  |
| Accounts payable  | 11           | <b>2,185,805</b>                                     | 1,706,674                                    |
| Tax payable   |              | <b>19,424</b>  | 5,368  |
| Other payables and accruals                             |              | <b>90,114</b>  | 58,489                                       |
| Interest-bearing bank loans                             |              | <b>2,236,800</b>                                     | -  |
| Total current liabilities                               |              | <b><u>4,532,143</u></b>                              | <u>1,770,531</u>                             |
| <b>NET CURRENT ASSETS</b>                               |              | <b><u>572,805</u></b>                                | <u>466,519</u>                               |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>            |              | <b>1,010,260</b>                                     | 812,365                                      |
| <b>NON-CURRENT LIABILITIES</b>                          |              |  |  |
| Other payables  |              | <b>14,900</b>  | 14,900                                       |
| <b>Net assets</b>                                       |              | <b><u>995,360</u></b>                                | <u>797,465</u>                               |
| <b>EQUITY</b>   |              |  |  |
| Issued capital  |              | <b>265,380</b>                                       | 265,380                                      |
| Reserves  |              | <b>714,057</b>                                       | 510,855                                      |
| Proposed/declared dividends                             |              | <b>15,923</b>  | 21,230                                       |
| <b>Total equity</b>                                     |              | <b><u>995,360</u></b>                                | <u>797,465</u>                               |

## NOTES TO CONDENSED FINANCIAL STATEMENTS

### 1. PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and are in compliance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation adopted in the preparation of these unaudited condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2006, except that in the current period, the Group has changed the revenue recognition policy and has adopted certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) as detailed in notes (a) and (b) below.

#### (a) Change in revenue recognition policy

In prior years, the commission and brokerage income less rebates and the sale proceeds from securities trading were included in “revenue” while the related cost of trading was presented as “cost of trading securities sold” in the consolidated income statement.

In current year, the Group has revised the accounting policy in order to conform with market practice. The commission and brokerage income (before net of rebates) and the net fair value gains/(losses) on financial assets at fair value through profit or loss are recognized in the consolidated income statement within revenue, whereas the commission expenses are included as a separate item on the face of the consolidated income statement.

This change in accounting policy has been accounted for retrospectively with comparative figures restated. The change does not have impact on the results of the Group in respect of current period and prior years.

#### (b) New and revised HKFRSs

The following new and revised HKFRSs are adopted for the first time for the current period’s financial statements:

|                  |   |
|------------------|---|
| HKAS 1 Amendment | Capital Disclosures   |
| HKFRS 7          | Financial Instruments: Disclosures  |
| HK(IFRIC)-Int 7  | Applying the Restatement Approach under HKAS 29<br>Financial Reporting in Hyperinflationary Economies |
| HK(IFRIC)-Int 8  | Scope of HKFRS 2  |
| HK(IFRIC)-Int 9  | Reassessment of Embedded Derivatives  |
| HK(IFRIC)-Int 10 | Interim Financial Reporting and Impairment  |

The adoption of these HKFRSs has had no material impact on the accounting policies of the Group and the preparation of these interim financial statements.

## 2. SEGMENT INFORMATION

The Group's operating businesses can be analysed primarily by business segments. The summarised details of the business segments are as follows:

- (a) securities trading and investment holding
- (b) securities broking and dealing
- (c) securities financing and direct loans
- (d) investment advisory services

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

The Group's unaudited revenue and results by business segments for the period ended 30 June are as follows:

|                                | Securities trading and investment holding |                                       | Securities broking and dealing |                                       | Securities financing and direct loans |                         | Investment advisory services |                         | Eliminations            |                         | Total                   |                                       |
|--------------------------------|---|---------------------------------------|--------------------------------|---------------------------------------|---------------------------------------|-------------------------|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|---------------------------------------|
|                                | 2007                                      | 2006                                  | 2007                           | 2006                                  | 2007                                  | 2006                    | 2007                         | 2006                    | 2007                    | 2006                    | 2007                    | 2006                                  |
|                                | (Unaudited)<br>HK\$'000                   | (Unaudited)<br>HK\$'000<br>(Restated) | (Unaudited)<br>HK\$'000        | (Unaudited)<br>HK\$'000<br>(Restated) | (Unaudited)<br>HK\$'000               | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000      | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000<br>(Restated) |
| Segment revenue:               |   |                                       |                                |                                       |                                       |                         |                              |                         |                         |                         |                         |                                       |
| External customers             | <b>50,455</b>                             | 28,391                                | <b>154,503</b>                 | 87,089                                | <b>43,825</b>                         | 21,185                  | <b>35,586</b>                | 19,595                  | -                       | -                       | <b>284,369</b>          | 156,260                               |
| Inter-segment                  | -   | -                                     | -                              | -                                     | <b>77</b>                             | 145                     | <b>2,105</b>                 | 1,332                   | <b>(2,182)</b>          | (1,477)                 | -                       | -                                     |
| Total                          | <u><b>50,455</b></u>                      | <u>28,391</u>                         | <u><b>154,503</b></u>          | <u>87,089</u>                         | <u><b>43,902</b></u>                  | <u>21,330</u>           | <u><b>37,691</b></u>         | <u>20,927</u>           | <u><b>(2,182)</b></u>   | <u>(1,477)</u>          | <u><b>284,369</b></u>   | <u>156,260</u>                        |
| Segment results                | <u><b>7,448</b></u>                       | <u>11,049</u>                         | <u><b>41,958</b></u>           | <u>3,474</u>                          | <u><b>21,938</b></u>                  | <u>16,390</u>           | <u><b>28,892</b></u>         | <u>13,008</u>           | <u>-</u>                | <u>-</u>                | <u><b>100,236</b></u>   | 43,921                                |
| Unallocated expenses           |   |                                       |                                |                                       |                                       |                         |                              |                         |                         |                         | <b>(6,894)</b>          | 14                                    |
| Share of profits of associates |   |                                       |                                |                                       |                                       |                         |                              |                         |                         |                         | <b>8,039</b>            | 8,694                                 |
| Profit before tax              |   |                                       |                                |                                       |                                       |                         |                              |                         |                         |                         | <b>101,381</b>          | 52,629                                |
| Tax                            |   |                                       |                                |                                       |                                       |                         |                              |                         |                         |                         | <b>(14,248)</b>         | (2,400)                               |
| Profit for the period          |   |                                       |                                |                                       |                                       |                         |                              |                         |                         |                         | <u><b>87,133</b></u>    | <u>50,229</u>                         |

### 3. REVENUE

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

|  | <b>Six months ended 30 June</b> |                    |
|--|---------------------------------|--------------------|
|  | <b>2007</b>                     | <b>2006</b>        |
|  | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
|  | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
|  |                                 | <b>(Restated)</b>  |
| Financial services:  |                                 |                    |
| Net fair value gains on securities and futures contracts trading | <b>50,281</b>                   | 27,658             |
| Interest income from securities financing and direct loans       | <b>35,622</b>                   | 16,437             |
| Commission and brokerage income                                  | <b>154,549</b>                  | 87,068             |
| Income from rendering of services                                | <b>35,530</b>                   | 19,595             |
|  | <u><b>275,982</b></u>           | <u>150,758</u>     |
| Others:  |                                 |                    |
| Bank interest income   | <b>8,204</b>                    | 4,748              |
| Dividend income from listed equity investments                   | <b>127</b>                      | 695                |
| Others   | <b>56</b>                       | 59                 |
|  | <u><b>8,387</b></u>             | <u>5,502</u>       |
|  | <u><b>284,369</b></u>           | <u>156,260</u>     |

### 4. PROFIT BEFORE TAX

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

|  | <b>Six months ended 30 June</b> |                    |
|--|---------------------------------|--------------------|
|  | <b>2007</b>                     | <b>2006</b>        |
|  | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
|  | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
| Net realised gains on trading of listed equity investments and futures contracts | <b>(24,003)</b>                 | (6,035)            |
| Net realised gains on disposal of available-for-sale investments                 | <u><b>-</b></u>                 | <u>(24,443)</u>    |

## 5. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

|  | <b>Six months ended 30 June</b> |                     |
|--|---------------------------------|---------------------|
|  | <b>2007</b>                     | <b>2006</b>         |
|  | <b>(Unaudited)</b>              | <b>(Unaudited)</b>  |
|  | <b>HK\$'000</b>                 | <b>HK\$'000</b>     |
| Current – Hong Kong<br>Charge for the period | <u><b>14,248</b></u>            | <u><b>2,400</b></u> |

## 6. DIVIDEND

|  | <b>Six months ended 30 June</b> |                      |
|--|---------------------------------|----------------------|
|  | <b>2007</b>                     | <b>2006</b>          |
|  | <b>(Unaudited)</b>              | <b>(Unaudited)</b>   |
|  | <b>HK\$'000</b>                 | <b>HK\$'000</b>      |
| Interim dividend – HK3 cents (2006: HK2 cents)<br>per ordinary share | <u><b>15,923</b></u>            | <u><b>10,615</b></u> |

## 7. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share amount is based on the unaudited profit for the period of HK\$87,133,070 (2006: HK\$50,229,296) and 530,759,126 (2006: 530,759,126) ordinary shares in issue during the period.

### (b) Diluted earnings per share

No diluted earnings per share has been presented for the current and prior periods because there was no dilutive potential ordinary share in existence during these periods.

## 8. FINANCIAL INSTRUMENTS

|   | <b>30 June<br/>2007<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2006<br>(Audited)<br>HK\$'000 |
|---|--|--|
| Available-for-sale investments, at fair value:                                    |  |  |
| Listed equity investments in Hong Kong  | <b>9,895</b>   | 8,180  |
| Unlisted equity investment  | <b>298,291</b>                                       | 168,136                                      |
| Unlisted club debentures  | <b>2,470</b>   | 2,470  |
|   | <b>310,656</b>                                       | 178,786                                      |
| Embedded derivative liability on the<br>unlisted equity investment, at fair value | <b>(54,024)</b>                                      | (17,329)                                     |
|   | <b>256,632</b>                                       | 161,457                                      |

## 9. ACCOUNTS RECEIVABLE

|  | <b>30 June<br/>2007<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2006<br>(Audited)<br>HK\$'000 |
|--|--|--|
| Accounts receivable                                    | <b>1,069,833</b>                                     | 898,897                                      |
| Less: Impairment                                       | <b>(21,921)</b>                                      | (22,107)                                     |
|  | <b>1,047,912</b>                                     | 876,790                                      |
| An aged analysis of accounts receivable is as follows: |  |  |
| Current to 30 days                                     | <b>1,012,465</b>                                     | 864,208                                      |
| 31 to 60 days  | <b>22,059</b>  | 7,590  |
| 61 to 90 days  | <b>9,540</b>   | 314  |
| Over 90 days   | <b>25,769</b>  | 26,785                                       |
|  | <b>1,069,833</b>                                     | 898,897                                      |

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.

Included in the accounts receivable balance at the balance sheet date is a broker receivable amount due from a substantial beneficial shareholder of the Company, Shenyin & Wanguo Securities Co., Ltd. ("SWSC"), of HK\$13,025,299 (31 December 2006: HK\$8,304,972) which arose from securities dealing transactions. This balance is unsecured, interest-free and repayable on the settlement day of the relevant transactions.

## 10. LOANS AND ADVANCES

|                                  | <b>30 June<br/>2007<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2006<br>(Audited)<br>HK\$'000 |
|----------------------------------|--|--|
| Loans and advances to customers: |  |  |
| Secured                          | 2,736,239  | 349,692                                      |
| Unsecured                        | <u>2,212</u>   | <u>2,212</u>                                 |
|                                  | <b>2,738,451</b>                                     | 351,904                                      |
| Less: Impairment                 | <u>(13,173)</u>                                      | <u>(13,173)</u>                              |
|                                  | <b><u>2,725,278</u></b>                              | <b><u>338,731</u></b>                        |

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:

|                     |                         |                       |
|---------------------|-------------------------|-----------------------|
| Current to 30 days  | 2,127,575               | -                     |
| Repayable on demand | 597,549                 | 338,577               |
| Undated             | <u>13,327</u>           | <u>13,327</u>         |
|                     | <b><u>2,738,451</u></b> | <b><u>351,904</u></b> |

## 11. ACCOUNTS PAYABLE

An aged analysis of accounts payable is as follows:

|                    | <b>30 June<br/>2007<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2006<br>(Audited)<br>HK\$'000 |
|--------------------|--|--|
| Current to 30 days | <b><u>2,185,805</u></b>                              | <b><u>1,706,674</u></b>                      |

Included in the accounts payable balance at the balance sheet date is a broker payable amount due to a substantial beneficial shareholder of the Company, SWSC, of HK\$33,144,029 (31 December 2006: HK\$11,468,709) 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 at the balance sheet date is segregated client money held on behalf of another substantial beneficial shareholder, Shenyin Wanguo (H.K.) Holdings Limited, of HK\$20,046,647 (31 December 2006: HK\$23,439,627) which also arose from securities dealing transactions. This balance is unsecured, bears interest at bank deposit savings rate per annum and is payable on request.



## **12. COMPARATIVE AMOUNTS**

Certain comparative amounts have been reclassified and restated to comply with the new and revised requirements of HKFRSs and conform with the current period's presentation and accounting treatment.

## **13. REVIEW OF ACCOUNTS**

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2007.

## **INTERIM DIVIDEND**

The Board of Directors has declared an interim dividend of HK3 cents (2006: HK2 cents) per ordinary share for the six months ended 30 June 2007, to shareholders whose names appear on the register of members of the Company on 31 August 2007. The dividend will be payable on or about 7 September 2007.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 28 August 2007, Tuesday to 31 August 2007, Friday, both days inclusive, during which period no transfers of shares of the Company will be registered. In order to qualify for interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars, Tricor Tengis Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on 27 August 2007, Monday.

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

### **Market Review**

During the first half of 2007, the PRC economy remained on a steady yet rapid growth track. According to the latest report of the National Bureau of Statistics, gross domestic product (GDP) recorded a year-on-year increase of 11.5% for the first half year, another double-digit growth for the past four and a half consecutive years. There is a general anticipation that the PRC economy will rank third in the world, in place of Germany, in terms of GDP by the end of this year. On the backdrop of a 130% increase in the Shanghai Composite Index last year, the PRC securities market maintained its momentum and amounted to 4280 points over the past six months, representing an increase of 60% from the beginning of the year. The booming economy of Chinese Mainland, coupled with a robust capital market, boosted the swift recovery of the Hong Kong economy and sustainable momentum of the securities market.

As benefited from the continuous growth of the PRC economy, the Hong Kong securities market traded actively. Stimulated by the Mainland's persistent bullish stock market and the implementation of the QDII policies during the first half of the year, the Hong Kong stock market was on an upward track after a minor adjustment in March. The Hang Seng Index surpassed the previous high of 20970 recorded in January and closed at a new high of over 22000 points at the end of June. The soaring Hang Seng Index was supported by increased turnover. The Stock Exchange recorded an average daily turnover of HK\$58.7 billion between January and June this year, a rise of 74% as compared with the average daily turnover of HK\$33.7 billion last year.

## **Business Review**

In the first half of the year, the Group recorded an unaudited profit attributable to shareholders of HK\$87.13 million (2006: HK\$50.23 million), representing an increase of 73% over 2006 while the revenue of the Group increased approximately by HK\$128 million to HK\$284 million on a year-on-year basis (2006 restated: HK\$156 million).

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 the first half of the year, the Group, by leveraging on its throughout understanding of the PRC market, endeavoured to develop the market of institutional customers and local retail clients, and the progress was proved to be satisfactory. The revenue derived from brokerage business and market share increased significantly, the number of clients increased by 22%.

Shenyin Wanguo Capital (H.K.) Limited, a wholly-owned subsidiary of the Company, is mainly engaged in financial consultancy and underwriting. During the first half of 2007, nine financial consulting projects were completed by the subsidiary involving merger and acquisition of overseas companies, corporate reorganisation, compliance advisor and independent financial advisor, including Shanghai Tonva Petrochemical Co. Ltd., Xiamen International Port Co., Ltd., Skyfame Realty (Holdings) Limited and etc. In addition, Shenyin Wanguo Capital (H.K.) Limited also participated in the IPOs of China Properties Group Limited, Samling Global Limited, CITIC 1616 Holdings Limited, Ka Shui International Holdings Limited and etc.

All funds and segregated portfolios under management have recorded good performance given the favorable market environment as well as positive contribution from the asset allocation and stock picking skills of the investment management team. Fund size under management enlarges as driven by both capital appreciation and launching of new funds.

## **Looking Ahead**

At the beginning of 2007, the Hong Kong SAR Government published the reports and action agenda on "China's 11th Five-Year Plan and the Development of Hong Kong". In particular, the Report of the Financial Focus Group pointed out that since the PRC has already become one of the largest economies in the world and is still growing rapidly, it would be of significant strategic value for the PRC to have a world-class international financial centre. The report recommended Hong Kong to develop into the international financial centre of the PRC to enable more companies of Chinese Mainland to have their A-shares and H-shares listed simultaneously in Hong Kong. As such, Hong Kong can fully function as an international platform of Chinese Mainland's capital and play a more important role in assisting Chinese Mainland's continued reform and economic development. Currently, the Hong Kong SAR Government has embarked on the implementation of the relevant initiatives. It is anticipated that the Hong Kong securities market will maintain its growth momentum supported by the deepened connection between the Hong Kong and the PRC capital markets and the continued appreciation of RMB under the flourishing PRC economy.

On the other hand, the inflation rate of the Mainland amounted to 4.4% in June, indicating an overheated economy and stricter austerity measures may be introduced in the second half of the year by the central government of the PRC. The current oil price hike and the dampened US economy may have adverse impacts on the Hong Kong securities market in the second half of the year.

With the market evolving under the development described above, the Group will strive to explore both the domestic and international markets by leveraging on its satisfactory track record in the first half of the year as well as adhering to its operation philosophy of having Chinese Mainland as the hinterland and Hong Kong as the stepping stone for a prosperous global outlook. The Group will also make full use of its competitive edges in the PRC and Hong Kong markets for an expansion of domestic institutional and retail clients business and increased market share. With the support of its parent company in the PRC, the Group will seek the opportunities arising from the launch of the QDII policies for the expansion of its brokerage business to the local institutional investors market. The Group's overseas fund markets will grow further under its continuous reinforcement of the asset management business. It will also put more effort in improving its business such as sponsoring the listing of the PRC enterprises in Hong Kong, margin financing and financial consultancy services. In pursuit of business expansion and increased operating revenue, the Group will take a prudent approach in its proprietary trading and the provision of margin financing to clients and will tighten up its risk management during the second half of the year.

## **Capital Structure**

During the period, there was no change to the share capital of the Company. As at 30 June 2007, the total number of the issued ordinary shares was 530,759,126 shares and total equity attributable to shareholders was HK\$995 million.

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

As at 30 June 2007, the Group had a cash holding of HK\$187 million and short-term marketable securities of HK\$50 million. As at 30 June 2007, the Group's total unutilised banking facilities amounted to HK\$266 million, of which HK\$234 million could be drawn down without the need of notice nor completion of condition precedent.

As at 30 June 2007, the Group had outstanding short-term bank loan amounting to HK\$2,236.8 million. The liquidity ratio (current assets to current liabilities) and gearing ratio (borrowings to net asset value) as at 30 June 2007 were 1.13 and 2.25 respectively.

The Group has sufficient financial resources for its day to day operations as well as spare capacity to take advantage of any investment opportunities when they arise.

## **Significant Investment Held, Material Acquisition and Disposal**

During the period, the Group continued to derive a stable earnings stream from its 26.19% interest in The New China Hong Kong Highway Limited ("NCHK"), which in turn held a 60% interest in Sichuan Chengmian Expressway Co., Ltd. ("SCECL"). In accordance with the terms of the joint venture agreement, from 22 December 2003 to 21 December 2008, NCHK is entitled to 60% of the net profit generated by SCECL which are derived from the financial statements of SCECL. The interests in associates had a carrying value of HK\$102 million as at 30 June 2007.

At the balance sheet date, the Group held 1,988,604,181 non-voting convertible redeemable preference shares ("Preference Shares") in Century City International Holdings Limited ("CCIH"). The Preference Shares may be converted into fully paid CCIH ordinary shares on the basis of one CCIH ordinary share for one Preference Share. The Preference Shares can be converted into fully paid CCIH ordinary shares during the period from 15 December 2007 to 15 December 2009 by batches, whereas CCIH has the right to redeem any or all Preference Shares at HK\$0.15 per Preference Share. The Preference Shares are stated at the fair value of HK\$244 million as at 30 June 2007.

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

## **Charges on the Group's Asset**

The Group's interest in associates has been pledged to a bank as security for a stand-by short-term loan facility. As at 30 June 2007, the Group did not utilise this stand-by loan facility.

## **Risk Management**

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

The management closely monitors the market condition so that precautionary measures will be taken to eliminate any risk that the Group may encounter. As at 30 June 2007, the advances to customers included direct loans and margin financing, amounting to HK\$2,127 million (31 December 2006: Nil) and HK\$611 million (31 December 2006: HK\$351.9 million) respectively. The direct loans were short-term borrowings and the whole amount was collected in early July 2007. Of which, 7% (31 December 2006: 9%) of the total advances were attributable to corporate customers, whilst the rest was attributable to individual customers.

## **Exposure to Fluctuations in Exchange Rates and Any Related Hedges**

The Group's exposure to fluctuations in exchange rates arises from its dealings in overseas share markets. Such dealings are entered into on behalf of clients of the Group and accounted for a small portion of the Group's revenue. A material portion of such overseas transactions is denominated in United States dollars. The pegged exchange rate between United States dollars and Hong Kong dollars kept the Group's exchange risk exposure to a minimum and thus, no hedging was required. Exchange gains and/or losses are dealt with in the income statement. The Group closely monitors its foreign currency positions and takes necessary measures if the situations so justify.

## **Contingent Liabilities**

There were no material contingent liabilities as at 30 June 2007.

## **Future Plans for Material Investments or Capital Assets**

Except the future plans as disclosed in the paragraph of "Looking Ahead", the Group had no other future plans for material investments or capital assets as at 30 June 2007.

## **Employees and Training**

As at 30 June 2007, the total number of full-time employees was 142 (2006: 122). The total staff costs for the period (excluding directors' fees) amounted to approximately HK\$54.48 million.

The Group is committed to professional training for its employees. In compliance with the relevant requirement of the Securities & Futures Commission, the Group will organize a Continuous Professional Training seminar in September 2007 for all licensed staff members.

## **PURCHASE, REDEMPTION AND SALE OF LISTED SHARES**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed shares during the period.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

To better the Company's transparency and accountability to the shareholders, the Company is, so far as practicable, committed to maintaining high standard of corporate governance. Save for the deviation from the Code Provision A.4.1 which is explained as below, the Company has met all the code provisions stipulated in Appendix 14, Code on Corporate Governance Practices (the "Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 June 2007.

Code A.4.1 specifies that non-executive directors should be appointed for a specific term, subject to re-election. Even though non-executive directors are not appointed for specific terms, each director must be subject to retirement by rotation at least once every three years. The Company is of the opinion that it conforms with the spirit of the Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" ("Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Based on replies from the Company's directors on specific enquiry, all the directors have complied with required standard set out in the Model Code throughout the period.

## **AUDIT COMMITTEE**

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This results announcement is required to be published on the website of Hong Kong Exchanges and Clearing Limited ("HKEx") at [www.hkex.com.hk](http://www.hkex.com.hk) under "Latest Listed Company Information" and on the Company's website at [www.sywg.com.hk](http://www.sywg.com.hk). The interim report of the Company will be dispatched to the shareholders and will be available on the websites of HKEx and the Company in due course.

## **DIRECTORS**

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

By Order of the Board  
**Feng Guorong**  
*Chairman*

Hong Kong, 3 August 2007