**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)**

# FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

## RESULTS

The board of directors (the "Board") of Shenyin Wanguo (H.K.) Limited (the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 together with comparative figures for the previous financial year as follows:

## CONSOLIDATED INCOME STATEMENT

| | *Notes* | **2010** **HK$** | 2009 HK$ (Restated) |
|---|---|---|---|
| REVENUE | *4* | **513,699,858** | 355,242,738 |
| Commission expenses | | **(94,535,231)** | (91,920,767) |
| Employee benefit expenses | | **(118,437,426)** | (85,979,793) |
| Depreciation expenses | | **(4,174,939)** | (6,194,059) |
| Interest expenses for financial services operations | | **(1,149,424)** | (352,328) |
| Fair value gains on available-for-sale investments | | **-** | 8,874,201 |
| Fair value gain on an unlisted financial instrument at fair value through profit or loss | | **-** | 825,270 |
| Impairment of an available-for-sale investment | | **(1,641,540)** | - |
| Other gains | | **1,481,256** | 1,319,074 |
| Other expenses, net | | **(92,682,335)** | (95,964,317) |
| PROFIT BEFORE TAX | *5* | **202,560,219** | 85,850,019 |
| Income tax expense | *6* | **(11,597,862)** | (11,720,185) |
| PROFIT FOR THE YEAR | | **190,962,357** | 74,129,834 |
| Attributable to: | | | |
| Owners of the Company | | **190,976,711** | 74,875,249 |
| Non-controlling interests | | **(14,354)** | (745,415) |
| | | **190,962,357** | 74,129,834 |
| DIVIDENDS | *7* | **53,075,912** | 15,922,774 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | *8* | | |
| Basic and diluted | | **HK35.98 cents** | HK14.11 cents |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| | **2010** | 2009 |
|---|---|---|
| | ***HK$*** | *HK$* |
| PROFIT FOR THE YEAR | **190,962,357** | 74,129,834 |
| OTHER COMPREHENSIVE INCOME | | |
| Available-for-sale investments: | | |
| Change in fair value | **(198,192)** | 10,540,388 |
| Transfer of losses/(gains) to the consolidated income statement | | |
| - gain on disposal | **-** | (8,874,201) |
| - impairment losses | **1,641,540** | - |
| Income tax effect | **66,030** | (66,030) |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | **1,509,378** | 1,600,157 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | **192,471,735** | 75,729,991 |
| Attributable to: | | |
| Owners of the Company | **192,486,089** | 76,475,406 |
| Non-controlling interests | **(14,354)** | (745,415) |
| | **192,471,735** | 75,729,991 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| | *Notes* | **31 December 2010** *HK$* | 31 December 2009 *HK$* (Restated) | 1 January 2009 *HK$* (Restated) |
|---|---|---|---|---|
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | | **9,633,833** | 8,814,261 | 10,916,313 |
| Stock and Futures Exchange trading rights | | **4,211,831** | 4,211,831 | 4,211,831 |
| Other assets | | **12,692,220** | 11,920,307 | 9,497,048 |
| Goodwill | | **-** | 57,632,404 | 57,632,404 |
| Financial instruments | *9* | **12,820,657** | 135,093,358 | 156,929,503 |
| Deferred tax assets | | **1,960,700** | 2,442,770 | 3,036,770 |
| Total non-current assets | | **41,319,241** | 220,114,931 | 242,223,869 |
| | | | | |
| CURRENT ASSETS | | | | |
| Investments at fair value through profit or loss | | **145,709,361** | 177,837,092 | 65,813,019 |
| Accounts receivable | *10* | **534,953,817** | 624,146,678 | 183,657,637 |
| Loans and advances | | **885,172,114** | 685,695,396 | 191,158,701 |
| Prepayments, deposits and other receivables | | **15,167,792** | 10,828,354 | 7,868,888 |
| Tax recoverable | | **53,758** | 368,549 | 8,739,296 |
| Bank balances held on behalf of customers | | **1,906,405,768** | 1,939,341,239 | 1,355,956,147 |
| Cash and cash equivalents | | **123,999,012** | 85,054,776 | 500,302,699 |
| Total current assets | | **3,611,461,622** | 3,523,272,084 | 2,313,496,387 |
| | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | *11* | **2,312,439,777** | 2,508,232,995 | 1,503,625,709 |
| Other payables and accruals | | **100,198,989** | 71,386,274 | 64,037,261 |
| Interest-bearing bank borrowings | | **62,491,770** | 134,290,445 | - |
| Tax payable | | **7,689,293** | 7,480,043 | 35,906,252 |
| Total current liabilities | | **2,482,819,829** | 2,721,389,757 | 1,603,569,222 |
| | | | | |
| NET CURRENT ASSETS | | **1,128,641,793** | 801,882,327 | 709,927,165 |
| | | | | |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **1,169,961,034** | 1,021,997,258 | 952,151,034 |
| | | | | |
| NON-CURRENT LIABILITIES | | | | |
| Deferred tax liabilities | | **-** | 66,030 | - |
| Other payables | | **-** | 6,871,385 | 2,206,000 |
| Total non-current liabilities | | **-** | 6,937,415 | 2,206,000 |
| | | | | |
| Net assets | | **1,169,961,034** | 1,015,059,843 | 949,945,034 |
| | | | | |
| EQUITY | | | | |
| **Equity attributable to owners of the Company** | | | | |
| Issued capital | | **265,379,563** | 265,379,563 | 265,379,563 |
| Reserves | | **854,193,748** | 736,431,341 | 675,878,709 |
| Proposed dividends | *7* | **47,768,321** | 10,615,183 | 5,307,591 |
| | | **1,167,341,632** | 1,012,426,087 | 946,565,863 |
| **Non-controlling interests** | | **2,619,402** | 2,633,756 | 3,379,171 |
| | | | | |
| Total equity | | **1,169,961,034** | 1,015,059,843 | 949,945,034 |

*NOTES:*

## 1. GENERAL INFORMATION

The Company 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.

The Group was involved in securities trading and investment holding, securities broking and dealing, securities financing and direct loans, and investment advisory services.

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

## 2. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance, and are in compliance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(A) Changes in accounting policy and disclosures

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

| | |
|---|---|
| HKFRS 1 (Revised) | *First-time Adoption of Hong Kong Financial Reporting Standards* |
| HKFRS 1 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* |
| HKFRS 2 Amendments | Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* |
| HKFRS 3 (Revised) | *Business Combinations* |
| HKAS 27 (Revised) | *Consolidated and Separate Financial Statements* |
| HKAS 39 Amendment | Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* |
| HK(IFRIC)-Int 17 | *Distributions of Non-cash Assets to Owners* |
| HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008 | Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary* |
| *Improvements to HKFRSs 2009* | Amendments to a number of HKFRSs issued in May 2009 |
| HK Interpretation 4 Amendment | Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* |
| HK Interpretation 5 | *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* |

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

Amendment to HK Interpretation 4 *Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009.* Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

The Group has reassessed its leases in Hong Kong, previously classified as operating leases, upon the adoption of the amendments. As substantially all the risks and rewards associated with the leases in Hong Kong have been transferred to the Group, the leases in Hong Kong have been reclassified from operating leases under "prepaid land lease payments" to finance leases under "property, plant and equipment". The corresponding amortisation has also been reclassified to depreciation. The effects of the above changes are summarised below:

| | 2010 HK$ | 2009 HK$ |
|---|---|---|
| *Consolidated income statement for the year ended 31 December* | | |
| Decrease in amortisation of prepaid land lease payments | **(40,950)** | (40,950) |
| Increase in depreciation of property, plant and equipment | **40,950** | 40,950 |
| | **-** | - |
| *Consolidated statement of financial position at 31 December* | | |
| Decrease in prepaid land lease payments, net | **(1,317,225)** | (1,358,175) |
| Decrease in prepayments, deposits and other receivables | **(40,950)** | (40,950) |
| Increase in property, plant and equipment, net | **1,358,175** | 1,399,125 |
| | **-** | - |
| *Consolidated statement of financial position at 1 January* | | |
| Decrease in prepaid land lease payments, net | | (1,399,125) |
| Decrease in prepayments, deposits and other receivables | | (40,950) |
| Increase in property, plant and equipment, net | | 1,440,075 |
| | | - |

Due to the retrospective application of the amendments which has resulted in the restatement of items in the consolidated statement of financial position, a consolidated statement of financial position as at 1 January 2009, and the related notes affected by the amendments have been presented in these financial statements.

(B) Issued but not yet effective HKFRSs

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 Amendment | Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2] |
| HKFRS 1 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4] |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4] |
| HKFRS 9 | *Financial Instruments* [6] |
| HKAS 12 Amendments | Amendments to HKAS 12 *Income Taxes* [5] |
| HKAS 24 (Revised) | *Related Party Disclosures* [3] |
| HKAS 32 Amendment | Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1] |
| HK(IFRIC)-Int 14 Amendments | Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3] |
| HK(IFRIC)-Int 19 | *Extinguishing Financial Liabilities with Equity Instruments* [2] |

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

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

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

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

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting, derecognition and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 12 Amendments concerned the determination of deferred tax on investment property measured at fair value. The aim of the amendments is to provide a practical solution for jurisdictions where entities currently find it difficult and subjective to determine the expected manner of recovery for investment property that is measured using the fair value model in HKAS 40 *Investment Property*. The Group expects to adopt HKAS 12 Amendments from 1 January 2012.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

*Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

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

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

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

(b) HKAS 1 *Presentation of Financial Statements:* Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

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

## 3. SEGMENT INFORMATION

An analysis of the Group's reportable segment results before tax for the year is as follows:

| | Securities trading and investment holding *HK$* | Securities broking and dealing *HK$* | Securities financing and direct loans *HK$* | Investment advisory services *HK$* | Total *HK$* |
|---|---|---|---|---|---|
| **Year ended 31 December 2010** | | | | | |
| **Segment revenue from external customers** | **125,006,292** | **297,207,121** | **62,062,018** | **29,424,427** | **513,699,858** |
| **Segment results and profit before tax** | **115,554,569** | **36,006,750** | **47,391,432** | **3,607,468** | **202,560,219** |

| | Securities trading and investment holding *HK$* | Securities broking and dealing *HK$* | Securities financing and direct loans *HK$* | Investment advisory services *HK$* | Total *HK$* |
|---|---|---|---|---|---|
| Year ended 31 December 2009 | | | | | |
| Segment revenue from external customers | 39,494,145 | 262,273,001 | 41,800,670 | 11,674,922 | 355,242,738 |
| Segment results and profit before tax | 26,690,479 | 36,096,860 | 31,783,049 | (8,720,369) | 85,850,019 |

The Group's revenue from external customers by geographical segments is as follows:

| | **2010** *HK$* | 2009 *HK$* |
|---|---|---|
| Hong Kong | **504,075,231** | 344,939,703 |
| Mainland China | **8,230,509** | 9,427,503 |
| Other countries | **1,394,118** | 875,532 |
| | **513,699,858** | 355,242,738 |

## 4. REVENUE

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

| | **2010** *HK$* | 2009 *HK$* |
|---|---|---|
| Financial services: | | |
| Commission and brokerage income | **306,098,292** | 260,593,055 |
| Interest income from securities financing and direct loans | **62,047,852** | 41,788,000 |
| Net fair value gains on securities and futures contracts trading | **4,091,623** | 38,392,879 |
| Income from the rendering of services | **13,918,003** | 8,157,898 |
| | **386,155,770** | 348,931,832 |
| Others: | | |
| Gain on disposal of an available-for-sale investment | **119,697,916** | - |
| Bank interest income | **7,085,895** | 5,385,990 |
| Dividend income from: | | |
| Listed available-for-sale equity investments | **89,912** | 91,492 |
| Listed equity investments at fair value through profit or loss | **567,205** | 729,918 |
| Others | **103,160** | 103,506 |
| | **127,544,088** | 6,310,906 |
| | **513,699,858** | 355,242,738 |

## 5. PROFIT BEFORE TAX

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

| | **2010** | 2009 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Interest expenses for financial services operations on bank loans and overdrafts wholly repayable within five years | **1,149,424** | 352,328 |
| Minimum lease payments under operating leases in respect of land and buildings | **25,274,029** | 25,605,982 |
| Net realised gains on trading of listed equity investments and futures contracts | **(4,418,460)** | (9,545,209) |

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates.

| | **2010** | 2009 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Current – Hong Kong | | |
| Charge for the year | **11,699,576** | 11,412,480 |
| Underprovision in prior years | **-** | 3,393 |
| Overprovision in prior years | **(629,896)** | (289,688) |
| Current – Mainland China | **46,112** | - |
| Deferred | **482,070** | 594,000 |
| Total tax charge for the year | **11,597,862** | 11,720,185 |

## 7. DIVIDENDS

| | **2010** | 2009 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Interim – HK1 cent (2009: HK1 cent) per ordinary share | **5,307,591** | 5,307,591 |
| Proposed final – HK2 cents (2009: HK2 cents) per ordinary share | **10,615,183** | 10,615,183 |
| Proposed special – HK7 cents (2009: Nil) per ordinary share | **37,153,138** | - |
| | **53,075,912** | 15,922,774 |

The proposed final and special dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$190,976,711 (2009: HK$74,875,249) and the weighted average number of ordinary shares of 530,759,126 (2009: 530,759,126) in issue during the year.

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

## 9. FINANCIAL INSTRUMENTS

| | **2010** *HK$* | 2009 *HK$* |
|---|---|---|
| Available-for-sale investments, at fair value: | | |
| Listed equity investments in Hong Kong | **3,482,937** | 4,563,848 |
| Unlisted equity investment | **6,867,720** | - |
| Unlisted club debentures | **2,470,000** | 2,470,000 |
| | **12,820,657** | 7,033,848 |
| Available-for-sale investment, at cost: | | |
| Unlisted equity investment # | **-** | 128,059,510 |
| | **12,820,657** | 135,093,358 |

\# During the year ended 31 December 2010, the Group disposed of its entire equity interest in The New China Hong Kong Highway Limited ("NCHK") for a total consideration of HK$284,206,560. Taking into account the carrying amount of the Group's investment in NCHK, the goodwill arising from the acquisition of NCHK in a prior year of HK$57,632,404, the relevant exchange fluctuation reserve of HK$21,647,770 generated prior to the disposal and the legal expenses incurred thereof, a gain on disposal of HK$119,697,916 was credited to the consolidated income statement during the year ended 31 December 2010.

As at 31 December 2009, the carrying amount of this unlisted equity investment of HK$128,059,510 was stated at cost because the range of reasonable fair value estimates was so significant that the directors were of the opinion that its fair value could not be measured reliably.

## 10. ACCOUNTS RECEIVABLE

| | **2010** *HK$* | 2009 *HK$* |
|---|---|---|
| Accounts receivable | **556,723,700** | 646,067,497 |
| Less: Impairment | **(21,769,883)** | (21,920,819) |
| | **534,953,817** | 624,146,678 |

Save for the credit period allowed by the Group, the accounts receivable shall be due on the settlement day of the respective securities and futures contracts transactions. In view of the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Overdue accounts receivable from cash clients of HK$111,601,702 (2009: HK$79,199,057) bear interest at interest rates with reference to the prime rate (2009: with reference to the prime rate).

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

| | **2010** | 2009 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Within 1 month | **496,857,793** | 607,473,618 |
| 1 to 2 months | **17,931,926** | 8,284,129 |
| 2 to 3 months | **7,591,899** | 2,597,441 |
| Over 3 months | **34,342,082** | 27,712,309 |
| | **556,723,700** | 646,067,497 |

Included in the accounts receivable balance as at 31 December 2010 is a broker receivable amount due from the ultimate holding company of HK$19,332,429 (2009: HK$5,955,027) which arose from securities dealing transactions. This balance is unsecured, interest-free and repayable on the settlement day of the relevant transactions.

## 11. ACCOUNTS PAYABLE

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

| | **2010** | 2009 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Within 1 month | **2,312,439,777** | 2,508,232,995 |

Included in the accounts payable balance as at 31 December 2010 was a broker payable amount due to the ultimate holding company of the Company of HK$35,205,996 (2009: HK$51,031,736) which arose from securities dealing transactions. This balance is unsecured, interest-free and payable on the settlement day of the relevant transactions.

Included in the accounts payable balance as at 31 December 2010 was the amount of segregated client money held on behalf of an intermediate holding company of the Company of HK$21,614,123 (2009: HK$16,847,778) which arose from securities dealing transactions. This balance is unsecured and bears interest at the bank deposit savings rate.

Except for the accounts payable to clients of HK$1,770,271,232 (2009: HK$1,825,906,934), which bear interest at the bank deposit savings rate per annum, the remaining accounts payable are non-interest-bearing.

## 12. COMPARATIVE AMOUNTS

As further explained in note 2 (A) above, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 January 2009 has been presented.

## DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK2 cents and a special dividend of HK7 cents per ordinary share in respect of 2010, to shareholders whose names appear on the register of members of the Company on 13 May 2011. The proposed dividends will be paid on or about 19 May 2011 subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 9 May 2011 to Friday, 13 May 2011, both days inclusive, during which period no transfers of shares of the Company will be registered. In order to qualify for the proposed final and special dividends, 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 Friday, 6 May 2011.

## MANAGEMENT DISCUSSION & ANALYSIS OF PERFORMANCE

## REVIEW OF MARKET IN 2010

In 2010, attributable to its stable and fast growth amidst the complicated domestic and international economic environment, the economy of Chinese Mainland was one of the economies to recover soonest from the financial crisis, which was primarily reflected in the increase in domestic consumption and demand, the steady growth of investments, the fast resumption of export trade etc. Since the second half of 2010, the Central Government has implemented a series of measures against matters including the real estate market bubbles and inflation, successfully steered the Chinese Mainland economy towards the direction anticipated under macro-economic controls and secured a healthy general growth momentum. In the current transitional period of industries restructuring, the uncertainties of the development of the Chinese Mainland economy have substantially increased and resulted in the fluctuation in both of the Chinese Mainland and Hong Kong stock markets in 2010.

With respect to the global environment, the world economy was already on the path to recovery in 2010, and the United States and Japan showed a stronger return. However, the sovereign debt crisis in certain European countries has hampered the recovery of the global economy. Major developed economies in the world were in severe situation with alarming public finance and high unemployment rate, while emerging market economies were also facing the challenges of capital inflow and the increasing pressure of inflation. Major financial markets have been volatile. Hang Seng Index in the Hong Kong stock market reached the bottom at 18,900 points in the middle of the year, and bounced back to its high at 25,000 points in the fourth quarter, fluctuated around 20,000 points for the year. The market recorded an average daily transaction volume of HK$68.6 billion, up 11% as compared to last year. As to the primary market, the initial public offerings in the Hong Kong Stock Exchange raised a tremendous HK$445 billion, ranking first in the world for the second consecutive year.

In 2010, the Group's businesses of brokerage, margin loans, investment banking and assets management sustained a promising growth. The net commission and service income from the securities broking and investment banking businesses increased by 27.4% from last year. Incomes from asset management fees rose by 29.6% as compared to last year. Leveraging on its abundant financial resources, the Group has enlarged the scale of its margin loans, thereby raising its net interest income by 45.2% as compared to last year. In 2010, the Group continued to expand its institutional sales and asset management businesses in nearby overseas markets, such as Japan, Korea and Taiwan, and achieved satisfactory progress. The institutional sales business of the Group grew significantly as compared to last year while the funds invested and managed by the Group have recorded satisfactory earnings. During the year, the Group has put much effort in sponsoring the listings of numerous Chinese Mainland companies in the Hong Kong stock market and offered all-round advisory services to listed state-owned enterprises. It has also participated in the underwriting of various international placings and initial public offerings, and has completed 18 financial advisory projects. In addition, the Group disposed of its shareholdings in The New China Hong Kong Highway Limited and recorded a gain of HK$119 million in 2010.

## REVIEW OF OPERATIONS

For the year ended 31 December 2010, the Group recorded a net profit attributable to shareholders of approximately HK$191 million, representing an increase of 155% over 2009. The turnover increased by 44.6% to approximately HK$513.7 million (2009: HK$355.2 million). The basic earnings per share increased by 155% to HK35.98 cents as compared to HK14.11 cents for last year.

### Securities Broking

The securities broking business of the Group focused on the stock and futures markets in Hong Kong as well as the B-share market in the Chinese Mainland. In 2010, market turnover was generally heavier than that of last year amid volatile Hang Seng Index. As compared to last year, both the commission income from and the market share of the Group's securities broking business attained growth with a notable revival in the transaction amount from institutional clients, while transactions from local retail investors were more active. Commission income from futures and options brokerage also increased as compared with that of last year. In 2010, the brokerage business of the Group recorded a revenue of HK$306.1 million, increased by 17.5% from HK$260.6 million for last year.

In respect of business expansion, during 2010, the Group made good progress in promoting sales to overseas institutional clients and expanding the local retail teams, which laid a solid foundation for future business development.

### Securities Financing

In 2010, with the impact of the financial crisis on the wane, the increase in total assets under custody for clients, the favorable market sentiment and a higher demand for margin loans from clients, coupled with the increase in new share issuance in the primary market, the average balance of margin loans from the Group had picked up month by month. For the year of 2010, the Group recorded an interest income of HK$69.13 million, representing a growth of 46.6% as compared to HK$47.17 million for 2009.

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

### Corporate Finance

Shenyin Wanguo Capital (H.K.) Limited ("Shenyin Wanguo Capital"), a wholly-owned subsidiary of the Company, is mainly engaged in financial consultancy and securities underwriting. Shenyin Wanguo Capital acted as the sponsor to a company which launched its initial public offering in December 2010 and the shares of which were successfully listed on the Main Board of the Hong Kong Stock Exchange in January 2011. Shenyin Wanguo Capital also participated in the underwriting of three new issues, as well as in a number of share placements. In addition, Shenyin Wanguo Capital acted as the compliance adviser for eight listed companies during the year. Shenyin Wanguo Capital also completed six financial advisory assignments in 2010.

### Securities Research

Our securities trading and broking businesses are supported by a securities research team of the Group. With the support of our parent company, which is one of the leading securities companies in Chinese Mainland, the Group has become a specialist in Chinese Mainland securities and produces regular reports on Chinese Mainland securities, also covering macroeconomics, market strategy as well as comments on individual Chinese Mainland companies listed on the Hong Kong, Shanghai and Shenzhen stock exchanges. The research team of the Group also produces detailed company analyses, which are circulated to our clients. During 2010, a total of 30 investment analysts from our parent company came to Hong Kong. They performed roadshows to meet with international clients in Hong Kong, and some joined our annual investment conference in Hong Kong. We believe that such visits are beneficial to the collaboration between our parent company and us on the research and investment banking fronts.

**Asset Management**

In 2010, series of fiscal and monetary tightening policies to curb mounting inflation and property price introduced by the Central Government resulted in stock markets of Chinese Mainland declining more than 14% and largely underperforming the world major indices as well as peer markets. As the asset management arm of the Group primarily manages fund invested in the Chinese Mainland stock markets, the performance of funds were negatively affected. However, the scale of assets under management for the period had increased considerably as the Group successfully launched the “Shenyin Wanguo – T&D China A Share Fund” and obtained substantial investment advisory mandate from an institutional investor in 2010. At the same time, the asset management arm of the Group plans to launch new funds and is actively seeking opportunities to work with institutions in Japan, Korea, Taiwan and Chinese Mainland in 2011.

In December 2010, Mr. Feng Guorong retired and resigned as chairman of the Board of the Group. During his term of service as the chairman of the Board of the Group, the Group was in the midst of adversity that came along with the restructuring, Mr. Feng Guorong devoted great effort and dedication to the healthy development of the Group. Under his leadership, the Board of the Group made a series of far-sighted and significant decisions, which put the Group back on the road towards aggressive, stable and sustainable development and, thus, realised positive operating results in successive years. On behalf of the Board of the Group and all staff, I hereby express heartfelt gratitude and pay sincere tribute to Mr. Feng Guorong for his contribution to the Group.

I would like to take this opportunity to thank all fellows of the Board and the staff of the Group for their dedication, loyalty and contribution, as well as the Group’s shareholders and customers for their trust and support throughout the year.

## CAPITAL STRUCTURE

During the year, there was no change to the share capital of the Company. As at 31 December 2010, the total number of the issued ordinary shares was 530,759,126 shares and total equity attributable to shareholders was HK$1,167 million.

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2010, the Group had a cash holding of HK$124 million and short-term marketable securities of HK$146 million. As at 31 December 2010, the Group’s total unutilised banking facilities amounted to HK$481 million, of which HK$192 million could be drawn down without the need of notice nor completion of condition precedent.

As at 31 December 2010, the Group had outstanding short-term bank borrowings amounting to HK$62 million. The liquidity ratio (current assets to current liabilities) and gearing ratio (borrowings to net asset value) as at 31 December 2010 were 1.45 and 0.05 respectively.

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

## SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL

During the year, the Group disposed 26.19% interest in The New China Hong Kong Highway Limited, which in turn held a 60% interest in Sichuan Chengmian Expressway Co., Ltd at a consideration of HK$284 million. The resulting gain on disposal of HK$119 million (after associated goodwill, revaluation reserve and transaction costs) was recognised in consolidated income statement.

Except the above disposal, the Group did not have any other material acquisition or disposal during the year.

## CHARGES ON THE GROUP'S ASSET

No asset of the Group was subject to any charge as at 31 December 2010.

## RISK MANAGEMENT

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

The management closely monitors the market condition so that precautionary measures will be taken to eliminate any risk that the Group may encounter. As at 31 December 2010, all advances to customers were margin financing and amounted to HK$898 million (2009: HK$699 million), of which 5% (2009: 4%) was attributable to corporate customers with the rest attributable to individual customers.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

## CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 December 2010.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Except the future plans as disclosed in the paragraph of "Future Plan & Prospects", the Group had no other future plans for material investments or capital assets as at 31 December 2010.

## EMPLOYEES AND TRAINING

As at 31 December 2010, the total number of full-time employees was 227 (2009: 189). The total staff costs for the year (excluding directors' fees) amounted to approximately HK$118 million.

The Group is committed to professional training for its employees. In compliance with the relevant requirement of the Securities and Futures Commission, the Group had organised a Continuous Professional Training seminar in August 2010 for all licensed staff members.

## FUTURE PLAN & PROSPECTS

It is widely anticipated that the global economy will be able to get out of the uncertainties brought by the sovereign debt crisis and continue to recover in 2011. Overall economic figures recently released by the United States exhibited that all the major economic indicators of the United States are improving, with a GDP growth of 3.2% in the fourth quarter. It is expected that consumption, housing and fixed asset investment and foreign trade will eventually show significant improvement. Due to the strong sign of economic recovery of the country, the stock market in the United States rallied. The economic recovery of developed countries led by the United States has a positive effect on the performance of and sentiment in the securities market in Hong Kong.

In respect of the economy, the Chinese Mainland achieved a GDP growth of 10.3% and replaced Japan as the second largest economy in the world in 2010. According to an analysis by Shanghai Shenyin Wanguo Research & Consulting Company Limited, the major force behind the significant increase in GDP in 2010 was the rapid rebound in export growth. The economy of the Chinese Mainland is expected to maintain a relatively high growth rate in year 2011, which marks the first year of the implementation of PRC's twelfth Five-Year Plan. Due to the threat of inflation, the Central Government focused its macro-control measures on suppressing consumer price hikes. It is foreseen that as more austerity measures such as tightening credit, increasing interest rate and raising deposit-reserve ratio will be announced in the first half of 2011, red chip and state-owned enterprises listed in Hong Kong will be under immense pressure. In general, the securities market in Hong Kong will probably continue to rally with occasional corrections in 2011.

In the coming year, the Group will take an active but pragmatic operating strategy in developing its securities broking business by aggressively expanding the institutional sales operation. It will recruit more institutional sales representatives with experience in the international market, step up system development and marketing and explore actively in the institutional client markets in neighboring countries and regions as well as Europe and the United States. The ultimate goal is to enhance the scale of economy and professional level of the institutional sales business of the Group. Meanwhile, the Group will also put enormous effort into the promotion and improvement of new products and services, such as expanding international bulk commodities trading and perfecting the internet trading platform, so as to offer a wider range of trading products and convenient services to local and Chinese Mainland retail investors, strengthen the Group's competitive advantages and enlarge its market share. In view of the accelerated internationalisation of the RMB and the possible implementation of the "mini-QFII" measure in the near future, the Group is now preparing to issue publicly offered fund products in order to take advantage of the "mini-QFII" scheme. In 2011, the Group has committed itself to increasing its investment in the asset management business, and will recruit additional professionals with a view to maintain its competitive strengths in the asset management market. In terms of the investment banking business, the Group will continue to develop its sponsoring business in initial public offerings, strengthen its placing operation and develop its direct investment business. It aims at enlarging the business scope, rationalising the revenue structure and improving the profitability of the investment banking business at the same time. While expanding various businesses, the Group will persist in reinforcing its risk management and corporate governance to ensure a healthy, sustainable and steady business growth.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 9:00 a.m. on Friday, 13 May 2011 at The Dragon Room, The Hong Kong Bankers Club at 43rd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting, which will be published and issued to the shareholders in due course.

## 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 for the year ended 31 December 2010.

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.

## REVIEW BY AUDIT COMMITTEE

The final results for the year ended 31 December 2010 of the Group have been reviewed by the audit committee.

## PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited ("HKEx") at http://www.hkexnews.hk and the Company's website at http://www.sywg.com.hk. The 2010 annual report will be dispatched to the shareholders and will be available on websites of HKEx and the Company in due course.

On behalf of the Board
**Chu Xiaoming**
*Chairman*

Hong Kong, 11 March 2011

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