2005

全力衝刺　再攀高峰

Reaching new height with full strength

Annual Report 年報

Shenyin Wanguo (H.K.) Limited

申銀萬國(香港)有限公司

(Stock Code 股份代號: 218)

Contents

DIRECTORS

Executive Directors

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

Non-executive Directors

Chang Pen Tsao
Qu Zihai (Resigned on 31 December 2005)
Huang Gang (Appointed on 31 December 2005)

Independent Non-executive Directors

Ng Wing Hang Patrick
Kwok Lam Kwong Larry
Zhuo Fumin

AUDIT COMMITTEE

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

COMPANY SECRETARY

Wong Che Keung, Leslie

PRINCIPAL BANKERS

Asia Commercial Bank Ltd
Bank of America (Asia) Ltd
Bank of China (Hong Kong) Ltd
Bank of Communications Co., Ltd. Hong Kong Branch
Dah Sing Bank Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Liu Chong Hing Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Hong Kong and
Shanghai Banking Corporation Limited

AUDITORS

Ernst & Young

SOLICITORS

Baker & McKenzie

REGISTERED OFFICE

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

SHARE REGISTRARS & TRANSFER OFFICE

Tengis Limited
Level 25, Three Pacific Place
1 Queen's Road East
Hong Kong

I have pleasure in presenting to the shareholders the annual report of Shenyin Wanguo (H.K.) Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2005.

RESULTS

For the year ended 31 December 2005, the Group recorded a net profit of approximately HK$26.9 million, representing an increase of 196.6% over 2004. The turnover dropped by 82.9% to HK$183 million approximately (2004: HK$1,067 million). The basic earnings per share increased by 196.6% to HK5.06 cents as compared to HK1.71 cents for the year 2004.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK1 cent per ordinary share in respect of 2005, to shareholders whose names appear on the register of members of the Company on 19 May 2006. The proposed dividend will be paid on or about 26 May 2006 subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

REVIEW OF MARKET IN 2005

Hong Kong economy maintained the momentum of development in 2005, which was evidenced by a 7.3% growth (2004: 8.6%) in Gross Domestic Product ("GDP"). Exports of goods and services displayed a remarkable growth, investments in fixed assets continued to increase, employment condition improved significantly and consumer confidence kept rebounding. According to the statistics of the Hong Kong SAR government, Hong Kong's nominal GDP for the last year has exceeded the peak in 1997 and was at a record high of HK$1,382.2 billion.

The continued growth of the PRC economy and staunch support to Hong Kong's policies from the Central Government have contributed to the recovery of the Hong Kong economy. In 2005, the GDP of the PRC was RMB182,300, increased by 9.9% from last year and the consumer price index went up by 1.8%. Total export and import trade generated US$1,420 billion, representing an increase of 23.2%. Foreign direct investment reached US$60.3 billion and the foreign exchange reserve totaled US$818.9 billion at the end of the year. Through the partial opening of the RMB related business to Hong Kong, further implementation of the CEPA and extension of the Individual Visit Scheme, the central government took concrete measures to promote the prosperous development of Hong Kong's financial, trade, tourism and commercial sectors.

Benefited from the continuous upturn of the overall economy, Hong Kong stock market traded actively in 2005. The Stock Exchange recorded an average daily turnover of HK$18.2 billion for the year, up 13.7% from last year. Following the listing of various large scale state-owned enterprises in Hong Kong, such as Shenhua Energy, Shanghai Electric, Bank of Communications, China COSCO Holdings and China Construction Bank, the Hong Kong stock market set a new record for IPO financing and the funds raised in the year amounted to HK$150 billion. As such, Hong Kong has become the most significant source for large scale state-owned enterprises in the PRC to seek for direct financing, and has surpassed Tokyo as Asia's largest and the world's third largest capital-raising market. According to the statistics of the Stock Exchange, the market capitalization of the stocks listed on the Stock Exchange as at the end of the 2005 amounted to HK$8,100 billion, an increase of 22.3% as compared with last year.

Although the securities industry of Hong Kong has been benefited from the overall improvement in market condition, local brokerage firms are facing different challenges. In particular, the growth of the market share of large international brokerage firms and Hong Kong local banks are entering into the securities retailing market, small and medium-sized brokerage firms are under enormous pressure from competitions and the Group's market share was reduced from last year.

REVIEW OF MARKET IN 2005 *(Cont'd)*

In spite of the fierce competition, the Group, by adjusting its business strategies and leveraging on its deep understanding of the PRC market, continued to improve its corporate governance and maintained a stringent cost control, thereby achieving sustained growth in corporate earnings and maximizing shareholders' value.

In view of the upward trend of the Hong Kong market's asset price, the influx of foreign capital and the improvement in the financial condition of local households and individuals, the Group has made satisfactory progress in business with its effort in developing the market for institutional customers and local retail clients. The Group further co-operated with the parent company in the scope of research and dedicated to improve its services with a focus on the provision of professional consultancy services for customers investing in red-chip China enterprises stock. We also aimed at proposing PRC Mainland enterprises for listing in Hong Kong and providing consultancy services for listed state-owned enterprises and such businesses have achieved substantial progress.

The Group has reinforced its corporate governance structure and has enforced the regulations laid down in the Company's Articles of Association. We have implemented new authorization system to reinforce internal control and legal compliance, which enhanced our efficiency in decision-making and our capability in risk control, and thereby laying a solid foundation for the system and long-term development of the Group.

FUTURE PLAN & PROSPECTS

Looking forward, the annual GDP growth rate of the PRC in 2006 is expected to reach 8.0% and the annual average economic growth target for the next five years is set at 7.5% as mentioned by Premier Wen Jiabao in his Government Work Report presented in the 4th Conference of the 10th National People's Congress. In the Draft Outlines of 11th Five-Year Plan (十一五規劃綱要), Premier Wan expressed their support for Hong Kong to maintain its status as an international financial centre, trade and transport hub and stated that the CEPA between the PRC Mainland and Hong Kong and the Individual Visit Scheme will be further developed. It is anticipated that the continuous development of the PRC economy, and with the support of the government policies, will add impetus to the future growth of the Hong Kong economy.

It is also stated in the 2006 Policy Address of the Hong Kong SAR Government, by leveraging on the unique edge of having PRC Mainland as the hinterland and the global outlook and synchronizing in tandem with the pace of financial reform on the PRC Mainland, the financial and securities sector of Hong Kong shall proactively expand the RMB related businesses, improve Hong Kong's investment platform for qualified domestic investors, increase the scale of bond issuance for PRC Mainland enterprises in Hong Kong and reduce the transaction levy on securities, future and options contracts. The Hong Kong SAR Government is planning to take various measures to actively promote Hong Kong's brand name in financial services and provide an ideal platform for PRC Mainland funds and enterprises to reach out to the international market with our strengths in the stock and bond market and asset management businesses.

From the perspective of the nearby economic environments, even though the United States has weaseled out various adversities and maintained a steady growth in recent years, its heavy budget and trade deficit and the adjustment due to the surge in real estate price, as well as the issue of whether consumption can be supported by growing borrowings in the long run, have remained a deep concern of the global economy. The continuous growth in the economy of the eurozone and the recovery of the Japan economy from its long-time recession will be expected to benefit many other economic systems in Asia.

FUTURE PLAN & PROSPECTS *(Cont'd)*

On the other hand, the impact of high oil prices and consecutive interest rate hikes of the US Federal Reserve is likely to reveal further this year. Local private consumption and investment expenditure may be hit by relatively high interest rate and oil prices while financial markets may fluctuate due to the inflamed tension in some regions, could possibly dampen the overall sentiment in the Hong Kong market. As estimated by the Hong Kong SAR Government, our economy will continue to grow in 2006 and the GDP will have an increase of 4.5% as compared with 2005, which is slightly higher than the average growth rate for the last decade. Inflation will still be moderate and there is an expected rise of 2-3% in Composite Consumer Price Index.

In the coming year, the Group, as a Hong Kong-listed security brokerage firm with a PRC Mainland background, will pay close attention to the development of the PRC Mainland and Hong Kong economy and adopt active and prudent business strategies based on the prevailing market environment and industry competition. We dedicate to maximize our market share and explore our institutional customer and retailing businesses. We will also consolidate our businesses for the PRC Mainland market and improve our services of the listing of PRC Mainland enterprises in Hong Kong and the financing and financial consultancy businesses. While making huge effort in business expansion, the Group will, with the concept of "legal, compliance and disciplined" operation, strengthen our risk management, improve corporate governance and promote a corporate culture of progressive and active development. By capitalizing our unique advantages, the Group will be able to sustain a healthy and steady growth in business.

Finally, I would like to take this opportunity to thank Mr. Qu Zihai, who resigned as a director on 31 December 2005, for his valuable contribution during his past services with the Company, also to express our sincere gratitude to all members of the Board of Directors and all our staff for their dedication, loyalty and contribution during the year, as well as all our shareholders and customers for their trust and support over the past year.

Feng Guorong
Chairman

Hong Kong
31 March 2006

REVIEW OF OPERATIONS

Securities Trading and Broking

In 2005, Shenyin Wanguo Securities (H.K.) Limited ("SW Securities"), a wholly-owned subsidiary of the Company, continued to focus on its securities trading and broking businesses principally on the stocks listed on the Stock Exchange of Hong Kong as well as B shares listed on Shanghai and Shenzhen Stock Exchanges. The whole stockbroking sector improved because of the upturn of the Hong Kong economy that became evident in the second quarter of 2005 and extended into the second half of 2005. In such circumstances, SW Securities, a leading player of mainland stocks in Hong Kong, was capable of tapping the regenerated buying interest in China-related stocks in the second half of 2005 by capitalizing on its expertise and resources in this area. A number of marketing campaigns were organized in 2005 with a view to marketing mainland stocks to clients and market practitioners. The stockbroking business contributed to approximately HK$46.5 million to the Group's turnover in 2005 with the number of clients growing 13.6% for the year ended 31 December 2005.

Securities Financing

In 2005, the Group recorded interest income of approximately HK$28.3 million (2004: HK$27.4 million), an increase of 3.3%, mainly due to the higher deposit interest rate in the current year, the impact of which was partially offset by the reduction in average loan amount of securities financing. Just like past years, the Group will continue to exercise caution in the granting of securities financing packages to clients, carefully monitor its credit policy in this regard, perform regular reviews and assessments on individual cases on the basis of the gearing level, the portfolio contents and credit considerations relevant to the individual borrower.

Corporate Finance

Our corporate finance activities are carried out by Shenyin Wanguo Capital (H.K.) Limited ("SW Capital"), a wholly-owned subsidiary of the Company. In 2005, SW Capital acted as the sponsor to Shanghai Donghua Petrochemical Co., Ltd. for its listing on the Growth Enterprise Market of the Hong Kong Stock Exchange. It also actively participated in the underwriting of new issues, including that of Shanghai Electric Group Company Limited, Bank of Communications Co., Ltd., China Construction Bank Corporation, China COSCO Holdings Company Limited, Dongfeng Motor Group Company Limited, Xiamen International Port Co., Ltd. and The Link Real Estate Investment Trust. With regard to corporate advisory services, SW Capital was appointed as financial adviser to Shanghai Zendai Property Limited and Shanghai Qingpu Fire fighting Equipment Co., Ltd. Besides, SW Capital acted as independent financial adviser to China Eastern Airlines in relation to its very substantial acquisition of Yunnan Airlines and Northwest Airlines.

REVIEW OF OPERATIONS *(Cont'd)*

Securities Research

Our securities trading and broking businesses are supported by a securities research team. With the support of the Company's single largest shareholder, Shenyin & Wanguo Securities Co., Ltd. ("S&W"), which is one of the leading securities companies in China, our securities research team is a specialist in the securities market in China and produces regular reports on the securities market in China covering the macroeconomy, market strategy as well as comments on individual China-related enterprises listed on the Hong Kong, Shanghai and Shenzhen stock exchanges. Our research team also produces detailed company analyses from time to time and on an ad hoc basis, which are circulated to our clients. In 2005, a total of 20 investment analysts from S&W joined our exchange programs. They familiarised themselves with the local economy and stock market during their visits in Hong Kong. We believe that the exchange programs are beneficial to the collaboration between S&W and us on research and investment banking fronts.

Asset Management

We continue to develop the Japanese market and expand our product range. We have successfully launched, also in collaboration with Aizawa Securities, the Shenyin Wanguo-Aizawa Chinese Equities Prospective For Listing Fund. The Fund primarily invests in IPOs and pre-IPOs of Chinese companies, which is defined as 'companies with not less than 50% earnings and/or assets derived from/located in China', while no restriction is imposed on the listing domicile of the companies' equity.

Year 2005 saw a basically flat year for China stocks listed in Hong Kong but a significant turning point for the domestic A share market. With the successful implementation of the non-tradable share reform, interest of major and minority shareholders are being re-aligned and value would be easier to unlocked through merger and acquisition activities. Despite undertaking by the CSRC to gradually issue additional US$6 billion worth of new QFII quota, supply of quota remained extremely tight, which indicated strong demand for quality domestic, A share companies by foreign institutional investors.

CAPITAL STRUCTURE

During the year, there was no change to the share capital of the Company. As at 31 December 2005, the total number of the issued ordinary shares was 530,759,126 shares and total equity attributable to shareholders was HK$690 million.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2005, the Group had a cash holding of HK$114 million and short-term marketable securities of HK$40 million. As at 31 December 2005, the Group's total unutilised banking facilities amounted to HK$510 million, of which HK$122 million could be drawn down without the need of notice nor completion of condition precedent.

As at 31 December 2005, the Group had no outstanding borrowings and the liquidity ratio (current assets to current liabilities) was 1.5.

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 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$102.9 million as at 31 December 2005.

At the balance sheet date, the Group held 2,651,472,241 convertible non-voting redeemable preference shares of Century City International Holdings Limited ("CCIH") ("the Preference Shares"). 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, in stages starting from 15 December 2006, up to 15 December 2009. CCIH has the right to redeem all or part of the Preference Shares at the rate of HK$0.15 for every Preference Share. The Preference Shares are stated at the fair value of HK$186.2 million as at 31 December 2005.

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

CHARGES ON THE GROUP's ASSET

The Group's interests in associates has been pledged to a bank as security for a stand-by short-term loan facility. As at 31 December 2005, 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 minimize any risk that the Group may encounter. As at 31 December 2005, the advances to customers included direct loans of HK$0.03 million (2004: Nil) and margin financing of HK$146.99 million (2004: HK$156.82 million). All direct loans were advanced to individual borrowers. In respect of margin financing, 13% (2004: 24%) was attributable to corporate borrowers with the remaining attributable to individual borrowers.

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 turnover. A material portion of such overseas transactions is denominated in United States dollars. The pegged exchange rate between USD and HKD 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 profit and loss account. 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 31 December 2005.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Except the future plans as disclosed in the paragraph of "Future Plan & Prospects" in the Chairman's Statement, the Group had no other future plans for material investments or capital assets as at 31 December 2005.

EMPLOYEES AND TRAINING

As at 31 December 2005, the total number of full-time employees was 119. The total staff costs for the year (excluding directors' fees) amounted to approximately HK$42.3 million.

The Group is committed to professional training for its employees. In compliance with the relevant requirement of the Securities & Futures Commission, the Group had organised a Continuous Professional Training seminar in September 2005 for all licensed staff members.

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 deviations from Code Provisions A.4.1 and A.4.2 which are explained in the following relevant paragraphs, the Company has met all the code provisions stipulated in Appendix 14 Code on Corporate Governance Practices (the "Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the financial year ended 31st December, 2005.

CORPORATE GOVERNANCE PRINCIPLES AND SHENYIN WANGUO'S PRACTICES:

A.1 The Board of Directors

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

Four board meetings were held in the financial year ended 31 December 2005. The following is the attendance record of the meetings:–

Name of Directors	**Number of meetings attended**	**Attendance Rate**
Executive Directors		
Feng Guorong *(Chairman)*	4	100%
Lu Wenqing	4	100%
Lee Man Chun Tony *(Chief Executive Officer)*	4	100%
Guo Chun	4	100%
Ying Niankang	4	100%
Non-executive Directors		
Chang Pen Tsao *(by attorney Mr. Yeh Wei Kuo)*	4	100%
Qu Zihai *(resigned on 31 December 2005)*	4	100%
Huang Gang *(appointed on 31 December 2005)*	N/A	N/A
Independent Non-executive Directors		
Ng Wing Hang Patrick	3	75%
Kwok Lam Kwong Larry	3	75%
Zhuo Fumin	4	100%

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

Notice of at least 14 days are given of a regular board meeting to give all directors an opportunity to attend.

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

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

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

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

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

A.2 Chairman and Chief Executive Officer

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

To ensure a balance of power and authority, the role of Chairman is separate from that of Chief Executive Officer. Mr. Feng Guorong presently acts as the Chairman and Mr. Lee Man Chun Tony acts as the Chief Executive Officer.

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

The Chairman shall ensure that all directors are properly briefed on issues arising at board meetings.

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

A.3 Board Composition

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

During the financial year, the board of the Company is composed of 10 directors – 5 executive directors, 2 non-executive directors and 3 independent non-executive directors. Their names and titles are set out below:–

Executive Directors

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

Non-executive Directors

Chang Pen Tsao
Qu Zihai *(Resigned on 31 December 2005)*
Huang Gang *(Appointed on 31 December 2005)*

Independent Non-executive Directors

Ng Wing Hang Patrick
Kwok Lam Kwong Larry
Zhuo Fumin

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

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

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

Code Provision A.4.1 specifies that non-executive directors should be appointed for a specific term, subject to re-election.

Code Provision A.4.2 specifies that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Directors of the Company do not have a specific term of appointment. However, in accordance with the existing Article 104(A) of the Articles of Association of the Company, at each Annual General Meeting, one-third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office.

In accordance with the existing Article 95 of the Articles of Association of the Company, any director appointed by the board to fill a casual vacancy or as an addition to the board shall hold office only until the next annual general meeting and shall be eligible for re-election.

In order to ensure full compliance with Code Provisions A.4.1 and A.4.2, a special resolution will be proposed to amend the relevant Articles of Association of the Company at the forthcoming Annual General Meeting so that every director appointed by the board during the year shall retire at the next general meeting. Also, every director shall be subject to retirement at least once every three years.

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

A.5 Responsibilities of Directors

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

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

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

Each director is aware that he should give sufficient time and attention to the affairs of the Company. Before accepting his appointment as a director, Mr. Huang Gang was also noted that he should not accept the appointment if he could not do so. Directors have satisfactory attendance rates at both board meetings and committee meetings.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as its own code of conduct for dealings in securities of the Company by the directors or relevant employees as defined in the Model Code. The Company has made specific enquiry of all directors. According to their replies, all the directors have complied with the required standard set out in the Model Code during the financial year ended 31 December 2005. The Company has also complied with the other required standard stipulated in the Model Code.

A.6 Supply of and Access to Information

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

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

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

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

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

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

The Remuneration Committee of the Company was established in April 2005. The functions of the Remuneration Committee are mainly to review and make recommendations to the Board on the Company's policy and structure for all remunerations of directors and senior management. The terms of reference of the Remuneration Committee include the specific duties set out in Code Provision B1.3(a) to (f) of the Code, with appropriate modifications where necessary. Details of terms of reference of the Remuneration Committee are published in the Company's website.

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

The Remuneration Committee held one meeting in the financial year ended 31 December 2005. The following is an attendance record of the meeting held by the Remuneration Committee for the financial year:–

Name of Committee Members	Number of Meetings attended	Attendance Rate
Kwok Lam Kwong Larry *(Chairman)*	1	100%
Ng Wing Hang Patrick	1	100%
Zhuo Fumin	0	0%

During the financial year, the Remuneration Committee reviewed and considered the remuneration policy and packages of the directors and senior management of the Group. Also, the summary of Group's provident fund scheme was reviewed and considered. No director of the Company was involved in determining his own remuneration package. The Committee was satisfied with the current remuneration policy and packages of the Group.

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

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

C.1 Financial Reporting

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

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

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

A statement by the auditors about their reporting responsibilities is included in the Report of the Auditors on page 30.

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

C.2 Internal Controls

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

The Internal Audit Department is charged with the responsibilities to evaluate whether there are sound and effective internal controls in place to safeguard the shareholders' investment and the Company's assets. Such evaluation covers all material controls, including financial, operational and compliance controls and risk management functions. Internal Audit Department has reported twice during the year on significant findings on internal controls to the Audit Committee, which in turn has reported to the boards.

C.3 Audit Committee

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

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

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

The Audit Committee held two meetings in the financial year ended 31 December 2005. The following is an attendance record of the meeting held by the Audit Committee for the financial year:–

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

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

(1) reviewing the financial statements and the auditors' report before their submission to the board;
(2) reviewing the results of the audit on the Company's system of internal controls;
(3) reviewing the results of the audit on the connected or continuing connected parties transactions; and
(4) nominating external auditors for reappointments and approve the remuneration and terms of engagement of external auditors;

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

The board agrees with the Audit Committee's proposal for the re-appointment of Messrs. Ernst & Young as the Company's external auditor for 2006. The recommendation will be put forward for the approval of shareholders at the forthcoming Annual General Meeting .

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

The Company's Audit Committee does not have a former partner of the Company's existing auditing firm.

During the financial year ended 31 December 2005, the amount of remuneration paid to the Auditors, Messrs Ernst & Young was as below:–

Nature of Services	***HK$'000***
Audit services with recoverable expenses	990
Tax advisory services	156
Other advisory services	20
	1,166

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

D.1 Management Functions

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

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

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

Matters reserved to be approved by the board include:

(1) Appointment of directors;
(2) Business plans of the Company;
(3) Proposal for selection of external auditors;
(4) Financial statements and budgets;
(5) Substantial investments in assets other than those arising in the ordinary course of Company's businesses; and
(6) Formation of board committees.

D.2 Board Committees

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

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

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

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

E.1 Effective Communication

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

At the Annual General Meeting held in 2005, a separate resolution was proposed by the Chairman in respect of each substantially separate issue.

The chairman of the board, the Audit Committee and Remuneration Committee respectively attended the Annual General Meeting held in 2005 to answer questions of shareholders.

E.2 Voting By Poll

Principle: The issuer should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Exchange Listing Rules and the constitutional documents of the issuer.

The procedures for and rights of shareholders to demand a poll by the shareholders were disclosed in the circular to shareholders in respect of the Annual General Meeting held in 2005. The Chairman explained the procedure for demanding the poll at the commencement of that meeting. At the Annual General Meeting held in 2005, no poll was required and all resolutions were resolved by show of hands.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company consists of investment holding. Details of the principal activities of the principal subsidiaries and the associates are set out in notes 19 and 20, respectively, to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 31 to 91.

The directors recommend the payment of a final dividend of HK1 cent per ordinary share in respect of the year to shareholders on the register of members on 19 May 2006. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. The amounts for each year in the five year financial summary have been adjusted for the effects of the retrospective changes in accounting policies, as detailed in note 2.2 to the financial statements.

	Year ended 31 December				
	2005	2004	2003	2002	2001
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
		(Restated)	(Restated)	(Restated)	(Restated)
RESULTS					
REVENUE	**182,549,570**	1,067,193,097	589,505,339	247,418,435	368,685,498
Other income and gains	**144,607**	417,353	534,216	19,757,148	1,051,522
Cost of trading securities sold	**(97,279,597)**	(961,544,597)	(466,435,173)	(143,273,322)	(246,217,375)
Employee benefits expenses	**(42,651,283)**	(44,000,984)	(45,175,337)	(51,125,946)	(49,983,857)
Depreciation and amortisation expenses	**(2,028,359)**	(8,181,734)	(10,368,225)	(13,538,658)	(13,671,046)
Interest expenses for financial services operations	**(954,361)**	(1,680,833)	(4,893,127)	(9,939,030)	(19,462,220)
Fair value gains/(losses) on listed equity investments at fair value through profit or loss	**(3,837,822)**	(10,958,401)	(17,825,590)	(4,053,400)	3,135,403
Fair value gain on an unlisted financial instrument at fair value through profit or loss	**10,806,166**	–	–	–	–
Write-back of prior years' accrued interest expenses on settlement of other loans and convertible note	**–**	–	–	12,000,000	51,795,688
Gain on cancellation of convertible note	**–**	–	–	92,000,000	–
Write-back of impairment provisions/ (write-off and impairment provisions) for accounts receivable and loans and advances	**3,200,000**	(8,689,753)	–	(119,400,000)	(1,500,000)
Write-back of impairment provisions/ (impairment provisions) for available-for-sale investments/ long term investments	**–**	–	5,382,802	(6,286,190)	(56,401,830)
Provision for claims	**–**	–	(4,000,000)	–	–
Other expenses, net	**(30,667,760)**	(34,098,210)	(34,258,913)	(36,470,318)	(34,190,120)
Finance costs	**–**	(37,724)	(48,576)	(58,539)	(922,853)
Share of profits/(losses) of:					
Associates (formerly jointly-controlled entities)	**8,636,045**	11,022,829	15,641,600	18,537,611	9,581,271
An associate	**–**	–	–	(24,386)	15,418
PROFIT BEFORE TAX	**27,917,206**	9,441,043	28,059,016	5,543,405	11,915,499
Tax	**(1,054,000)**	(385,433)	(136,580)	(906,687)	(554,000)
PROFIT FOR THE YEAR AND ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**26,863,206**	9,055,610	27,922,436	4,636,718	11,361,499

FIVE YEAR FINANCIAL SUMMARY *(Cont'd)*

	As at 31 December				
	2005	2004	2003	2002	2001
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
ASSETS AND LIABILITIES					
Total assets	**1,308,191,548**	1,636,546,131	2,305,493,217	1,207,367,733	1,450,536,252
Total liabilities	**(618,373,139)**	(984,917,342)	(1,662,266,268)	(586,755,629)	(834,863,275)
	689,818,409	651,628,789	643,226,949	620,612,104	615,672,977

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

SHARE CAPITAL

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 (b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2005, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK$33,562,906, of which HK$5,307,591 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$314,739,683, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

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

DIRECTORS

The directors of the Company during the year were:

Executive directors

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

Non-executive directors

Chang Pen Tsao	
Qu Zihai	*(resigned on 31 December 2005)*
Huang Gang	*(appointed on 31 December 2005)*

Independent non-executive directors

Ng Wing Hang Patrick
Kwok Lam Kwong Larry
Zhuo Fumin

Subject to an amendment to the Articles of Association at the forthcoming annual general meeting and in accordance with Article 95 of the Company's Articles of Association, Mr. Huang Gang will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

Subject to an amendment to the Articles of Association at the forthcoming annual general meeting and in accordance with Article 104(A) of the Company's Articles of Association, Messrs. Ying Niankang, Ng Wing Hang Patrick and Kwok Lam Kwong Larry will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

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

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

Executive directors

Feng Guorong, aged 56, was appointed as an Executive Director and the Chairman of the Company in February 2004. He is also the Vice Chairman, the Chief Executive Officer and the President of Shenyin & Wanguo Securities Co., Ltd.. He holds a PhD in Economics and obtained high-ranking securities management recognition from the China Securities Regulatory Commission. Prior to joining the Group, he worked as an officer at the President's Affairs Office of the Industrial and Commercial Bank of China, Shanghai Branch as well as the People's Bank of China, Shanghai Branch. He had also participated in the founding of China Everbright Bank, Shanghai Branch and worked as the Governor. He also worked as the Managing Director and Deputy Governor of China Everbright Bank, Head Office. He also participated in the drafting of early securities rules and regulations in the new China and had more than 21 years experience in financial management. He also has in-depth study of risk management in financial enterprises.

Lu Wenqing, aged 47, is an Executive Director of the Company and the Assistant President and the Managing Director of the International Business Division of Shenyin & Wanguo Securities Co., Ltd. He graduated from Shanghai University of Finance and Economics. He also holds a Master's Degree in Business Administration from The Asia (Macau) International Open University. Prior to joining the former Shanghai Shenyin Securities Co., Ltd., he served as a senior officer in Shanghai Trust & Investment Corporation of the Industrial and Commercial Bank of China and as an attache' of the Chinese Embassy in Gabon.

Lee Man Chun Tony, aged 52, was appointed as a Director and the Chief Executive Officer of the Company in July 2000. He is a Fellow of the Association of Chartered Certified Accountants and an Associate of the Hong Kong Institute of Certified Public Accountants. He has more than 20 years' experience in accounting, finance and banking. He held senior positions with Standard Chartered Bank and Sanwa International Finance Ltd. before he joined the Group in 1995.

Guo Chun, aged 41, was appointed as an Executive Director of the Company in May 2000. He began his career with the Industrial and Commercial Bank of China, Shanghai Branch in 1983. Other than the banking business, he has been working in the securities industry of the People's Republic of China (the "PRC") since 1987. In 1990, he joined the former Shanghai Shenyin Securities Co., Ltd. He has had more than 10 years' extensive experience in stockbroking and investment banking in the PRC and served as a regional superintendent in Shanghai. He was appointed as the Deputy Managing Director of Shenyin Wanguo (H.K.) Holdings Limited on secondment to Hong Kong in early 1997 after the merger of Shanghai Shenyin Securities Co., Ltd. and Shanghai International Securities Co., Ltd. He holds a Master's Degree in Business Administration from Murdoch University, Perth, Australia.

Ying Niankang, aged 54, was appointed as an Executive Director of the Company in August 1997. He was a Deputy General Manager of the International Business Division of Shenyin & Wanguo Securities Co., Ltd. and has more than 10 years' experience in corporate finance. He was the Chief of Division of Technology & Economics, Department of Project Management, College of Civil Engineering, in Shanghai, between 1983 and 1991. He holds a Master's Degree and a Bachelor's Degree from the Department of Industrial Economics at Shanghai University of Finance and Economics.

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

Non-executive directors

Chang Pen Tsao, aged 67, is a Non-executive Director of the Company. He is the Founder and Chairman of Taiwan International Securities Group, Global Securities Finance Corp., The Business Development Foundation of The Chinese Straits, Unitech Electronics Corp., and Ideal Bike Corp. He served as a Senator in Taiwan for nine years and was the Chairman of Kwang Hua Securities Investment & Trust Co., Ltd. He has more than 20 years' experience in legal practice as a lawyer, prosecutor and district judge as well as in business management, and has more than 10 years' experience in securities investment. He received his L.L.B. Degree from Chung Hsin University, Taiwan, in 1967.

Huang Gang, aged 39, is a Non-executive Director of the Company. He graduated from Xian Jiatong University and holds a Master's Degree in Economics conferred by Shanghai University of Finance and Economics. He has over 13 years' management experiences with enterprises. From 1993 to 1999, he worked with Agricultural Bank of China (Shanghai Branch) as the Assistant General Manager. In 2000, Mr. Huang joined Shanghai Industrial Investment (Holdings) Company Limited as the Assistant General Manager. He also presently holds directorships in certain wholly-owned subsidiaries of Shanghai Industrial Investment (Holdings) Company Limited.

Ng Wing Hang Patrick, aged 53, is an Independent Non-executive Director of the Company. He is a practising Certified Public Accountant in Hong Kong and is the sole proprietor of his certified public accountants firm, Messrs. Patrick Ng & Company. He also serves on the boards of several listed companies in Hong Kong.

Kwok Lam Kwong Larry, J.P., aged 50, is an Independent Non-executive Director of the Company. He is a practicing solicitor in Hong Kong and is also qualified to practice as a solicitor in Australia, England and Singapore. He is also qualified as an accountant in Hong Kong and Australia. He graduated from the University of Sydney, Australia with Bachelor's Degrees in Economics and Laws as well as a Master's Degree in Laws. He is currently the Vice-Chairman of the Consumer Council, a member of the Hospital Governing Committee of Kwai Chung Hospital/Princess Margaret Hospital, the Traffic Accident Victims Assistance Advisory Committee, the Trade and Industry Advisory Board, the Insurance Claims Complaints Panel and The Telecommunications (Competition Provisions) Appeal Board in Hong Kong. He is also a member of the Political Consultative Committee of Guangxi in the People's Republic of China.

Zhuo Fumin, aged 55, is an Independent Non-executive Director of the Company. He graduated from Shanghai Jiaotong University's Electrical Engineering School with a Degree in Enterprise Management and holds a Master's Degree in Economics conferred by Fudan University. He has more than 29 years of experience in running joint stock companies and in corporate management and has extensive capital market experience. He currently serves as a General Partner and Chief Executive Officer in SIG Capital Limited. He had been a Chairman of SIIC Medical Science and Technology (Group) Limited, the Vice Chairman and an Executive Director of Shanghai Industrial Holdings Limited, a Non-executive Director of Imagi International Holdings Limited as well as the Chairman and the Chief Executive Officer of Vertex China Investment Limited until he resigned on 25 January 2002, 30 June 2002, 8 April 2004 and 30 June 2005, respectively.

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

Senior management

Lee Siu Ming Simon, aged 44, is the Head of Corporate Finance of Shenyin Wanguo Capital (H.K.) Limited. He is a member of The Law Society of Hong Kong and is qualified as a solicitor in Hong Kong and in England and Wales. He practised in the London and Hong Kong offices of Slaughter and May before he became the Deputy Secretary of the Takeovers and Mergers Panel of the Securities and Futures Commission, Hong Kong. Prior to joining the Group in 1996, he held a senior position with Standard Chartered Bank in Hong Kong. He holds a Bachelor of Science Degree from the University of Hong Kong and a Bachelor's degree of Law from the University College of the University of London in the United Kingdom.

Wong Che Keung Leslie, aged 41, is the Finance Director and Company Secretary of the Group. Mr. Wong once served as the Head of Compliance of the Group and subsequently, a Director of Shenyin Wanguo Securities (H.K.) Limited before succeeding to the current position of Finance Director of the Group in 2001. Mr. Wong was appointed as the Company Secretary of the Group in December 2004. Prior to joining the Group in 1996, he worked in the Securities and Futures Commission for 7 years and in the stockbroking and treasury field for a further 2 years. He is a Fellow of the Association of Chartered Certified Accountants. He obtained his Bachelor's Degree in Economics at the University of Hong Kong and a Master's Degree in Business Administration at the Chinese University of Hong Kong.

Philip Chan, aged 43, joined the Group in 1994. He is a Director of Shenyin Wanguo Research (H.K.) Limited and has been based in Hong Kong for 17 years, working first with Mansion House Group Ltd. and later with PBI Securities Hong Kong Ltd. (formerly part of the Dutch ABN-AMRO Group) as an analyst. Prior to working in Hong Kong, he worked in the United Kingdom for 3 years for two securities brokerage firms as an analyst. He was born in the United Kingdom and obtained his Bachelor's Degree in Chemistry at University College, Cardiff in Wales.

Lo Chak Bong Alfred Bing, aged 44, is a Director of Shenyin Wanguo Asset Management (Asia) Limited. He has 20 years' experience in the investment management industry, starting as an analyst, portfolio manager and subsequently investment director with Fidelity Investments, Union Bancaire Asset Management Asia Limited, Impac Asset Management and Rothschild Asset Management H.K. Limited and has worked in London, Sydney, Singapore. Prior to joining the Group in 2001, he was one of the founding partners of Proactive Enterprise, a private equity and business consultancy group. He holds a Master's Degree in Business Administration from Ohio University, the United States of America.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN SHARES

At 31 December 2005, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long position in ordinary shares of the Company

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

Save as disclosed above, as at 31 December 2005, none of the directors of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2005, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company

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

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

Save as disclosed above, as at 31 December 2005, no person, other than one director of the Company, whose interest is set out in the section "Directors' Interests In Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions of the Company and the Group during the year are disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in note 35 to the financial statements.

The independent non-executive directors of the Company have reviewed and confirmed that the continuing connected transactions (the "Transactions") as set out in note 35 to the financial statements were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to/from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTOR'S INTERESTS IN A COMPETING BUSINESS

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

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

AUDITORS

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

ON BEHALF OF THE BOARD

Feng Guorong
Chairman

Hong Kong
31 March 2006

ERNST & YOUNG
安 永 會 計 師 事 務 所

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

We have audited the financial statements on pages 31 to 91 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
31 March 2006

Year ended 31 December 2005

	Notes	2005 HK$	2004 HK$ (Restated)
REVENUE	5	**182,549,570**	1,067,193,097
Other gains	6	**144,607**	417,353
Cost of trading securities sold		**(97,279,597)**	(961,544,597)
Employee benefits expenses		**(42,651,283)**	(44,000,984)
Depreciation and amortisation expenses		**(2,028,359)**	(8,181,734)
Interest expenses for financial services operations		**(954,361)**	(1,680,833)
Fair value losses on listed equity investments at fair value through profit or loss		**(3,837,822)**	(10,958,401)
Fair value gain on an unlisted financial instrument at fair value through profit or loss		**10,806,166**	–
Write-back of impairment provisions/ (write-off and impairment provisions) for accounts receivable and loans and advances		**3,200,000**	(8,689,753)
Other expenses, net		**(30,667,760)**	(34,098,210)
Finance costs	8	**–**	(37,724)
Share of profits of associates		**8,636,045**	11,022,829
PROFIT BEFORE TAX	7	**27,917,206**	9,441,043
Tax	11	**(1,054,000)**	(385,433)
PROFIT FOR THE YEAR AND ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12	**26,863,206**	9,055,610
DIVIDEND	13		
Proposed final		**5,307,591**	5,307,591
EARNINGS PER SHARE	14		
Basic		**5.06 cents**	1.71 cents
Diluted		**N/A**	N/A

Consolidated Balance Sheet

31 December 2005

	Notes	2005 HK$	2004 HK$ (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	15	**9,854,882**	2,657,193
Prepaid land lease payments	16	**1,521,975**	1,562,925
Stock and Futures Exchange trading rights	17	**4,211,831**	4,211,831
Other assets	18	**6,511,573**	7,576,724
Interests in associates	20	**102,935,686**	112,263,878
Goodwill	21	**57,632,404**	57,632,404
Financial instruments/long term investments	22	**207,411,615**	166,281,413
Deferred tax assets	23	**–**	470,000
Total non-current assets		**390,079,966**	352,656,368
CURRENT ASSETS			
Equity investments at fair value through profit or loss/ short term investments	22	**39,886,687**	80,106,715
Accounts receivable	24	**118,935,510**	348,625,679
Loans and advances	25	**133,847,128**	138,466,972
Tax recoverable		**1,122,767**	1,187,402
Deposits, prepayments and other receivables		**7,051,151**	6,923,514
Bank balances held on behalf of customers		**503,253,784**	606,120,896
Cash and cash equivalents	26	**114,014,555**	102,458,585
Total current assets		**918,111,582**	1,283,889,763
CURRENT LIABILITIES			
Accounts payable	27	**600,779,985**	960,834,738
Tax payable		**91,523**	186,000
Other payables and accruals	28	**17,501,631**	23,896,604
Total current liabilities		**618,373,139**	984,917,342
NET CURRENT ASSETS		**299,738,443**	298,972,421
Net assets		**689,818,409**	651,628,789
EQUITY			
Issued capital	29	**265,379,563**	265,379,563
Reserves	30(a)	**419,131,255**	380,941,635
Proposed final dividend	13	**5,307,591**	5,307,591
Total equity		**689,818,409**	651,628,789

Feng Guorong
Director

Lee Man Chun Tony
Director

Year ended 31 December 2005

	Notes	Issued share capital HK$	Share premium account HK$	Capital reserve HK$	Available-for-sale investment revaluation reserve HK$	General reserve HK$	Exchange fluctuation reserve HK$	Retained profits HK$	Proposed final dividend HK$	Total equity HK$
At 1 January 2004		265,379,563	314,739,683	15,043	–	138,611	–	52,338,866	10,615,183	643,226,949
Changes in fair value of long term investments		–	–	–	9,961,413	–	–	–	–	9,961,413
Total income and expense recognised directly in equity		–	–	–	9,961,413	–	–	–	–	9,961,413
Net profit for the year		–	–	–	–	–	–	9,055,610	–	9,055,610
Total income and expense for the year		–	–	–	9,961,413	–	–	9,055,610	–	19,017,023
Final 2003 dividend declared		–	–	–	–	–	–	–	(10,615,183)	(10,615,183)
Proposed final 2004 dividend	13	–	–	–	–	–	–	(5,307,591)	5,307,591	–
At 31 December 2004										
As previously reported		265,379,563	314,739,683*	15,043*	9,961,413*	138,611*	–*	56,086,885*	5,307,591	651,628,789
Opening adjustment	2.4	–	–	–	–	–	–	2,156,617	–	2,156,617
At 1 January 2005, as restated		265,379,563	314,739,683	15,043	9,961,413	138,611	–	58,243,502	5,307,591	653,785,406
Changes in fair value of available-for-sale investments		–	–	–	11,380,532	–	–	–	–	11,380,532
Share of exchange fluctuation reserve of associates		–	–	–	–	–	3,096,856	–	–	3,096,856
Total income and expense recognised directly in equity		–	–	–	11,380,532	–	3,096,856	–	–	14,477,388
Net profit for the year		–	–	–	–	–	–	26,863,206	–	26,863,206
Total income and expense for the year		–	–	–	11,380,532	–	3,096,856	26,863,206	–	41,340,594
Final 2004 dividend declared		–	–	–	–	–	–	–	(5,307,591)	(5,307,591)
Proposed final 2005 dividend	13	–	–	–	–	–	–	(5,307,591)	5,307,591	–
At 31 December 2005		**265,379,563**	**314,739,683***	**15,043***	**21,341,945***	**138,611***	**3,096,856***	**79,799,117***	**5,307,591**	**689,818,409**
Reserves retained by:										
Company and subsidiaries		265,379,563	314,739,683	15,043	21,341,945	138,611	–	79,799,117	5,307,591	686,721,553
Associates		–	–	–	–	–	3,096,856	–	–	3,096,856
At 31 December 2005		**265,379,563**	**314,739,683**	**15,043**	**21,341,945**	**138,611**	**3,096,856**	**79,799,117**	**5,307,591**	**689,818,409**
Company and subsidiaries At 31 December 2004		265,379,563	314,739,683	15,043	9,961,413	138,611	–	56,086,885	5,307,591	651,628,789

* These reserve accounts comprise the consolidated reserves of HK$419,131,255 (2004: HK$380,941,635) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 December 2005

	Notes	2005 HK$	2004 HK$ (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**27,917,206**	9,441,043
Adjustments for:			
Finance costs	*8*	**–**	37,724
Bank interest income	*5*	**(7,399,127)**	(1,001,039)
Dividend income	*5*	**(1,546,345)**	(1,952,040)
Share of profits of associates		**(8,636,045)**	(11,022,829)
Net realised gains on disposal of long term investments	*7*	**(10,790)**	(9,505,773)
Depreciation	*7*	**2,028,359**	4,306,084
Amortisation	*7*	**–**	3,875,650
Recognition of prepaid land lease payments	*16*	**40,950**	40,950
(Write-back of impairment provisions)/write-off and impairment provisions for accounts receivable and loans and advances		**(3,200,000)**	8,689,753
Fair value gain on an unlisted financial instrument at fair value through profit or loss		**(10,806,166)**	–
Loss/(gain) on disposal of items of property, plant and equipment	*7*	**(42,800)**	566
Operating profit/(loss) before working capital changes		**(1,654,758)**	2,910,089
Increase in other assets	*32*	**(1,404,849)**	(1,139,071)
Decrease in equity investments at fair value through profit or loss		**40,220,028**	23,568,066
Decrease in accounts receivable		**227,714,462**	231,220,215
Decrease in loans and advances		**9,795,551**	126,418,719
Increase in deposits, prepayments and other receivables		**(127,637)**	(2,265,083)
Decrease in bank balances held on behalf of customers		**102,867,112**	324,871,595
Decrease in accounts payable		**(360,054,753)**	(561,077,716)
Decrease in other payables and accruals		**(6,394,973)**	(8,561,004)
Cash generated from operations		**10,960,183**	135,945,810
Bank interest received		**7,399,127**	1,001,039
Interest paid		**–**	(37,724)
Dividends received from listed equity investments		**1,546,345**	1,952,040
Dividend received from an associate		**23,217,710**	23,527,048
Hong Kong profits tax refunded/(paid)		**(613,842)**	192,297
Net cash inflow from operating activities – Page 35		**42,509,523**	162,580,510

Year ended 31 December 2005

	Notes	2005 HK$	2004 HK$ (Restated)
Net cash inflow from operating activities – Page 34		**42,509,523**	162,580,510
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds received on disposal of available-for-sale investments		**149,972**	19,872,890
Purchases of available-for-sale investments		**(16,612,686)**	–
Purchases of items of property, plant and equipment	*15*	**(9,231,548)**	(616,973)
Proceeds from disposal of items of property, plant and equipment		**48,300**	4,860
Net cash inflow/(outflow) from investing activities		**(25,645,962)**	19,260,777
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		**–**	(106,475,170)
Dividend paid		**(5,307,591)**	(10,615,183)
Net cash outflow from financing activities		**(5,307,591)**	(117,090,353)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**11,555,970**	64,750,934
Cash and cash equivalents at beginning of year		**102,458,585**	37,707,651
CASH AND CASH EQUIVALENTS AT END OF YEAR		**114,014,555**	102,458,585
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*26*	**31,458,275**	90,950,685
Time deposits with original maturity of less than three months when acquired	*26*	**82,556,280**	11,507,900
		114,014,555	102,458,585

Balance Sheet

31 December 2005

	Notes	2005 HK$	2004 HK$
NON-CURRENT ASSETS			
Interests in subsidiaries	19	**612,532,084**	599,043,607
CURRENT ASSETS			
Deposits, prepayments and other receivables		**2,484,046**	2,730,626
Cash and cash equivalents	26	**1,213,025**	2,850,536
Total current assets		**3,697,071**	5,581,162
CURRENT LIABILITIES			
Other payables and accruals	28	**2,547,003**	5,605,124
NET CURRENT ASSETS/(LIABILITIES)		**1,150,068**	(23,962)
Net assets		**613,682,152**	599,019,645
EQUITY			
Issued capital	29	**265,379,563**	265,379,563
Reserves	30(b)	**342,994,998**	328,332,491
Proposed final dividend	13	**5,307,591**	5,307,591
Total equity		**613,682,152**	599,019,645

Feng Guorong
Director

Lee Man Chun Tony
Director

1. CORPORATE INFORMATION

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

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

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

In addition, the associates of the Group were involved in highway operations during the year.

In the opinion of the directors, the parent and the ultimate holding company of the Group is Shenyin Wanguo Holdings (B.V.I.) Limited, which is incorporated in the British Virgin Islands with limited liability.

2. BASIS OF PREPARATION

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

2.1 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2005. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 3	Business Combinations
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 27, 28, 33, 37 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation in the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates.

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

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 – Leases

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the consolidated income statement and retained profits. The comparative amounts for the year ended 31 December 2004 in the consolidated balance sheet have been restated to reflect the reclassification of the leasehold land.

(b) HKAS 32 and HKAS 39 – Financial Instruments

(i) Equity securities

In prior years, the Group classified its investments in equity securities held for non-trading purposes as long term investments and they were stated at their fair values on an individual basis with gains and losses recognised as movements in the investment revaluation reserve. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 in the amount of HK$166,281,413 are designated as available-for-sale investments of HK$227,708,436 with an embedded derivative liability of HK$61,427,023 under the transitional provisions of HKAS 39. Accordingly, the available for-sale investments are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment and the embedded derivative liability is stated at fair value with gains and losses being recognised in the income statement.

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

(b) HKAS 32 and HKAS 39 – Financial Instruments *(Cont'd)*

(i) Equity securities (Cont'd)

In prior years, the Group classified its investments in equity securities for trading purposes as short term investments, and they were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 in the amount of HK$80,106,715 are designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

The adoption of HKAS 39 has not resulted in any change in the measurement of these equity securities.

(ii) Club debentures

In prior years, the Group classified its club debentures as non-current other assets, which were held for non-trading purposes and were stated at cost less impairment losses, on an individual basis. Upon the adoption of HKAS 39, these club debentures held by the Group at 1 January 2005 in the amount of HK$2,470,000 are designated as available-for-sale investments under the transitional provisions of HKAS 39 and are accordingly stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment.

The adoption of HKAS 39 has not resulted in any change in the measurement of these investments.

(iii) Accrued interest expenses of the associates

In prior years, an interest-free amount representing the accrued interest expenses of loans from minority equity owner of the associates were stated at cost in the financial statements of the associates. Upon the adoption of HKAS 39, the loans from the minority equity owner of the associates are recognised initially at fair value less attributable transaction costs. Subsequent to the initial recognition, the accrued interest expenses are stated at amortised cost. This change in accounting policy has been accounted for by the associates by restating the accrued interest expenses, net of tax, of loans from minority equity owner by way of an opening adjustment to its retained profits and minority interests as at 1 January 2005.

As a result, adjustment has also been made in the Group's financial statements by way of an opening adjustment to the retained profits as at 1 January 2005 based on the Group's share of net assets in the associates.

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

(c) HKAS 38 – Intangible Assets and HKAS 36 – Impairment of Assets

In prior years, the Stock and Futures Exchange trading rights, being the eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited (the "Trading Rights"), were amortised on the straight-line basis over their estimated useful life of 10 years and were subject to impairment testing when there was any indication of impairment.

The adoption of HKAS 38 and HKAS 36 has resulted in the Group determining the useful lives of the Trading Rights as indefinite, commencing reviewing the useful lives of the Trading Rights, ceasing annual amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with the transitional provisions of HKAS 38, comparative amounts have not been restated.

(d) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior years, goodwill arising on the acquisitions was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill.

The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 incorporates the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 and HKFRS 4 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18. The adoption of the amendments to HKAS 39 and HKFRS 4 will result in the recognition of a financial liability in the Company's balance sheet in respect of corporate guarantees given by the Company in connection with banking facilities granted to its subsidiaries.

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

The HKAS 19 Amendment, HKAS 21 Amendment, HKAS 39 Amendment regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1 and 6 Amendments, HKFRS 6, HK(IFRIC)-Int 5, HK(IFRIC)-Int 6 and HK(IFRIC)-Int 7 do not apply to the activities of the Group. HK(IFRIC)-Int 6 shall be applied for annual periods beginning on or after 1 December 2005.

Except as stated above, the Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

	Effect of adopting			
At 1 January 2005	**HKAS 17#**	**HKASs 32# and 39***	**HKAS 39***	
Effect of new policies (Increase/(decrease))	**Prepaid land lease payments**	**Change in classification of investments**	**Share of opening adjustment of associates regarding interest payable**	**Total**
	HK$	***HK$***	***HK$***	***HK$***
Assets				
Property, plant and equipment	**(1,603,875)**	**–**	**–**	**(1,603,875)**
Prepaid land lease payments	**1,562,925**	**–**	**–**	**1,562,925**
Interests in associates	**–**	**–**	**2,156,617**	**2,156,617**
Financial instruments	**–**	**166,281,413**	**–**	**166,281,413**
Long term investments	**–**	**(166,281,413)**	**–**	**(166,281,413)**
Deposits, prepayments and other receivables	**40,950**	**–**	**–**	**40,950**
Equity investments at fair value through profit or loss	**–**	**80,106,715**	**–**	**80,106,715**
Short term investments	**–**	**(80,106,715)**	**–**	**(80,106,715)**
				2,156,617
Liabilities/equity				
Long term investment revaluation reserve	**–**	**(9,961,413)**	**–**	**(9,961,413)**
Available-for-sale investment revaluation reserve	**–**	**9,961,413**	**–**	**9,961,413**
Retained profits	**–**	**–**	**2,156,617**	**2,156,617**
				2,156,617

* Adjustments taken effect prospectively from 1 January 2005

\# Adjustments/presentation taken effect retrospectively

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

(a) Effect on the consolidated balance sheet *(Cont'd)*

At 31 December 2005	Effect of adopting					
	HKAS 17	HKASs 32 and 39	HKAS 39	HKFRS 3	HKAS 38	
Effect of new policies (Increase/(decrease))	Prepaid land lease payments	Change in classification of investments	Share of opening adjustment of associates regarding interest payables	Discontinuation of amortisation of goodwill	Discontinuation of amortisation of intangible assets	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Assets						
Property, plant and equipment	(1,562,925)	–	–	–	–	(1,562,925)
Prepaid land lease payments	1,521,975	–	–	–	–	1,521,975
Stock and Futures Exchange trading rights	–	–	–	–	842,366	842,366
Interests in associates	–	–	1,335,762	–	–	1,335,762
Goodwill	–	–	–	3,033,284	–	3,033,284
Other assets	–	(2,470,000)	–	–	–	(2,470,000)
Financial instruments	–	207,411,615	–	–	–	207,411,615
Long term investments	–	(204,941,615)	–	–	–	(204,941,615)
Deposits, prepayments and other receivables	40,950	–	–	–	–	40,950
Equity investments at fair value through profit or loss	–	39,886,687	–	–	–	39,886,687
Short term investments	–	(39,886,687)	–	–	–	(39,886,687)
						5,211,412
Liabilities/equity						
Long term investment revaluation reserve	–	(32,148,111)	–	–	–	(32,148,111)
Available-for-sale investment revaluation reserve	–	21,341,945	–	–	–	21,341,945
Retained profits	–	10,806,166	1,335,762	3,033,284	842,366	16,017,578
						5,211,412

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

(b) Effect on the balances of equity at 1 January 2004 and at 1 January 2005

	Effect of adopting		
	HKAS 39	HKAS 39	
Effect of new policies (Increase/(decrease))	**Designation of available-for-sale investments**	**Share of opening adjustment of associates regarding interest payable**	**Total**
	HK$	*HK$*	*HK$*
1 January 2004	–	–	–
1 January 2005			
Long term investment revaluation reserve	(9,961,413)	–	(9,961,413)
Available-for-sale investment revaluation reserve	9,961,413	–	9,961,413
Retained profits	–	2,156,617	2,156,617
			2,156,617

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

(c) Effect on the consolidated income statement for the years ended 31 December 2005 and 2004

	Effect of adopting					
	HKAS 1	HKFRS 3	HKAS 38	HKASs 32 and 39	HKAS 39	
Effect of new policies	Share of post-tax profits of associates	Discontinuation of amortisation of goodwill	Discontinuation of amortisation of intangible assets	Change in classification of investments	Share of opening adjustment of associates regarding interest payable	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Year ended 31 December 2005						
Decrease in depreciation and amortisation expenses	**–**	**3,033,284**	**842,366**	**–**	**–**	**3,875,650**
Increase in fair value gain on an unlisted financial instrument at fair value through profit or loss	**–**	**–**	**–**	**10,806,166**	**–**	**10,806,166**
Decrease in share of profits of associates	**(1,173,519)**	**–**	**–**	**–**	**(820,855)**	**(1,994,374)**
Decrease in tax	**1,173,519**	**–**	**–**	**–**	**–**	**1,173,519**
Total increase/(decrease) in profit	**–**	**3,033,284**	**842,366**	**10,806,166**	**(820,855)**	**13,860,961**
Increase/(decrease) in basic earnings per share	**–**	**0.57 cents**	**0.16 cents**	**2.04 cents**	**(0.16 cents)**	**2.61 cents**
Year ended 31 December 2004						
Decrease in share of profits of associates	(2,012,075)	–	–	–	–	(2,012,075)
Decrease in tax	2,012,075	–	–	–	–	2,012,075
Total change in profit	–	–	–	–	–	–
Change in basic earnings per share	–	–	–	–	–	–

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

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

Joint ventures

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

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

A joint venture company is treated as:

(a) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

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

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

Goodwill

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. For the year ended 31 December 2004, previously recognised goodwill was amortised on the straight-line basis over its estimated useful life.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

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

An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Impairment of assets

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

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

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

Related parties

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

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

(b) the party is an associate;

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

Buildings	4%
Leasehold improvements	Over the lease terms
Furniture, fixtures and equipment	15%-33$^1/_3$%
Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

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

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

Other assets

For the year ended 31 December 2004, other assets held on a long term basis were stated at cost less any impairment losses, on individual basis. For the year ended 31 December 2005, other assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the other assets are derecognised or impaired, as well as through the amortisation process.

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

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

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

Investments and other financial assets

Applicable to the year ended 31 December 2004:

The Group classified its equity investments, other than subsidiaries and associates, as long term investments and short term investments.

Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Unlisted securities are stated at their estimated fair values, on an individual basis. The estimated fair values of unlisted investments are determined by the directors having regard to, inter alia, the quoted market prices, volatility of underlying securities and other factors relevant to the underlying listed securities and by making use of a valuation model.

The gains or losses arising from changes in the fair value of a security are dealt with as movements in the investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the investment revaluation reserve, together with the amount of any further impairment, is charged to the income statement in the period in which the impairment arises.

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

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

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. An appropriate discount to the market prices is made for listed securities not actively traded in a liquid market or other circumstances affecting the fair value of the listed securities. The gains or losses arising from changes in the fair value of a security are credited or charged to the income statement in the period in which they arise.

Applicable to the year ended 31 December 2005:

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities and club debentures that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

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

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets (applicable to the year ended 31 December 2005)

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

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

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

Impairment of financial assets (applicable to the year ended 31 December 2005) *(Cont'd)*

Assets carried at amortised cost *(Cont'd)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

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

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss.

Derecognition of financial assets (applicable to the year ended 31 December 2005)

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

Derecognition of financial assets (applicable to the year ended 31 December 2005) *(Cont'd)*

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

Derecognition of financial liabilities (applicable to the year ended 31 December 2005)

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

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

Embedded derivatives (applicable to the year ended 31 December 2005)

An embedded derivative is a component of a combined instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The embedded derivatives are separated from the host contract and accounted for as a derivative when (i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and (ii) the combined instrument is not measured at fair value with changes in fair value recognised in the income statement.

When the embedded derivative is separated the host contract is accounted for in accordance with the accounting policies for financial assets. The embedded derivative is classified under financial instruments in the financial statements.

Cash and cash equivalents

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

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

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

Provisions

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

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

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the consolidated income statement on the straight-line basis over the lease terms.

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

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

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

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

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

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

Income tax *(Cont'd)*

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

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

Revenue recognition

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

(a) securities and futures contracts trading profits or losses, on a trade date basis;

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

(c) commission and trading revenue, on a trade date basis;

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

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

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

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

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave the employees entitled and carried forward.

Retirement benefits schemes

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

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

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

Dividends

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

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

Estimation uncertainty

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

(a) Impairment of goodwill

The Group determines whether goodwill is impaired on regular basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2005 was HK$57,632,404 (2004: HK$57,632,404). More details are given in note 21.

(b) Valuation of the financial instruments

The Group valued certain of its financial instruments using a valuation technique based on assumptions that are not supported by observable market prices or rates. Estimating the value of investments requires the Group to make certain estimates and assumptions, further details of which are given in note 22.

4. SEGMENT INFORMATION

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

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

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

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

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

4. SEGMENT INFORMATION *(Cont'd)*

(a) Business segments

The following tables represent revenue, profit/loss and certain assets, liabilities and expenditure information for the Group's business segments for the years ended 31 December 2005 and 2004.

Group

	Securities trading and investment holding		Securities broking and dealing		Securities financing and direct loans		Investment advisory services		Eliminations		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
												(Restated)
Segment revenue:												
External customers	**101,298,446**	966,087,450	**46,490,033**	63,088,347	**28,307,277**	27,391,229	**6,453,814**	10,626,071	**–**	–	**182,549,570**	1,067,193,097
Intersegment	**–**	–	**–**	–	**–**	763,934	**2,664,000**	1,200,000	**(2,664,000)**	(1,963,934)	**–**	–
Total	**101,298,446**	966,087,450	**46,490,033**	63,088,347	**28,307,277**	28,155,163	**9,117,814**	11,826,071	**(2,664,000)**	(1,963,934)	**182,549,570**	1,067,193,097
Segment results	**8,361,916**	(25,675,912)	**(10,469,347)**	4,743,802	**23,105,999**	19,844,777	**(52,479)**	4,505,115	**–**	–	**20,946,089**	3,417,782
Unallocated expenses											**(1,664,928)**	(4,961,844)
Finance costs											**–**	(37,724)
Share of profits of associates	**8,636,045**	11,022,829									**8,636,045**	11,022,829
Profit before tax											**27,917,206**	9,441,043
Tax											**(1,054,000)**	(385,433)
Profit for the year											**26,863,206**	9,055,610

4. SEGMENT INFORMATION *(Cont'd)*

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

Group

	Securities trading and investment holding		Securities broking and dealing		Securities financing and direct loans		Investment advisory services		Eliminations		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$
Assets and liabilities												
Segment assets	**263,158,782**	257,362,905	**724,167,684**	1,047,213,055	**139,742,703**	144,065,174	**5,072,825**	5,078,982	**–**	–	**1,132,141,994**	1,453,720,116
Goodwill	**57,632,404**	57,632,404	**–**	–	**–**	–	**–**	–	**–**	–	**57,632,404**	57,632,404
Interests in associates	**102,935,686**	112,263,878	**–**	–	**–**	–	**–**	–	**–**	–	**102,935,686**	112,263,878
Unallocated assets											**15,481,464**	12,929,733
Total assets											**1,308,191,548**	1,636,546,131
Segment liabilities	**11,317,746**	11,621,404	**477,260,954**	842,750,743	**129,566,634**	130,006,688	**136,282**	352,507	**–**	–	**618,281,616**	984,731,342
Unallocated liabilities											**91,523**	186,000
Total liabilities											**618,373,139**	984,917,342
Other segment information:												
Capital expenditure	**–**	–	**1,610,068**	475,055	**–**	–	**–**	–	**–**	–	**1,610,068**	475,055
Amortisation of trading rights	**–**	–	**–**	842,366	**–**	–	**–**	–	**–**	–	**–**	842,366
Amortisation of goodwill	**–**	3,033,284	**–**	–	**–**	–	**–**	–	**–**	–	**–**	3,033,284
Depreciation of segment assets	**–**	–	**522,572**	2,419,040	**–**	–	**–**	–	**–**	–	**522,572**	2,419,040
(Write-back of impairment provisions)/write-off and impairment provisions for accounts receivable and loans and advances	**–**	4,689,753	**1,975,707**	–	**(5,175,707)**	4,000,000	**–**	–	**–**	–	**(3,200,000)**	8,689,753

4. SEGMENT INFORMATION *(Cont'd)*

(b) Geographical segments

The following table presents revenue and certain asset and capital expenditure information for the Group's geographical segments for the years ended 31 December 2005 and 2004.

Group

	2005	2004
	HK$	*HK$*
Segment revenue:		
The PRC:		
Hong Kong	**161,582,984**	760,158,449
Mainland China	**20,872,908**	306,867,053
Others	**93,678**	167,595
	182,549,570	1,067,193,097
Segment assets:		
The PRC:		
Hong Kong	**1,131,665,297**	1,420,268,847
Mainland China	**171,181,960**	169,897,237
Others	**5,344,291**	46,380,047
	1,308,191,548	1,636,546,131
Capital expenditure:		
The PRC:		
Hong Kong	**9,231,548**	616,973

5. REVENUE

Revenue, which is also the Group's turnover, represents the aggregate of sales proceeds from securities and futures contracts trading, gross interest income, commission and brokerage income less rebates, income from rendering of services and dividend income. An analysis of revenue is as follows:

	Group	
	2005	2004
	HK$	*HK$*
Financial services:		
Sales proceeds from securities and futures contracts trading	**99,695,457**	964,008,748
Interest income from securities financing and direct loans	**20,908,150**	26,390,188
Commission and brokerage income	**46,488,398**	61,676,986
Income from rendering of services	**6,453,293**	12,093,479
	173,545,298	1,064,169,401
Others:		
Bank interest income	**7,399,127**	1,001,039
Dividend income from listed equity investments	**1,546,345**	1,952,040
Others	**58,800**	70,617
	9,004,272	3,023,696
	182,549,570	1,067,193,097

6. OTHER GAINS

	Group	
	2005	2004
	HK$	*HK$*
Exchange gains, net	**144,607**	417,353

7. PROFIT BEFORE TAX

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

		Group	
	Notes	**2005** **HK$**	2004 HK$ (Restated)
Depreciation	*15*	**2,028,359**	4,306,084
Amortisation of goodwill	*21*	**–**	3,033,284
Amortisation of Stock and Futures Exchange trading rights	*17*	**–**	842,366
Employee benefits expenses (including directors' remuneration – note 9):			
Wages and salaries		**40,484,885**	41,722,699
Retirement benefits schemes contributions		**2,955,922**	2,891,653
Less: Forfeited contributions		**(789,524)**	(613,368)
Net retirement benefits schemes contributions*		**2,166,398**	2,278,285
		42,651,283	44,000,984
Interest expenses for financial services operations on bank loans and overdrafts		**954,361**	1,680,833
Minimum lease payments under operating leases in respect of land and buildings		**10,303,050**	10,296,031
Auditors' remuneration		**960,000**	880,000
Loss/(gain) on disposal of items of property, plant and equipment		**(42,800)**	566
Net realised losses/(gains) on trading of listed equity investments and futures contracts		**(2,405,070)**	7,041,622
Net realised gains on disposal of available-for-sale investments		**(10,790)**	(9,505,773)

* At 31 December 2005, the Group had forfeited contributions of HK$49,846 (2004: Nil) available to reduce its contributions to the retirement benefits schemes in future years.

8. FINANCE COSTS

	Group	
	2005 **HK$**	2004 HK$
Interest on bank loans and overdrafts	**–**	37,724

9. DIRECTORS' REMUNERATION

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

	Group	
	2005	2004
	HK$	*HK$*
Fees	**300,000**	250,000
Other emoluments:		
Salaries, allowances and benefits in kind	**2,399,386**	4,480,000
Retirement benefits schemes contributions	**228,000**	228,000
	2,627,386	4,708,000
	2,927,386	4,958,000

(a) Independent non-executive directors

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

	2005	2004
	HK$	*HK$*
Ng Wing Hang Patrick	**100,000**	100,000
Kwok Lam Kwong Larry	**100,000**	100,000
Zhuo Fumin	**100,000**	50,000
	300,000	250,000

There were no other emoluments payable to the independent non-executive directors during the year (2004: Nil).

9. DIRECTORS' REMUNERATION

(b) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Retirement benefits schemes contributions	Total remuneration
	HK$	*HK$*	*HK$*	*HK$*
2005				
Executive directors:				
Feng Guorong	**–**	**–**	**–**	**–**
Lu Wenqing	**–**	**–**	**–**	**–**
Lee Man Chun Tony	**–**	**2,399,386**	**228,000**	**2,627,386**
Guo Chun	**–**	**–**	**–**	**–**
Ying Niankang	**–**	**–**	**–**	**–**
	–	**2,399,386**	**228,000**	**2,627,386**
Non-executive directors:				
Chang Pen Tsao	**–**	**–**	**–**	**–**
Qu Zihai	**–**	**–**	**–**	**–**
Huang Gang	**–**	**–**	**–**	**–**
	–	**2,399,386**	**228,000**	**2,627,386**
2004				
Executive directors:				
Feng Guorong	–	–	–	–
Lu Wenqing	–	–	–	–
Lee Man Chun Tony	–	4,480,000	228,000	4,708,000
Guo Chun	–	–	–	–
Ying Niankang	–	–	–	–
Jiang Guofang	–	–	–	–
	–	4,480,000	228,000	4,708,000
Non-executive directors:				
Chang Pen Tsao	–	–	–	–
Qu Zihai	–	–	–	–
	–	4,480,000	228,000	4,708,000

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2004: one) director, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining four (2004: four) non-director, highest paid employees are as follows:

	Group	
	2005	2004
	HK$	*HK$*
Salaries, allowances and benefits in kind	**4,754,835**	4,648,080
Bonuses	**285,000**	422,500
Retirement benefits schemes contributions	**466,488**	443,808
	5,506,323	5,514,388

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

	Number of employees	
	2005	2004
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**3**	2
HK$2,000,001 to HK$2,500,000	**1**	1
	4	4

11. TAX

Provision for Hong Kong profits tax has been made at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2005	2004
	HK$	*HK$*
		(Restated)
Group:		
Current – Hong Kong		
Charge for the year	**91,523**	367,000
Underprovision in prior years	**492,477**	18,433
Deferred *(note 23)*	**470,000**	–
Total tax charge for the year	**1,054,000**	385,433

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

	2005	2004
	HK$	*HK$*
		(Restated)
Profit before tax	**27,917,206**	9,441,043
Tax at the statutory tax rate of 17.5% (2004: 17.5%)	**4,885,511**	1,652,183
Adjustments in respect of current tax of previous periods	**492,477**	18,433
Profits attributable to associates	**(1,511,308)**	(1,928,995)
Income not subject to tax	**(4,835,356)**	(1,459,155)
Expenses not deductible for tax	**738,724**	1,301,621
Tax losses utilised from previous periods	**(1,121,820)**	(1,653,561)
Unrecognised deferred tax assets	**2,405,772**	2,454,907
Tax charge for the year	**1,054,000**	385,433

The share of tax attributable to associates amounting to HK$1,173,519 (2004: HK$2,012,075) is included in "Share of profits of associates" on the face of the consolidated income statement.

12. PROFIT FOR THE YEAR AND ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit for the year ended 31 December 2005 dealt with in the financial statements of the Company was HK$19,970,098 (2004: HK$15,697,610) (note 30(b)).

13. DIVIDEND

	2005 HK$	2004 HK$
Proposed final – HK1 cent (2004: HK1 cent) per ordinary share	**5,307,591**	5,307,591

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

14. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share amount is based on the profit for the year of HK$26,863,206 (2004: HK$9,055,610) and 530,759,126 (2004: 530,759,126) ordinary shares in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share has been presented for the current and prior years because there was no dilutive potential ordinary share in existence during the years ended 31 December 2005 and 2004.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$ (Restated)	Leasehold improvements HK$	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Total HK$ (Restated)
31 December 2005					
At 31 December 2004 and at 1 January 2005:					
Cost	2,047,500	13,245,455	35,922,924	4,253,739	55,469,618
Accumulated depreciation	(887,250)	(13,152,802)	(34,518,634)	(4,253,739)	(52,812,425)
Net carrying amount	1,160,250	92,653	1,404,290	–	2,657,193
At 1 January 2005, net of accumulated depreciation	1,160,250	92,653	1,404,290	–	2,657,193
Additions	–	4,843,916	4,387,632	–	9,231,548
Disposals	–	–	(5,500)	–	(5,500)
Depreciation provided during the year	(81,900)	(710,899)	(1,235,560)	–	(2,028,359)
At 31 December 2005, net of accumulated depreciation	1,078,350	4,225,670	4,550,862	–	9,854,882
At 31 December 2005:					
Cost	2,047,500	15,302,681	31,802,107	4,253,739	53,406,027
Accumulated depreciation	(969,150)	(11,077,011)	(27,251,245)	(4,253,739)	(43,551,145)
Net carrying amount	1,078,350	4,225,670	4,550,862	–	9,854,882

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

Group

	Buildings *HK$* (Restated)	Leasehold improvements *HK$*	Furniture, fixtures and equipment *HK$*	Motor vehicles *HK$*	Total *HK$* (Restated)
31 December 2004					
At 1 January 2004:					
Cost	2,047,500	13,245,645	35,849,183	4,253,739	55,396,067
Accumulated depreciation	(805,350)	(12,782,379)	(31,380,869)	(4,075,739)	(49,044,337)
Net carrying amount	1,242,150	463,266	4,468,314	178,000	6,351,730
At 1 January 2004, net of accumulated depreciation	1,242,150	463,266	4,468,314	178,000	6,351,730
Additions	–	–	616,973	–	616,973
Disposals	–	–	(5,426)	–	(5,426)
Depreciation provided during the year	(81,900)	(370,613)	(3,675,571)	(178,000)	(4,306,084)
At 31 December 2004, net of accumulated depreciation	1,160,250	92,653	1,404,290	–	2,657,193
At 31 December 2004:					
Cost	2,047,500	13,245,455	35,922,924	4,253,739	55,469,618
Accumulated depreciation	(887,250)	(13,152,802)	(34,518,634)	(4,253,739)	(52,812,425)
Net carrying amount	1,160,250	92,653	1,404,290	–	2,657,193

16. PREPAID LAND LEASE PAYMENTS

	Group 2005 HK$	Group 2004 HK$ (Restated)
Carrying amount at 1 January		
As previously reported	**–**	–
Effect of adopting HKAS 17 *(note 2.2(a))*	**1,603,875**	1,644,825
As restated	**1,603,875**	1,644,825
Recognised during the year	**(40,950)**	(40,950)
Carrying amount at 31 December	**1,562,925**	1,603,875
Current portion included in deposits, prepayments and other receivables	**(40,950)**	(40,950)
Non-current portion	**1,521,975**	1,562,925

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

17. STOCK AND FUTURES EXCHANGE TRADING RIGHTS

	Group HK$
31 December 2005	
At 1 January 2005:	
Cost as previously reported	**8,011,296**
Effect of adopting HKAS 38 *(note 2.2(c))*	**(3,799,465)**
Cost as restated	**4,211,831**
Accumulated amortisation as previously reported	**(3,799,465)**
Effect of adopting HKAS 38 *(note 2.2(c))*	**3,799,465**
Accumulated amortisation as restated	**–**
At 31 December 2005:	
Net carrying amount	**4,211,831**

17. STOCK AND FUTURES EXCHANGE TRADING RIGHTS *(Cont'd)*

	Group HK$
31 December 2004	
At 1 January 2004:	
Cost	8,011,296
Accumulated amortisation	(2,957,099)
Net carrying amount	5,054,197
Cost at 1 January 2004, net of accumulated amortisation	5,054,197
Amortisation provided during the year	(842,366)
At 31 December 2004	4,211,831
At 31 December 2004:	
Cost	8,011,296
Accumulated amortisation	(3,799,465)
Net carrying amount	4,211,831

In 2004, Stock and Futures Exchange trading rights were amortised on the straight-line basis over their estimated useful life of ten years.

18. OTHER ASSETS

	Group	
	2005 **HK$**	2004 HK$
Club debentures	–	2,470,000
Prepayments and deposits	**6,511,573**	5,106,724
	6,511,573	7,576,724

Club debentures were reclassified as investments during the year ended 31 December 2005 (note 22).

19. INTERESTS IN SUBSIDIARIES

	Company 2005 HK$	2004 HK$
Unlisted shares, at cost	**90,910,152**	90,910,152
Due from subsidiaries	**624,385,558**	618,344,658
	715,295,710	709,254,810
Due to subsidiaries	**(20,996,072)**	(28,443,649)
	694,299,638	680,811,161
Impairment	**(81,767,554)**	(81,767,554)
	612,532,084	599,043,607

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for amounts due from subsidiaries aggregating HK$320,000,000 (2004: HK$320,000,000) and an amount due to a subsidiary of HK$187,383,387 (2004: HK$187,513,896) which bear interest at rates ranging from the bank deposit savings rate to the prime rate (2004: bank deposit savings rate to the prime rate) per annum. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

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

Name	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct 2005	Direct 2004	Indirect 2005	Indirect 2004	Principal activities
Shenyin Wanguo Securities (H.K.) Limited	HK$30,000,000	**100**	100	**–**	–	Securities broking and margin financing
Shenyin Wanguo Futures (H.K.) Limited	HK$8,000,000	**100**	100	**–**	–	Futures and options broking
Shenyin Wanguo Capital (H.K.) Limited	HK$6,000,000	**100**	100	**–**	–	Corporate finance

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

Name	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct 2005	Direct 2004	Indirect 2005	Indirect 2004	Principal activities
Shenyin Wanguo Asset Management (Asia) Limited	HK$1,000,000	**–**	–	**100**	100	Provision of asset management services
Shenyin Wanguo Research (H.K.) Limited	HK$300,000	**100**	100	**–**	–	Provision of securities research services
Shenyin Wanguo Strategic Investments (H.K.) Limited	HK$10,000	**100**	100	**–**	–	Securities trading and investment holding
Shenyin Wanguo Finance (H.K.) Limited	HK$25,000,000	**100**	100	**–**	–	Provision of financial services
Shenyin Wanguo Enterprises (H.K.) Limited	HK$15,000,000	**100**	100	**–**	–	Provision of management treasury services
Shenyin Wanguo Online Limited	HK$2	**100**	100	**–**	–	Leasing of computer equipment
Shenyin Wanguo Trading (H.K.) Limited	HK$375,000	**100**	100	**–**	–	Securities trading and provision of agency services
Sparkle Well Limited	HK$2	**100**	100	**–**	–	Property holding
Wealthy Limited	HK$2	**100**	100	**–**	–	Property holding
Shenyin Wanguo (Holdings) Limited	HK$2	**100**	100	**–**	–	Investment holding

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

Name	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct		Indirect		Principal activities
		2005	2004	**2005**	2004	
Shenyin Wanguo Nominees (H.K.) Limited	HK$1,000	**–**	–	**100**	100	Provision of share custodian and nominee services
First Million Holdings Limited*	US$1	**100**	100	**–**	–	Securities trading and investment holding
Crux Assets Limited*	US$1	**–**	–	**100**	100	Investment holding

* Incorporated in the British Virgin Islands.

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

20. INTERESTS IN ASSOCIATES

	Group **2005** *HK$*	2004 *HK$*
Share of net assets	**102,935,686**	114,400,878
Less: Provision for impairment	**–**	(2,137,000)
	102,935,686	112,263,878

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

Particulars of the associates are as follows:

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

\# Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

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

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

As at 31 December 2005 and 2004, the interests in associates were pledged to secure certain of the Group's banking facilities, which were not utilised at the balance sheet dates (note 31).

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

	2005	2004
	HK$	*HK$*
Assets	**1,314,950,767**	1,365,908,067
Liabilities	**673,268,472**	59,098,426
Revenues	**260,667,144**	230,787,469
Profit	**66,417,517**	85,341,655

21. GOODWILL

	Group *HK$*
31 December 2005	
At 1 January 2005:	
Cost as previously reported	**75,832,108**
Effect of adopting HKFRS 3 *(note 2.2(d))*	**(18,199,704)**
Cost as restated	**57,632,404**
Accumulated amortisation as previously reported	**(18,199,704)**
Effect of adopting HKFRS 3 *(note 2.2(d))*	**18,199,704**
Accumulated amortisation as restated	**–**
Net carrying amount	**57,632,404**
Cost and carrying amount at 31 December 2005	**57,632,404**

	Group *HK$*
31 December 2004	
At 1 January 2004:	
Cost	75,832,108
Accumulated amortisation	(15,166,420)
Net carrying amount	60,665,688
Cost at 1 January 2004, net of accumulated amortisation	60,665,688
Amortisation provided during the year	(3,033,284)
At 31 December 2004	57,632,404
At 31 December 2004:	
Cost	75,832,108
Accumulated amortisation	(18,199,704)
Net carrying amount	57,632,404

21. GOODWILL *(Cont'd)*

In 2004, goodwill was amortised on the straight-line basis over its estimated useful life.

Impairment testing of goodwill

Goodwill arose from the acquisition of a subsidiary which holds the interest in the associates has been allocated to the interests in associates' cash-generating unit for impairment testing.

The recoverable amount of the interest in associates and the related goodwill has been determined based on a value in use calculation using cash flow projections based on the financial results of the past three years and financial budgets approved by the senior management of the associates. The cash flow projections are discounted by the prevailing market rate of return of similar companies in the market adjusted with the specific risks relating to the cash-generating unit over the expected useful lives of the associates until the end of the joint venture period. No growth rate has been taken into account in the cash flow projections as the Group considers that the growth rate cannot be reliably measured. Key assumptions used in the cash flow projections included financial budgets and discount rates. Financial budgets are determined with reference to the financial results of the previous years while the discount rates used reflect specific risks relating to the cash-generating unit.

22. INVESTMENTS

	Group	
	2005	2004
	HK$	*HK$*
Financial instruments/long term investments:		
Available-for-sale investments/long term investments:		
Listed equity investments in Hong Kong at fair value^	**18,786,000**	–
Unlisted equity investment in Hong Kong at fair value*	**236,776,472**	166,281,413
Unlisted club debentures at fair value *(note 18)*	**2,470,000**	–
	258,032,472	166,281,413
Embedded derivative liability on the unlisted equity investment at fair value*	**(50,620,857)**	–
	207,411,615	166,281,413
Equity investments at fair value through profit or loss/short term investments:		
Listed equity trading securities, at fair value^:		
Hong Kong	**35,808,527**	78,991,800
Overseas	**4,078,160**	1,114,915
	39,886,687	80,106,715

22. INVESTMENTS *(Cont'd)*

* Unlisted equity investment and embedded derivative liability represented 2,651,472,241 convertible non-voting redeemable preference shares (the "Preference Shares") in Century City International Holdings Limited ("CCIH"). The Preference Shares are not freely transferable, will not be entitled to any income distribution and are non-voting. The Preference Shares may be fully or partly converted into fully paid CCIH ordinary shares on the basis of one CCIH ordinary share for one Preference Share, subject to adjustment, in stages on or after 15 December 2006 pursuant to the terms of the Preference Shares, up to 15 December 2009 (the "Maturity Date"). The Preference Shares which have not been converted and remain outstanding on the Maturity Date shall be mandatorily converted into CCIH ordinary shares on the Maturity Date. CCIH has the right to redeem all or part of the Preference Shares at the rate of HK$0.15 for every Preference Share before the Maturity Date, which is classified as an embedded derivative. The holders of the Preference Shares have no right to require CCIH to redeem or buy back the Preference Shares and the holders of the Preference Shares have pre-emptive rights should CCIH propose to issue new CCIH ordinary shares.

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

^ The market values of the Group's listed equity investments at the balance sheet date and date of approval of these financial statements were approximately HK$58,935,284 (2004: HK$87,113,048) and HK$81,014,375 (2004: HK$82,615,805), respectively.

During the year, the gross gain of the Group's available-for-sale investments recognised directly in equity amounted to HK$11,380,532 (2004: HK$9,961,413).

During the year, the fair value gain on the Group's embedded derivative liability on an unlisted equity investment recognised in income statement amounted to HK$10,806,166 (2004: Nil).

The fair values of listed equity investments are mainly based on quoted market prices. The fair value of unlisted available-for-sale equity investment has been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated balance sheet, and the related changes in fair values recorded in the available-for-sale investment revaluation reserve are reasonable and are the most appropriate values at the balance sheet date.

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

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

23. DEFERRED TAX ASSETS

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

	Group **Losses available for offset against future taxable profits** ***HK$***
At 1 January 2004, 31 December 2004 and 1 January 2005	470,000
Deferred tax charged to the income statement during the year *(note 11)*	(470,000)
At 31 December 2005	–

The Group has tax losses arising in Hong Kong of HK$278,745,000 (2004: HK$271,621,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the group companies that have been loss-making for some time.

At 31 December 2005, there was no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates as the Group has no liability to additional tax should such amounts be remitted due to the availability of double tax relief.

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

24. ACCOUNTS RECEIVABLE

	Group	
	2005	2004
	HK$	*HK$*
Accounts receivable	**142,742,459**	370,456,921
Less: Impairment	**(23,806,949)**	(21,831,242)
	118,935,510	348,625,679

An aged analysis of accounts receivable is as follows:

	Group	
	2005	2004
	HK$	*HK$*
Current to 30 days	**112,909,487**	343,619,256
31 to 60 days	**2,173,340**	1,167,619
61 to 90 days	**2,895,925**	742,887
Over 90 days	**24,763,707**	24,927,159
	142,742,459	370,456,921

The Group allows a credit period up to the settlement day of the respective securities and commodities transactions or a credit period mutually agreed with the contracting parties. 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$47,891,467 (2004: HK$34,266,840) bear interest at interest rates with reference to the prime rate.

Included in the accounts receivable balance as at 31 December 2005 is a trade receivable amount due from a substantial beneficial shareholder of the Company, Shenyin & Wanguo Securities Co., Ltd. ("SWSC"), of HK$1,295,299 (2004: HK$113,473,320) which arose from securities dealing transactions. This balance is unsecured, interest-free and repayable on the settlement day of the relevant trades.

25. LOANS AND ADVANCES

	Group	
	2005	2004
	HK$	*HK$*
Loans and advances to customers:		
Secured	**144,807,992**	154,383,542
Unsecured	**2,212,158**	2,432,159
	147,020,150	156,815,701
Less: Impairment	**(13,173,022)**	(18,348,729)
	133,847,128	138,466,972

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

	Group	
	2005	2004
	HK$	*HK$*
Repayable on demand	**133,692,634**	143,268,185
Undated	**13,327,516**	13,547,516
	147,020,150	156,815,701

As at 31 December 2005, the total market value of securities pledged by customers as collateral in respect of the above loans and advances to customers was HK$628,057,947 (2004: HK$650,366,450).

In view of the fact that the Group's loans and advances relate to a large number of diversified customers, there is no significant concentration of credit risk. Loans and advances to margin clients of HK$133,692,634 (2004: HK$143,268,185) bear interest at interest rates with reference to the prime rate.

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Cash and bank balances	**31,458,275**	90,950,685	**1,213,025**	2,850,536
Time deposits	**82,556,280**	11,507,900	**–**	–
	114,014,555	102,458,585	**1,213,025**	2,850,536

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one week and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the time deposits approximate to their fair values.

27. ACCOUNTS PAYABLE

An aged analysis of accounts payable, based on the settlement day of the relevant trades, is as follows:

	Group	
	2005	2004
	HK$	*HK$*
Current to 30 days	**600,779,985**	960,834,738

Included in the accounts payable balance as at 31 December 2005 is a broker payable amount due to a substantial beneficial shareholder of the Company, SWSC, of HK$9,104,695 (2004: HK$26,184,888) which arose from securities dealing transactions. This balance is unsecured, interest-free and payable on the settlement day of the relevant trades.

Included in the accounts payable balance as at 31 December 2005 is segregated client money held on behalf of another substantial beneficial shareholder, Shenyin Wanguo (H.K.) Holdings Limited ("SWHKH"), of HK$22,242,658 (2004: HK$23,725,681) which also arose from securities dealing transactions. This balance is unsecured, bears interest at the bank deposit savings rate (2004: bank deposit savings rate) per annum and is payable on request.

Except for the accounts payable to clients of HK$483,188,853 (2004: HK$654,499,703), which bear interest at the bank deposit savings rate (2004: bank deposit savings rate) per annum and is payable on demand, the remaining accounts payable are non-interest-bearing and payable on the settlement day of the relevant trades.

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Other payables	**3,878,364**	6,184,853	**392,221**	1,423,999
Accruals	**13,623,267**	17,711,751	**2,154,782**	4,181,125
	17,501,631	23,896,604	**2,547,003**	5,605,124

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

29. SHARE CAPITAL

	Company	
	Number of ordinary shares of HK$0.50 each	*HK$*
Authorised	2,000,000,000	1,000,000,000
Issued and fully paid:		
At 31 December 2004 and 31 December 2005	530,759,126	265,379,563

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 33 of the financial statements.

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

30. RESERVES *(Cont'd)*

(b) Company

	Note	Share premium account HK$	General reserve HK$	Retained profits HK$	Total HK$
At 1 January 2004		314,739,683	656,293	2,546,496	317,942,472
Net profit for the year		–	–	15,697,610	15,697,610
Proposed final 2004 dividend	*13*	–	–	(5,307,591)	(5,307,591)
At 31 December 2004 and 1 January 2005		314,739,683	656,293	12,936,515	328,332,491
Net profit for the year		–	–	19,970,098	19,970,098
Proposed final 2005 dividend	*13*	–	–	(5,307,591)	(5,307,591)
At 31 December 2005		**314,739,683**	**656,293**	**27,599,022**	**342,994,998**

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

31. BANKING FACILITIES

At the balance sheet date, the Group's unutilised banking facilities were secured by the pledge of interests in associates (note 20), listed shares of customers pledged to the Group as security for the loans and advances to those customers (note 25) and guarantees given by the Company.

32. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(i) During the year ended 31 December 2005, the club debentures of HK$2,470,000 were reclassified from other assets to available-for-sale investments (note 18).

(ii) During the year ended 31 December 2004, the Group received a short term investment of HK$23,606,599 and a long term investment of HK$156,320,000 as settlement of the long term receivable of HK$182,767,388.

33. CONTINGENT LIABILITIES

At the balance sheet date, the contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Guarantees in respect of bank loans and other facilities granted to subsidiaries	**–**	–	**1,012,500,000**	582,500,000

As at 31 December 2005 and 2004, the banking facilities granted to the subsidiaries subject to the guarantees given to the banks by the Company were not utilised.

34. COMMITMENTS

(a) Capital commitments

	Group	
	2005	2004
	HK$	*HK$*
Contracted, but not provided for the purchases of furniture, fixtures and equipment	**1,136,513**	1,337,600

(b) Operating lease commitments as a lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31 December 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005	2004
	HK$	*HK$*
Within one year	**8,963,899**	3,938,223
In the second to fifth years, inclusive	**10,243,875**	105,973
	19,207,774	4,044,196

At 31 December 2005, the Company did not have any significant commitments (2004: Nil).

35. RELATED PARTY TRANSACTIONS

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

(a) The Group paid a service fee of HK$429,694 (2004: HK$158,709) and brokerage commissions totaling HK$1,503,469 (2004: HK$2,237,823) to a substantial beneficial shareholder of the Company, SWSC, during the year. The service fee and the brokerage commissions were based on mutually agreed terms with reference to the prices and conditions similar to those offered to other customers of SWSC.

(b) The Group paid a research fee of HK$1,200,000 (2004: HK$500,000) to a subsidiary of SWSC during the year. The research fee was based on mutually agreed terms with reference to the prices and conditions similar to those offered to other customers of that subsidiary of SWSC.

(c) The Group received brokerage commission income totaling HK$36,909 (2004: HK$109,589) from a substantial beneficial shareholder of the Company, SWHKH, which was based on the published prices and conditions offered to the major customers of the Group.

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

	2005	2004
	HK$	*HK$*
Short term employee benefits	**11,303,718**	14,276,452
Post-employment benefits	**1,032,388**	998,048
	12,336,106	15,274,500

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's business segments include securities broking, securities dealing, securities financing and the provision of direct loans. There is a constant need of funding for the settlement of securities transactions and the provision of financing and loans to the customers. The source of such funding is either from the Group's own capital or from borrowings from financial institutions. The Group's principal financial instruments comprise short term deposits.

The purpose of drawing overdrafts is to satisfy the need of short term funding of the Group. In case of a need of a long term funding, the Group utilises the available banking facilities and drawdowns of bank loans. The Group keeps its surplus cash in reputable financial institutions in Hong Kong to earn interest income.

Cash flow interest rate risk

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

Foreign currency risk

The Group's securities broking and dealing business are primarily engaged in the stock markets of Hong Kong and B-share markets of Mainland China, which are denominated in Hong Kong dollars or US dollars. In view of the fact that the Hong Kong dollar is pegged with the US dollar, the Group's exposure to foreign currency risk is minimal.

Credit risk

The Group has put in place a well-established credit policy governing the granting of credit limit to customers. Customers are required to deposit their securities with the Group as collaterals to their borrowings. Credit department is responsible for assisting the directors in formulating credit policy of the Group, monitoring the credit risks of customers with reference to the realisable values of the collaterals and recommending applications to the directors for credit facilities exceeding the discretionary power limits of the credit department.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and available-for-sale financial assets, arises from the default of the counterparties, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

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

37. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, 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 and opening balance adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2006.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Shenyin Wanguo (H.K.) Limited (the "Company") will be held at the Dragon Room, The Hong Kong Bankers Club at 43rd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong, on Friday, 19 May 2006 at 9:00 a.m. for the following purposes:

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of Directors and Auditors for the year ended 31 December 2005;

2. To declare a final dividend;

3. As a special business to consider and, if thought fit, pass with or without amendments, the following resolution as a Special Resolution:

"**THAT** the Articles of Association of the Company be and are hereby amended in the following respects:

(a) by deleting the existing Article 81 and substituting therefore the following:–

"Article 81 Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class of shares, at any general meeting on a show of hands every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a representative duly authorized under Section 115 of the Companies Ordinance shall have one vote; and on a poll every member present in person, or (being a corporation) by duly authorized representative, or by proxy shall have one vote for every share of which he is the holder which is fully paid up or credited as fully paid up (but so that no amount paid up or credited as paid up on a share in advance of calls or installments shall be treated for the purposes of this Article as paid up on the share). On a poll a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way."

(b) by deleting the existing Article 95 and substituting therefore the following:–

"Article 95 The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first general meeting of the Company after his appointment and shall then be eligible for re-election. In case the aforesaid first general meeting is an annual general meeting, he shall not be taken into account in determining the number of Directors to retire at that meeting pursuant to Article 104(A)."

(c) by deleting the existing Article 104(A) and substituting therefore the following:–

"Article 104 (A) At each annual general meeting, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every director shall be subject to retirement by rotation at least once every three years. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election."

4. To re-elect Directors and authorize the Board of Directors to fix their remuneration;

5. To re-appoint Auditors and authorize the Board of Directors to fix their remuneration;

6. As special business to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"**THAT**:

(a) subject to sub-paragraph (c) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares, and to make or grant offers, agreements and options which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;

(b) the approval in sub-paragraph (a) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in sub-paragraph (a) of this Resolution, otherwise than pursuant to:

(i) a Rights Issue (as hereinafter defined);

(ii) the exercise of rights of subscription or conversions attaching to any warrants issued by the Company or any securities which are convertible into shares;

(iii) any option scheme or similar arrangements for the time being adopted for the grant or issue to officers and/or employees of the Company and/or its subsidiaries of shares or rights to acquire shares of the Company; or

(iv) any scrip dividend scheme or similar arrangements providing for the allotment of shares of the Company in lieu of the whole or a part of a dividend on such shares in accordance with the Articles of Association of the Company;

shall not exceed 20 per cent of the aggregate nominal value of the share capital of the Company in issue at the date of the passing of this Resolution, and this approval shall be limited accordingly; and

(d) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares whose names appear on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of or the requirements of any recognized regulatory body or any stock exchange in any territory applicable to the Company)."

7. As special business to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"**THAT**:

(a) subject to sub-paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK$0.50 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange on which the securities of the Company may be listed and is recognized by the Securities and Futures Commission and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in sub-paragraph (a) above shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution, and the said approval shall be limited accordingly; and

(c) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting."

8. As special business to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"**THAT** conditional upon the passing of Ordinary Resolutions 6 and 7, the general mandate granted to the Directors of the Company to exercise the power of the Company to allot, issue and deal with shares pursuant to Ordinary Resolution 6 set out in the notice convening this Meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution 7 set out in the notice convening this Meeting, provided that such amount shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company at the date of passing of this Ordinary Resolution."

By order of the Board

Wong Che Keung Leslie
Company Secretary

Hong Kong, 19 April 2006

Notes:

1. The register of members of the Company will be closed from Monday, 15 May 2006 to Friday, 19 May 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars, Tengis Limited, at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 12 May 2006.

2. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and on a poll, vote on his behalf and such proxy need not be a member of the Company.

3. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of the power of attorney or authority, must be deposited at the registered office of the Company not later than 48 hours before the time appointed for holding the meeting (or the adjourned meeting as the case may be).

4. Concerning Ordinary Resolutions 6 to 8, the directors wish to state that they have no immediate plans to issue any new shares of the Company or repurchase any existing shares of the Company.

5. An explanatory statement as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in connection with the proposed repurchase mandate under Ordinary Resolution 7 above will be despatched to members together with 2005 Annual Report of the Company.