

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company consists of investment holding. Details of the principal activities of the principal subsidiaries and the jointly-controlled entities are set out in notes 18 and 19, 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 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 77.

The directors recommend the payment of a final dividend of HK2 cents per ordinary share in respect of the year, to shareholders on the register of members on 21 May 2004. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

Report of the Directors

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results, assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and adjusted for the effects of the retrospective changes in accounting policy affecting income tax, as detailed in note 2 to the financial statements, is set out below.

	Year ended 31 December				
	2003 HK\$	2002 HK\$ (Restated)	2001 HK\$ (Restated)	2000 HK\$	1999 HK\$ (Restated)
RESULTS					
TURNOVER	589,505,339	247,418,435	368,685,498	509,203,763	188,453,849
Other revenue and gains	534,216	19,757,148	1,051,522	54,401,591	2,414,728
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	—	—	—
Cost of trading securities sold	(466,435,173)	(143,273,322)	(246,217,375)	(370,595,322)	(57,363,330)
Staff costs	(45,175,337)	(51,125,946)	(49,983,857)	(52,076,776)	(35,659,129)
Provision for bad and doubtful debts	—	(119,400,000)	(1,500,000)	(1,500,000)	—
Interest expenses for financial services operations	(4,893,127)	(9,939,030)	(19,462,220)	(72,654,858)	(37,722,444)
Write-back of impairment provisions/(impairment provisions) on long term investments	5,382,802	(6,286,190)	(56,401,830)	—	—
Depreciation and amortisation expenses	(8,881,128)	(11,966,359)	(12,018,368)	(8,467,533)	(4,786,096)
Other operating expenses, net	(56,043,553)	(40,482,768)	(31,013,767)	(47,324,862)	(35,630,470)

Report of the Directors

FIVE YEAR FINANCIAL SUMMARY (Continued)

	2003 HK\$	Year ended 31 December			
		2002 HK\$ (Restated)	2001 HK\$ (Restated)	2000 HK\$	1999 HK\$ (Restated)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	13,994,039	(11,298,032)	4,935,291	10,986,003	19,707,108
Finance costs	(48,576)	(58,539)	(922,853)	(4,918,544)	(7,934,216)
Share of profits/(losses) of:					
Jointly-controlled entities	25,676,793	26,651,089	17,123,750	19,303,405	13,843,841
An associate	—	(24,386)	23,894	—	—
PROFIT BEFORE TAX	39,622,256	15,270,132	21,160,082	25,370,864	25,616,733
Tax	(3,996,417)	(4,625,659)	(3,185,366)	(31,475)	(51,068)
PROFIT BEFORE MINORITY INTERESTS	35,625,839	10,644,473	17,974,716	25,339,389	25,565,665
Minority interests	—	—	—	171,783	(1,409,973)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	35,625,839	10,644,473	17,974,716	25,511,172	24,155,692

Report of the Directors

FIVE YEAR FINANCIAL SUMMARY (Continued)

	As at 31 December				
	2003 HK\$	2002 HK\$ (Restated)	2001 HK\$ (Restated)	2000 HK\$ (Restated)	1999 HK\$ (Restated)
ASSETS, LIABILITIES AND MINORITY INTERESTS					
Total assets	2,347,576,106	1,241,747,219	1,478,907,983	1,455,383,201	1,572,878,571
Total liabilities	(1,662,266,268)	(586,755,629)	(834,863,275)	(829,553,209)	(970,899,918)
Minority interests	—	—	—	—	(2,514,670)
	685,309,838	654,991,590	644,044,708	625,829,992	599,463,983

FIXED ASSETS

Details of movements in the fixed assets 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 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

Report of the Directors

DISTRIBUTABLE RESERVES

At 31 December 2003, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinances amounted to HK\$13,817,972, of which HK\$10,615,183 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 service. In the opinion of directors, it is therefore of no value to disclose details of the Group's suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Feng Guorong	<i>(Chairman, appointed on 13 February 2004)</i>
Jiang Guofang	<i>(Chairman, resigned on 13 February 2004)</i>
Lee Man Chun Tony	<i>(Chief Executive Officer)</i>
Ying Niankang	
Guo Chun	

Non-executive directors

Lu Wenqing	
Chang Pen Tsao	
Qu Zihai	<i>(appointed on 9 April 2003)</i>
Xu Zhigang	<i>(resigned on 8 March 2003)</i>

Report of the Directors

DIRECTORS *(Continued)*

Independent non-executive directors

Ng Wing Hang Patrick
Kwok Lam Kwong Larry

Subsequent to the balance sheet date, on 13 February 2004, Mr Jiang Guofang resigned as the Chairman and an executive director of the Company. On the same date, Mr Feng Guorong was appointed as the Chairman and an executive director of the Company.

In accordance with Article 95 of the Company's Articles of Association, Mr Feng Guorong will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

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

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

Executive directors

Feng Guorong, aged 54, was appointed as an Executive Director and Chairman of the Company in February 2004. He is also the Vice Chairman and Chief Executive Officer of Shenyin & Wanguo Securities Co., Ltd. He holds a PhD in Economics and obtained qualification for employed as senior securities management personnel from China Securities Regulatory Commission. Prior to joining the Group, he worked as 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 Governor, he also worked as Managing Director and Deputy Governor at China Everbright Bank, Main Branch. 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 in risk management of financial enterprises.

Report of the Directors

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Continued)*

Executive directors *(Continued)*

Lee Man Chun Tony, aged 50, was appointed as a Director and 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 Society of 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.

Ying Niankang, aged 52, 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.

Guo Chun, aged 39, was appointed as an Executive Director of the Company in May 2000. He began his career with the Industrial & 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 ("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.

Non-executive directors

Lu Wenqing, aged 45, is a Non-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 Industrial & Commercial Bank of China and as an attaché of the Chinese Embassy in Gabon.

Report of the Directors

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Continued)*

Non-executive directors *(Continued)*

Chang Pen Tsao, aged 65, 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. Mr Chang is the Chairman of Taiwan Chamber of Commerce and served as a Senator in Taiwan for 9 years and was the Chairman of Kwang Hua Securities Investment & Trust Co., Ltd. He has more than 20 years' experience in legal practice as a lawyer, prosecutor and district judge, as well as in business management, and has more than 10 years' experience in securities investment. He received his L.L.B. Degree from Chung Hsin University, Taiwan in 1967.

Qu Zihai, aged 36, is a director of Shanghai Industrial Financial (Holdings) Co., Ltd. and Deputy Managing Director of SIIC Finance Co., Ltd. He is also a director of Shanghai S.I. Capital Co., Ltd., SIIC Asset Management Co., Ltd. and Shanghai E&P International, Inc., Managing Director of S.S.V.C. Management Co., Ltd., as well as a director of TX Investment Consulting Co., Ltd. Since joining Shanghai Industrial Investment (Holdings) Co., Ltd. In 1998, Mr Qu has involved in investment banking and venture investment businesses. He has accumulated extensive operational experience and has directly engaged in projects involving an aggregate of RMB4 billion. He holds a Master's Degree in Science from Fudan University.

Ng Wing Hang Patrick, aged 51, 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 48, is an Independent Non-executive Director of the Company. He is a practising solicitor in Hong Kong and is also qualified to practise as a solicitor in Australia, England and 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 respectively 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 and the Trade and Industry Advisory Board in Hong Kong. He is also a member of the Political Consultative Committee of Guangxi in the PRC. In addition, he serves on the boards of several listed companies in Hong Kong.

Report of the Directors

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Continued)*

Senior management

Lee Siu Ming Simon, aged 42, 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. 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 of Law Degree from the University College of the University of London in the United Kingdom.

Wong Che Keung Leslie, aged 39, is the Finance Director of the Group. Mr. Wong once served as the Head of Compliance and subsequently, a Director of Shenyin Wanguo Securities (H.K.) Limited before succeeding to the current position in 2001. 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 41, joined the Group in 1994. He is a Director of Shenyin Wanguo Research (H.K.) Limited and has been based in Hong Kong for 14 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 2 stockbroking firms as an analyst. He was born in the United Kingdom and obtained his Bachelor's Degree at University College, Cardiff in Wales.

Lo Chak Bong Alfred Bing, aged 42, is a Director of Shenyin Wanguo Asset Management (Asia) Limited. He has 18 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 as well as Hong Kong. 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.

Report of the Directors

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Continued)*

Senior management *(Continued)*

Yip Sin Ho Victor, aged 39, is the Legal and Compliance Officer and Secretary of the Company. Prior to joining the Group in 2000, he worked as a solicitor in a reputable law firm in Hong Kong. He has Bachelor's Degrees in Economics and in Law. He further obtained his Master's Degree in Law at the University of Hong Kong.

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' 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.

Report of the Directors

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2003, the interests and short positions of the Directors in the shares 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Long position in ordinary shares of the Company

Name of the Director	Number of ordinary shares directly beneficially owned	Percentage of the Company's shares in issue
Lee Man Chun Tony	1,300,000	0.24

Save as disclosed above, none of the Directors of the Company had, as at 31 December 2003, 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.

Report of the Directors

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

As at 31 December 2003, the following interests of 5% or more of the shares of the Company were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company

Name	Number of ordinary shares held	Percentage of the Company's shares in issue
Shenyin Wanguo Holdings (B.V.I.) Limited ("SWHBVI")	268,334,875*	50.56
Venture-Some Investments Limited ("VSI")	268,334,875*	50.56
Shenyin Wanguo (H.K.) Holdings Limited ("SWHKH")	268,334,875*	50.56
Shenyin & Wanguo Securities Co., Ltd. ("SWSC")	270,379,875*	50.94

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

Save as disclosed above, as at 31 December 2003, no person, other than one director of the Company, whose interest is set out in the section "Directors' Interests and Short Positions in Shares and Underlying 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

Details of the connected transactions are set out in note 35 to the financial statements.

PRACTICE NOTE 19 OF THE LISTING RULES (REPLACED BY CHAPTER 13 AS FROM 31 MARCH 2004)

The disclosures required by Practice Note 19 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out in note 21 to the financial statements.

Report of the Directors

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”), as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company’s articles of association.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors and one non-executive director of the Company.

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

16 April 2004