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 2004.

RESULTS

For the year ended 31 December 2004, the Group recorded a net profit attributable to shareholders of approximately HK$9 million, representing a decrease of 68% over 2003. The turnover rose 81% to approximately HK$1,067 million (2003: HK$590 million). The basic earnings per share dropped by 68% to HK$1.71 cents as compared to HK5.26 cents (restated) for the year 2003.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK1 cent per ordinary share in respect of 2004, to shareholders whose names appear on the register of members of the Company on 27 May 2005. The proposed dividend will be paid on or about 3 June 2005 subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

REVIEW OF MARKET IN 2004

The Hong Kong economy and market sentiment made a gradual recovery in 2004 because of close economic ties with the Mainland with economic growth supported by strong inbound tourism, rebounding domestic consumer spending and flourishing external trade. Surging oil prices and rising US interest rates did not interrupt the recovery, Hong Kong has benefited from low interest rates, rising employment, firmer property prices, a sharp increase in retail sales resulting from the Mainland Individual Travelers Scheme, and an influx of liquidity. Also, 2004 witnessed strong performance in the world economy, in which both the United States and Mainland China played key pivotal roles. Mainland China's economy has shown impressive resilience in the face of increased commodity prices, such as crude oil, aluminum and steel, and has responded well to the Central Government's macro-economic policies to control fixed assets investments.

Comparing with the last two years, Hong Kong economy has been growing not only at an energetic pace but also in a more broad-based manner, with local spending and capital investment picking up shoulder-to-shoulder in 2004. Private consumption expenditure went up by 7.3%, reversing the protracted slide seen in year 2002 and 2003. Moreover, overall investment spending rose by 5.5%, 12.7% and 4.9% in the first three quarters respectively, reflecting the firming of business confidence. In tandem with the across-the-border economic recovery, both the property market and stock market have gathered steam, and the labour market conditions are steadily turning to the better with unemployment rate dropping to 6.7% from 7.3% at the beginning of this year. During 2004, Hong Kong experienced a recovery in both economic conditions and market sentiment with GDP growth of around 8% for the year, compared with 3.2% for 2003, and Hong Kong's total export value had also increased by about 16% to HK$2,019 billion.

Benefiting from the positive market sentiment as a result of the economic recovery, the Hong Kong stock market started the year 2004 on a positive note. The market retreated in the second quarter, mainly driven by the adoption of the Central Government's macro-economic policies to control fixed assets investments, the fear of rising US interest rates, growing unrest in the Middle East as well as another global oil crisis. The turnover value of the Hong Kong stock market for the whole year was HK$3,948.4 billion, representing an increase of 55% over the previous year. By year end, the benchmark Hang Seng Index reached 14,230 points, representing a 13% increase over the previous year. The Hang Seng China-affiliated Corporations Index (the red-chip index) rose 9% during the year while the Hang Seng China Enterprises Index (the H-share index) dropped 6% for the same period. Whilst, the turnover value of the Hang Seng China Enterprises (H shares) for the whole year was approximately HK$933.8 billion, representing an increase of 86% over the previous year.

REVIEW OF MARKET IN 2004 *(Cont'd)*

In 2004, China's B share markets saw mixed performances, compared to 2003. Shanghai's and Shenzhen's B share indices ended the year down 27.9% and up 19.2% respectively. Average daily turnover of B shares on both Shanghai and Shenzhen Stock Exchanges declined to RMB104.9 million and RMB212.5 million, respectively as compared to RMB119.5 million and RMB 256.3 million in 2003. The domestic A share markets remained subdued during the year. A general recovery in operating profitability, and continued interest in the Qualified Foreign Institutional Investors' Scheme, were not enough to lift the generally negative sentiment in the domestic markets; especially with the uncertainty over the rate of slowdown of China's economy after macrocontrol policies were strengthened in March. Shanghai's and Shenzhen's A share indices ended the year down 15.2% and 16.5% respectively.

FUTURE PLAN & PROSPECTS

As Hong Kong is an open economy, it has been significantly affected by the movement of the global economy. First, the economic development of America and the peripheral countries of the Asian Pacific Region will have an impact on the growth of the Hong Kong economy. Second, the continuing development of the mainland economy and the implementation of CEPA to the Hong Kong will promote its economic growth. In brief, the Group expects the economy of Hong Kong will maintain its recovery momentum in 2005.

With the increasingly closer economic relationships between Hong Kong and the Mainland, the consolidation of China's economic power will help upholding the capital market activities of Hong Kong. The Group anticipates that, in 2005, the major State-owned enterprises and banks will conduct large-scale fund raising activities by way of listing in Hong Kong, which are beneficial to both Hong Kong economy and capital market.

Our Group shall continue to seize every opportunity to provide financial advisory and capital raising services to PRC corporations and to strengthen our traditional stockbroking business and at the same time maintain high liquidity to respond to opportunities which may appear at any moment to enhance our market share. Further, we shall continue to solicit sales professionals to cope with the on-going keen competition in the industry. The Group will strictly comply with the Laws of Hong Kong and the relevant rules of the financial regulatory authorities in Hong Kong and will also continue to strengthen our risk management in a prudent manner.

Finally, all members of the Board of Directors and myself would like to take this opportunity to express our sincere gratitude to all our staff for their dedication and hard work during the year, and we would like to thank all our shareholders and customers for their trust and support over the past year.

Feng Guorong
Chairman

Hong Kong
8 April 2005