

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2004.

## PRINCIPAL ACTIVITIES

The principal activity of the Company consists of investment holding. Details of the principal activities of the principal subsidiaries and the associates (formerly 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 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 21 to 63.

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 27 May 2005. 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.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities 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 policies affecting goodwill and interests in associates (formerly jointly-controlled entities), as detailed in notes 2, 19 and 20 to the financial statements, is set out below.

RESULTS	2004 HK\$	Year ended 31 December			
		2003 HK\$ (Restated)	2002 HK\$ (Restated)	2001 HK\$ (Restated)	2000 HK\$ (Restated)
TURNOVER	<b>1,067,193,097</b>	589,505,339	247,418,435	368,685,498	509,203,763
Other revenue and gains	<b>417,353</b>	534,216	19,757,148	1,051,522	54,401,591
Cost of trading securities sold	<b>(961,544,597)</b>	(466,435,173)	(143,273,322)	(246,217,375)	(370,595,322)
Staff costs	<b>(44,000,984)</b>	(45,175,337)	(51,125,946)	(49,983,857)	(52,076,776)
Depreciation and amortisation expenses	<b>(8,222,684)</b>	(10,409,175)	(13,579,608)	(13,711,996)	(10,783,545)
Interest expenses for financial services operations	<b>(1,680,833)</b>	(4,893,127)	(9,939,030)	(19,462,220)	(72,654,858)
Net unrealised gains/(losses) on listed equity investments	<b>(10,958,401)</b>	(17,825,590)	(4,053,400)	3,135,403	(27,707,025)
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	–	–
Provision for bad and doubtful debts and bad debt written off	<b>(8,689,753)</b>	–	(119,400,000)	(1,500,000)	(1,500,000)
Write-back of impairment provisions/ (impairment provisions) for long term investments	–	5,382,802	(6,286,190)	(56,401,830)	–
Provision for claims	–	(4,000,000)	–	–	–
Other operating expenses, net	<b>(34,057,260)</b>	(34,217,963)	(36,429,368)	(34,149,170)	(19,617,837)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	<b>(1,544,062)</b>	12,465,992	(12,911,281)	3,241,663	8,669,991
Finance costs	<b>(37,724)</b>	(48,576)	(58,539)	(922,853)	(4,918,544)
Share of profits/(losses) of: Associates (formerly jointly-controlled entities)	<b>13,034,904</b>	18,850,212	21,644,908	11,473,571	9,290,829
An associate	–	–	(24,386)	23,894	–
PROFIT BEFORE TAX	<b>11,453,118</b>	31,267,628	8,650,702	13,816,275	13,042,276
Tax	<b>(2,397,508)</b>	(3,345,192)	(4,013,984)	(2,454,776)	1,177,869
PROFIT BEFORE MINORITY INTERESTS	<b>9,055,610</b>	27,922,436	4,636,718	11,361,499	14,220,145
Minority interests	–	–	–	–	171,783
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<b>9,055,610</b>	27,922,436	4,636,718	11,361,499	14,391,928

**FIVE YEAR FINANCIAL SUMMARY** (Cont'd)

	2004 HK\$	As at 31 December			
		2003 HK\$ (Restated)	2002 HK\$ (Restated)	2001 HK\$ (Restated)	2000 HK\$ (Restated)
ASSETS AND LIABILITIES					
Total assets	<b>1,636,546,131</b>	2,305,493,217	1,207,367,733	1,450,536,252	1,433,624,687
Total liabilities	<b>(984,917,342)</b>	(1,662,266,268)	(586,755,629)	(834,863,275)	(829,553,209)
	<b>651,628,789</b>	643,226,949	620,612,104	615,672,977	604,071,478

**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 has purchased, redeemed or sold any of the Company's listed shares 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.

**DISTRIBUTABLE RESERVES**

At 31 December 2004, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinances amounted to HK\$18,900,399 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 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	<i>(Chairman, appointed on 13 February 2004)</i>
Lu Wenqing	<i>(redesignated from non-executive director to executive director on 30 September 2004)</i>
Lee Man Chun Tony	<i>(Chief Executive Officer)</i>
Guo Chun	
Ying Niankang	
Jiang Guofang	<i>(Chairman, resigned on 13 February 2004)</i>

### Non-executive directors

Chang Pen Tsao  
Qu Zihai

### Independent non-executive directors

Ng Wing Hang Patrick  
Kwok Lam Kwong Larry  
Zhuo Fumin *(appointed on 30 September 2004)*

In accordance with Article 95 of the Company's Articles of Association, Mr Zhuo Fumin 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. Guo Chun and Chang Pen Tsao 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 55, was appointed as an Executive Director and Chairman of the Company in February 2004. He is also the Vice Chairman, Chief Executive Officer and President of Shenyin & Wanguo Securities Co., Ltd. He holds a PhD in Economics and obtained high-ranking securities management recognition 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 the Managing Director and Deputy Governor at 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 in risk management of financial enterprises.

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

### Executive directors *(Cont'd)*

**Lu Wenqing**, aged 46, 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 Industrial & Commercial Bank of China and as an attaché of the Chinese Embassy in Gabon.

**Lee Man Chun Tony**, aged 51, 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 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 40, 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.

**Ying Niankang**, aged 53, 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.

### Non-executive directors

**Chang Pen Tsao**, aged 66, 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, Fulltech Fiber Glass Corp. and Ideal Bike Corp. He 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.

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

### *Non-executive directors (Cont'd)*

**Qu Zihai**, aged 37, 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 SIIC Asset Management Co., Ltd. as well as Managing Director of S.S.V.C. Management 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 52, 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 49, 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 Law as well as a Master's Degree in Law. 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 54, 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. Mr Zhuo has more than 29 years of experience in running joint stock companies and corporate management and has extensive capital market experience since 1995. Mr Zhuo also serves as a director in Vertex China Investment Limited in Hong Kong and China. Within the past three years, Mr Zhuo was an executive director of SIIC Medical Science and Technology (Group) Limited, the Vice Chairman and an executive director of Shanghai Industrial Holdings Limited as well as a non-executive director of Imagi International Holdings Limited until he resigned on 25 January 2002, 30 June 2002 and 8 April 2004 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 43, 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 40, 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 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 42, 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 43, 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.

### 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.

**DIRECTORS' INTERESTS IN SHARES**

At 31 December 2004, the interests of the Director 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 the 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 2004, none of the Directors of the Company had 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 2004, 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 in the Company.

Save as disclosed above, as at 31 December 2004, 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 have been 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 the 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.

### DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, the following directors are considered to have interests 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, as set out below:

Qu Zihai is also a director of SIIC Asset Management Company Limited, which is also involved in the provision of asset management services. Chang Pen Tsao is also a director of Taiwan International (Nominees) Limited, which is also involved in the provision of securities trading and broking services.

As the board of directors of the Company is independent from the board of directors of SIIC Asset Management Company Limited and Taiwan International (Nominees) Limited and the above directors do 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 and Taiwan International (Nominees) Limited.

### 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 year ended 31 December 2004, 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.

The said code has been replaced by the Code on Corporate Governance Practices which came into effect on 1 January 2005. The Company will report on its compliance with the Code on Corporate Governance Practices in accordance with the applicable regulatory requirements in due course.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the annual report.

### AUDIT COMMITTEE

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

## 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  
8 April 2005