

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