

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 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.

	2005 HK\$	Year ended 31 December			
		2004 HK\$ (Restated)	2003 HK\$ (Restated)	2002 HK\$ (Restated)	2001 HK\$ (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)

	2005 HK\$	As at 31 December			
		2004 HK\$	2003 HK\$	2002 HK\$	2001 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	<i>(Chairman)</i>
Lu Wenqing	
Lee Man Chun Tony	<i>(Chief Executive Officer)</i>
Guo Chun	
Ying Niankang	

Non-executive directors

Chang Pen Tsao	
Qu Zihai	<i>(resigned on 31 December 2005)</i>
Huang Gang	<i>(appointed on 31 December 2005)</i>

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