

Chief Executive Officer's Report

行政總裁報告書



RESULTS OF THE GROUP

In 2005, the Company and its subsidiaries (the "Group") endeavored to make steady development in the Group's business in the Mainland and Hong Kong according to plan through consolidation of resources. For the year ended 31st December 2005, the Group's profit after tax and minority interest amounted to HK\$296 million.

Hong Kong Business

In 2005, the Group saw growth in all lines of business in Hong Kong: the investment banking, securities brokerage, asset management and direct investment businesses, all turned out to generate profit growth. The Group's Hong Kong operation has recorded a profit after tax of HK\$266 million (excluding non-operating property revaluation factor), representing an increase of 7% compared with last year's result calculated on the same basis. Operating profit excluding strategic investment amounted to HK\$94 million, 310% of last year's amount calculated on the same basis.

In 2005, the Hong Kong investment banking arm of the Group successfully sponsored the listing of the shares of Enric Energy Equipment Holdings Limited on the Growth Enterprise Market and Guangdong Nan Yue Logistics Company Limited on the Mainboard respectively; adding the income from other financial advisory services, the Group made a profit before tax of HK\$21.2 million from its investment banking business. The direct investment team has obtained investment commitments of USD10 million from investors. On successfully realising its investment in China Techfaith Wireless Communication Limited, the team continues to look for further investment opportunities and has recently invested in projects including Nanjing Gear and Goldwind Technology. The direct investment business has recorded a profit before tax of HK\$27.8 million for the full year under review. The return before expenses on the seed capital invested in the China Everbright Dragon Fund, which has been established and managed by the asset management team, was 9.8% last year; well above the rise of the Hang Seng Index of only 4.5% for the same period. The Fund will be offered to selected investors in 2006. The asset management business has recorded a profit before tax of HK\$24.7 million for the full year. Notwithstanding keen and growing competition, the brokerage business managed to maintain a stable earning through multi-products and cost control strategies; it has achieved a profit before tax of HK\$47.3 million for the year. The research reports issued by the research department of the Group has seen substantial enhancement in both quality and quantity: it was ranked 26th in Hong Kong by the "Asia Money" magazine. On the basis of stable development in Hong Kong businesses, revenue will increase and the Group's employees will be able to enjoy the fruits of their hard work while corporate governance, risk control and corporate culture establishment are all making progress.

經營業績

二零零五年，本公司及其附屬公司（「本集團」）按照確定的目標，努力整合資源，穩步發展在內地和香港的各项金融業務。截至二零零五年十二月三十一日年度，本集團實現除稅及少數股東權益後盈利港幣2.96億元。

香港業務

二零零五年，本集團香港業務和收入結構改善，盈利模式進一步鞏固。投資銀行、經紀、資產管理和直接投資等主要業務都實現了盈利增長。本集團香港業務實現稅後盈利港幣2.66億元（撇除物業重估等非經營性因素後），比去年相同基數增加7%，除策略投資外的營運業務盈利港幣0.94億元，為去年同比的310%以上。

二零零五年，本集團香港投資銀行業務很好地把握了市場機會，成功保薦安瑞科集團和南粵物流公司先後在創業板和主板上市，連同財務顧問等業務，投資銀行業務全年實現稅前利潤港幣2,120萬元。直接投資業務繼續發掘投資機會，外部募集資金承諾額為1,000萬美元，於北京德信無線通訊科技有限公司上市前投入的投資已套現獲利，其後亦相繼投資於南京高齒、新疆金風等專案，實現稅前利潤港幣2,781萬元。資產管理業務受託管理客戶資產港幣1億元並設立對沖基金「中國龍騰基金」，年度回報率（行政費用支出前）全年達到9.8%，高於恒生指數全年的4.5%升幅。此基金將於二零零六年向經選擇之投資者推廣。資產管理業務全年實現稅前利潤港幣2,476萬元。證券經紀業務在競爭日益激烈的情況下，以多元化產品和成本控制策略，保持盈利穩定，實現稅前利潤港幣4,728萬元。研究分析業務的數量與質量都有所提高，獲《亞洲貨幣》雜誌香港綜合排名第26位。在香港業務穩固和發展的基礎上，員工分享成果，收入增加，公司治理、風險控制和企業文化建設都取得新的進展。

RESULTS OF THE GROUP (continued)

Hong Kong Business (continued)

Everbright Bank's capital restructuring plan under the direction of China's relevant government authority did not materialise in 2005 as previously expected. The Group maintained an average cash level of HK\$2.3 billion during the year.

Everbright Bank

During 2005, running in parallel to its improvement in corporate governance and risk management, Everbright Bank's enhancements in the quality of the assets, liabilities, client base and income mix bore results. The proportion of "non-lending nature" assets and personal banking business has increased. The Bank's unique wealth management products and underwriting of short-term corporate bonds continue to maintain a leading position in the market.

Preparation of Everbright Bank's audited financial results for the years ended 31st December 2004 and 2005 in accordance with the requirements of the Hong Kong Financial Reporting Standards ("HKFRSs") is still underway. Management is thus, at present, unable to obtain comprehensive and accurate financial information of Everbright Bank. In view of the status set out above taken together with the fact that, up to 31st December 2004, the Group still has an unrecorded accumulated net loss of approximately HK\$592 million attributable from Everbright Bank (refer note 15(b)(i) of the 2005 financial statements), the Directors consider it prudent and reasonable not to account for the Group's share of Everbright Bank's unaudited results for the year ended 31st December 2005 and not to make detailed financial disclosures of Everbright Bank prematurely. After completion of Everbright Bank's full audit by independent auditors, the Directors will provide more detailed disclosures in a timely manner.

The relevant government authorities are still studying the financial restructuring plan of Everbright Bank to enhance the capital base and to raise the capital adequacy ratio thereof. Once this plan is finalised, the Company will assess its terms and merits according to the required procedures with a view to protecting the Company's shareholders interest and maximising their return.

經營業績 (續)

香港業務 (續)

國家有關部門主導的光大銀行股權重組和增資擴股方案未如預期於二零零五年出臺。本集團全年手持現金平均餘額多達港幣23億元。

光大銀行

於二零零五年期間，光大銀行在改進公司治理，強化風險管理的同時，繼續進行資產、負債、客戶和收入結構的優化，非貸款類資產和對私業務佔比提高，特色理財產品和短期融資券承銷繼續保持市場領先地位。

目前，有關光大銀行以「香港財務報告準則」為基準的二零零四年及二零零五年全面審計仍在積極進行中。故此，管理層暫難掌握經獨立核數師審核的全面和準確的光大銀行財務資料。因應上述狀況及，截至二零零四年十二月三十一日，本集團於光大銀行的投資賬面值已撥減至零而尚餘應佔光大銀行之虧損港幣5.92億元未記入本集團賬面（詳見二零零五年財務報表附註15(b)(i)）；故本集團董事們認為不對截至二零零五年十二月三十一日的應佔光大銀行未經審核的業績進行入賬或將未經審核的光大銀行財務資料作出整體披露，是謹慎而合理的決定。在獨立核數師完成光大銀行全面審計後，董事會將及時作出較詳細的披露。

為增強資本實力，提高資本充足率，國家有關部門主導下的光大銀行股權重組及增資擴股方案正在研究之中。為維護光大控股股東的利益，實現股東利益的最大化，待該方案正式出臺後，光大控股將全面評估其內容及影響而決定相應對策。

RESULTS OF THE GROUP (continued)

Everbright Bank (continued)

As at 31st December 2005, Everbright Bank was operating 30 branches and 380 banking offices in 23 provinces/cities and autonomous regions in Mainland China with a representative office in Hong Kong.

Everbright Securities

In 2005, the securities market in Mainland China continued the downward trend. The Shanghai Securities Index dropped 7.8% for the whole year. The turnover in the secondary market shrank continuously. Dozens of securities companies were closed down or being placed in receiverships because of poor management or failure to comply with relevant regulations. In the second half of the year, fund raising activities in the primary market went stagnant due to the share structure reform. Despite the aforementioned unfavorable market sentiment, Everbright Securities swung to a profit after tax of RMB60.8 million in 2005. At year end, its total equity and total assets amounted to RMB2.48 billion and RMB3.24 billion respectively which corresponds to a 8% increase and a 16% decrease as compared with the same item last year.

Having completed its capital restructuring in 2005, Everbright Securities actively developed business and endeavoured to be innovative. The market share of the brokerage business continues to grow and reached 2.57% which represents an 18.4% increase over last year's 2.17% share. It ranked 8th in terms of A-shares market share, one level higher than that of last year. Everbright Securities is one of the first few securities companies approved by China Securities Regulatory Commission ("CSRC") to provide innovative investment products. It is the first securities company in the PRC to launch collective investment products and has also been approved to issue covered warrants on A-Shares, which generated significant operating income. In 2005, Everbright Securities has also assisted the CSRC by acting as the sole receiver of Kun Lun Securities and by participating in the joint receivership of Guangdong Securities.

As at 31st December 2005, Everbright Securities was operating 47 branch offices in 19 provinces/cities and autonomous regions.

經營業績 (續)

光大銀行 (續)

截止到二零零五年十二月底，光大銀行在中國內地23個省市自治區設立了30家直屬分支行及380家營業網點，並於香港設有代表處。

光大證券

二零零五年中國內地股市繼續調整，上證指數全年下跌7.8%，二級市場成交量繼續萎縮，數十家證券公司因為違規和管理不善被託管或關閉，下半年因進行股權分置改革一級市場融資被暫停。在上述不利市場環境下，光大證券二零零五年年末資產總額為人民幣32.4億元，比上年末減少16%，但所有者權益人民幣24.8億元，比上年末增加8%。稅後盈利錄得人民幣6,083萬元，實現扭虧為盈。

二零零五年光大證券在完成股份制改造的同時，積極發展業務，努力開拓創新。經紀業務市場份額繼續上升，達到2.57%，比上年2.17%提高18.4%，在A股市場佔有率排名第八位，比上年提升一位。作為經中國證監會批准的首批開展業務創新試點的證券公司，光大證券在內地證券公司中第一家成功推出集合理財產品，並獲得創設權證業務資格，可以於A股市場發行備兌權證，而該業務也為光大證券帶來了可觀的營業收入。二零零五年還協助中國證監會獨家託管了昆侖證券，參與託管了廣東證券。

截至二零零五年十二月底，光大證券在全國19個省市自治區設立了47家營業部。

FINANCIAL POSITION

As at 31st December 2005, the net assets of the Group amounted to approximately HK\$4.89 billion, with cash on hand of approximately HK\$2.33 billion. Apart from trade liabilities in the ordinary course of business, the Group's principal liability was HK\$438 million of renewable term loans obtained from China Everbright Holdings Company Limited.

The level of borrowing depends mainly on the Group's business and investment needs. As at 31st December 2005, the Group committed borrowing facilities totalled approximately HK\$270 million. The Group's gearing ratio, which is computed from the Group's total interest bearing liabilities divided by shareholders' fund, was 9.1% as at 31st December 2005 as compared to 9.8% as at 31st December 2004.

As at 31st December 2005, the Group had no material exposure to foreign exchange fluctuations other than assets denominated in Renminbi.

As at 31st December 2005, the Group had pledged listed securities to the value of approximately HK\$183 million in relation to certain banking facilities.

The Group did not have any material contingent liabilities as at 31st December 2005. The Company had given guarantees in respect of banking and trading facilities available to subsidiaries totalling approximately HK\$80 million. As at 31st December 2005, the Group did not have any borrowings from banks. The Company had also provided guarantees to financial institutions against the due performance of obligations by its subsidiaries which are engaged in the businesses of leverage forex trading and derivatives trading. Such guaranteed liabilities will vary according to the value of transactions.

財務狀況

於二零零五年十二月三十一日，本集團的資產淨值約港幣48.9億元，持有現金總額約港幣23.3億元。除日常業務營運的流動負債外，本集團的主要負債為向中國光大集團有限公司合共借入等值港幣4.4億元的可續期借款。本集團的借款規模則主要根據集團之業務及投資需要而定。

於二零零五年十二月三十一日，本集團的已承諾借貸額度約為港幣2.7億元。以附帶利息之負債與股東權益總額為計算基準，本集團於二零零五年十二月三十一日之負債資本比率為9.1%（二零零四年：9.8%）。

除以人民幣為基礎的資產外，於二零零五年十二月三十一日本集團並無重大之外匯風險。

於二零零五年十二月三十一日本集團就若干銀行貸款額度作出約港幣1.83億元之上市證券抵押。

於二零零五年十二月三十一日本集團並無任何重大或然負債。本集團對屬下子公司作出的借款擔保合共約港幣0.8億元，於二零零五年十二月三十一日，本集團屬下之子公司並未作出任何相關借款。截至二零零五年十二月三十一日止，本公司為參與槓桿外匯交易及參與衍生工具買賣之附屬公司的交易額度向金融機構提供擔保。該擔保額度根據與金融機構產生之交易額而變動。

EMPLOYEES

As at 31st December 2005, the Group had 136 employees. Total staff cost for the period under review amounted to approximately HK\$86 million as noted in the consolidated income statement. The Group ensures that the remuneration packages for employees are fair and competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Discretionary year end bonus may also be paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme and training programmes. Directors of the Company and full time employees of the Group may be granted share options to subscribe for shares in the Company in accordance with the terms and conditions of the share option scheme approved by the Company at an extraordinary general meeting held on 24th May 2002.

PROSPECTS

In 2006, it is expected that the global and Hong Kong economies will grow steadily. The interest rate cycle for United States dollars will peak, while the Chinese economy will continue its pace of growth under the "11th 5-Year Plan". The austerity measures and the financial sector reform are now beginning to bear fruits. The Group's Hong Kong business operations are well prepared to benefit from a buoyant Chinese economy through the accelerated integration of economic activities of Hong Kong and Mainland China. The Group will continue to rationalise its resources allocation and enhance its return on investment. The investment banking business will take the lead, the direct investment and asset management businesses are to expand in scale while the brokerage business aims at steady growth in market share. The Group will lift its profitability through capitalisation on cross-selling opportunities between businesses as well as improving on resources deployment.

僱員

本集團於二零零五年十二月三十一日擁有僱員136名。於回顧期內之總員工成本約為港幣8,602萬元並已列載於綜合損益表內。本集團之薪酬制度公平及與市場相若，員工薪酬（包括薪金及花紅機制）按表現釐定。本集團亦會按僱員之個別表現，酌情向僱員發放年終花紅。員工福利亦包括醫療保險、退休計劃及培訓計劃。本公司董事及全職僱員可能獲授根據本公司於二零零二年五月二十四日股東特別大會上採納之認股權計劃之條款及條件發出之認股權以認購本公司之股份。

展望

二零零六年，全球及香港經濟有望溫和增長，預期美聯儲加息周期年內結束；而中國內地經濟增長在「十一·五」計劃下，仍呈快速勢頭，宏觀調控和金融改革日見成效。本集團香港業務在中國經濟蓬勃及中港加速融合的有利條件和自身充分準備之下，將繼續整合資源，穩紮基礎並積極進取，以投資銀行業務為龍頭，擴大直接投資和資產管理規模，穩固經紀業務市場份額，努力實現產品交叉銷售和資源深度開發，提高盈利能力。

PROSPECTS (continued)

With the support of the State, Everbright Bank's completion of capital restructure and capital injection is expected to normalise its profitability. Corporate governance and risk management will continue to improve. Following the recovery of the local capital market and restoration in confidence, coupled with the translation of capital strength and innovative ability into competitive advantage, it is expected that Everbright Securities' profit contribution will be uplifted. After finalization of Everbright Bank's capital restructure plan led by China's relevant authorities, the Group will further review its investment strategies with the aim to support the development of Everbright Bank and Everbright Securities.

I have strong confidence that, with the established business model and profit mix of the Hong Kong operations, plus the improvement in the business environment and profitability of Everbright Bank and Everbright Securities, shareholders' value of the Group will be enhanced and a favourable platform will be set for staff career development in 2006.

Finally, I take this opportunity to express my gratitude for the support of our shareholders, the members of the Board and the staff of the Group as well as for the patronage from our clients. We are very confident of the Group's stable development and positive return to all stakeholders in the forthcoming year.

By order of the Board

Zhou Liqun

Chief Executive Officer

Hong Kong, 23rd March 2006

展望 (續)

光大銀行在國家有關部門支援下，完成股權重組和增資擴股後，保持公司治理和風險控制不斷改善的趨勢，盈利能力將正常發揮。光大證券隨著內地證券市場功能恢復和信心回穩，立足把資本實力和創新資格轉化為競爭優勢，盈利貢獻也將提升。國家有關部門主導的光大銀行股權重組方案出臺後，本集團將研究落實如何進一步配合光大銀行發展的投資策略，同時支援光大證券拓展市場，發展業務。

本人相信，隨著香港業務商業模式的日趨成熟和盈利結構的改善，加之光大銀行和光大證券經營狀況和盈利貢獻的好轉，新的一年裏，本集團股東價值將得到進一步提升，員工發展亦會有良好的機會和平臺。

本人謹此機會代表管理層，感謝所有股東、董事和全體員工的參與和支援，感謝廣大客戶和社會各界的關心和幫助。我們對未來一年集團平穩發展、回報各方充滿信心。

承董事會命

周立群

行政總裁

香港，二零零六年三月二十三日