

It is my 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 2006.

## RESULTS

For the year ended 31 December 2006, the Group recorded a net profit of approximately HK\$129.9 million, representing an increase of 380% over 2005. The turnover increased by 78% to approximately HK\$325 million (2005: HK\$183 million). The basic earnings per share increased by 380% to HK24.47 cents as compared to HK5.06 cents for the year 2005.

## DIVIDENDS

The Directors have resolved to recommend the payment of a final dividend of HK2 cents and a special final dividend of HK2 cents per ordinary share in respect of 2006 which, together with the payment of an interim dividend of HK2 cents per ordinary share in October 2006 will constitute a total dividend of HK6 cents per ordinary share for the full year of 2006. This represents an increase of 500% over the total dividend of HK1 cent per ordinary share for the year 2005.

## REVIEW OF MARKET IN 2006

2006 was a record-making year for the Hong Kong stock market as the Hang Seng Index surpassed the 20000 mark for the first time in history while the Hang Seng China Enterprises Index set a record level of over 10000 points with a year-on-year increase of more than 90%. In October 2006, the largest global IPO in history, the Industrial and Commercial Bank of China successfully listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). Besides taking the value of the listed companies of the Hong Kong Stock Exchange to a new high of HK\$13 trillion, it also enabled the Hong Kong Stock Exchange to outperform the New York Stock Exchange in terms of fund raised and became the world's second largest primary market.

Chinese Mainland's economic growth was the greatest support to the economic recovery of Hong Kong and the revitalization of its securities market. 2006 marked the first year of the "11th Five-Year Plan" of the PRC. Its GDP rose by 10.4%, another double-digit growth in four consecutive years and became the fourth largest in the world. In the past year, the Chinese Mainland's capital market underwent groundbreaking changes. The successful Share Reform Scheme of A-share listed companies corrected a structural defect in the Chinese Mainland's capital market and substantially changed investors' market expectations which in turn boosted an unprecedented robust A-share bull market in Chinese Mainland. In 2006, the Shanghai Stock Index increased 130%, ranking second in the world in terms of stock market increase rate.

The Group has long been leveraged on the unique edge of having Chinese Mainland as the hinterland and Hong Kong as the stepping stone for a prosperous global outlook. In 2006, the Group was able to capitalize on the opportunity resulting from the momentous changes in the stock markets of both the PRC and Hong Kong to achieve the best results since of the Group's operation in Hong Kong in 1993. Significant achievements have been made in our operations, such as securities broking, corporate finance, fund management and proprietary trading. The Group also had a noticeable increase in the market share in the Hong Kong stock market as compared with the previous year, with rapid growth in the institutional customer base. Coverage of our fund management business has expanded to the other regional markets such as Japan, Taiwan and Korea. Taking advantage of the active stock market, the Group's margin loan volume had a rather substantial increase as compared with the previous year.

### **REVIEW OF MARKET IN 2006** *(Cont'd)*

In spite of fierce competition in the industry, the Group achieved the goals of continued growth in corporate profits and maximized shareholders' value by adjusting its business strategies, making full use of thorough understanding of the PRC market as well as implementing continued improvements in corporate management and strict cost control.

In view of the upward trend of the Hong Kong economy, the influx of foreign capital to Hong Kong on the backdrop of the expectation for Renminbi appreciation and the improvement in the financial conditions of Hong Kong's local families and individuals, the Group has expanded its business in the institutional customers and the local retail markets with satisfactory progress. The Group has further strengthened its cooperation with its parent company in the scope of research and strived to improve its services with a focus on continuing the provision of professional consulting services for customers investing in red-chips and state enterprises. The Group also had made substantial progress under its continued dedication in recommending the PRC enterprises to become listed in Hong Kong and providing listed state enterprises with various consultancy services.

During the previous year, the Group has reinforced its corporate governance structure and has strictly enforced the regulations laid down in the Company's Articles of Association and the authorization system to reinforce internal control and legal compliance, which enhanced our efficiency in decision-making and our capability in risk control abilities, and thereby laying a solid foundation for the system and long-term development of the Group.

### **FUTURE PLAN & PROSPECTS**

During the recently held "China Central Economic Works Conference", the focus of Chinese Mainland economy in 2007 would be "To fully implement development under a scientific manner, maintain stable and brisk economic development, and prevent drastic fluctuations". It is estimated that the Chinese Mainland economy will experience a stable and brisk development under proper austerity measures. Premier Wen Jiabao, during the National Financial Work Conference held early this year, raised that Chinese Mainland should work towards various directions such as substantial development in the capital market, active exploration and expansion on the channels and methods for the use of its foreign currency reserves and continued promotion of financial cooperation between the PRC and Hong Kong. This reflects that in 2007, participants in the stock markets of the PRC and Hong Kong will face a relatively moderate market environment.

In January 2007, the Hong Kong SAR Government published "China's 11th Five-Year Plan and the Development of Hong Kong" and proposed action agenda. In particular, the report of the financial focus group pointed out that since the PRC has already become one of the largest economies in the world and is still growing rapidly, it would be of significant strategic value for the PRC to have a world-class international financial centre. The report recommended Hong Kong to develop into the international financial centre of the PRC to enable more companies of Chinese Mainland to have their A-shares and H-shares listed simultaneously in Hong Kong. As such, Hong Kong can fully function as an international platform of Chinese Mainland's capital and play a more important role in assisting Chinese Mainland's continued reform and economic development. It is expected that in the coming year, with the gradual implementation of the policies and measures of the PRC's "11th Five-Year Plan" such as "Assisting the development of Hong Kong's financial industry" and "Maintaining Hong Kong's status as an international financial centre", the Hong Kong stock market will be full of more opportunities and challenges.

### **FUTURE PLAN & PROSPECTS** *(Cont'd)*

In the coming year, the Group, as a Hong Kong-listed security brokerage firm with a Chinese Mainland background, will pay close attention to the economic development of Chinese Mainland and Hong Kong and adopt active and prudent business strategies based on the prevailing market environment and industry competition. We are committed to maximizing our market share and expanding our institutional customer base and local retail businesses. We will also consolidate our businesses in the PRC market and further improve our businesses such as the listing of the PRC enterprises in Hong Kong and financing and financial consultancy services. In addition, we also strive to expand our overseas fund businesses, with Japan being our main target market, and at the same time, develop the fund markets in Taiwan and Korea. The Group will continue to employ the operation philosophy of "legal, compliance and discipline", strengthen our risk management, improve corporate governance and promote a corporate culture of progressive and active development. By capitalizing on 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 the Board of Directors and the Group's staff for their dedication, loyalty and contribution during the past year, as well as the Group's shareholders and customers for their trust and support over the past year.

**Feng Guorong**  
*Chairman*

Hong Kong  
30 March 2007