



SHENYIN WANGUO (H.K.) LIMITED

申銀萬國(香港)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 218)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

RESULTS

The Directors of Shen Yin Wanguo (H.K.) Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2004 with comparative figures for the previous financial year as follows:

	Notes	2004 HK\$	2003 HK\$ (Restated)
TURNOVER	3	1,067,193,097	589,505,339
Other revenue and gains	4	417,353	534,216
Cost of trading securities sold		(961,544,597)	(466,435,173)
Staff costs		(44,000,984)	(45,175,337)
Depreciation and amortisation expenses		(8,222,684)	(10,409,175)
Interest expenses for financial services operations		(1,680,833)	(4,893,127)
Net unrealised losses on listed equity investments		(10,958,401)	(17,825,590)
Provision for bad and doubtful debts and bad debt written off		(8,689,753)	–
Write-back of impairment provisions for long term investments		–	5,382,802
Provision for claims		–	(4,000,000)
Other operating expenses, net		(34,057,260)	(34,217,963)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	5	(1,544,062)	12,465,992
Finance costs	6	(37,724)	(48,576)
Share of profits of associates (formerly jointly-controlled entities)	7	13,034,904	18,850,212
PROFIT BEFORE TAX		11,453,118	31,267,628
Tax	8	(2,397,508)	(3,345,192)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		9,055,610	27,922,436

DIVIDEND			
Proposed final		<u>5,307,591</u>	<u>10,615,183</u>
EARNINGS PER SHARE		9	
Basic		<u>1.71 cents</u>	<u>5.26 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Notes:

1. ACCOUNTING POLICIES

The accounting policies used in the preparation of these financial statements are consistent with those in the financial statements for the year ended 31 December 2003 except for the adoption of Statement of Standard Accounting Practice Interpretation 22 “The Appropriate Accounting Policies for Infrastructure Facilities” (“SSAP Interpretation 22”). SSAP Interpretation 22 prohibits the use of the sinking fund method, as a basis for depreciating or amortising infrastructure assets. This method was previously applied by the associates (formerly jointly-controlled entities) (herein referred to as the “Associates”) of the Group in respect of the depreciation of the toll road being held, and by the Group in respect of the amortisation of goodwill arising from acquisition of the Associates in prior years.

Upon the adoption of SSAP Interpretation 22, the Associates changed the accounting policy for depreciation of its toll road from sinking fund method to the straight-line method over the estimated useful life. This change in accounting policy has been accounted for retrospectively by prior year adjustments on the consolidated financial statements of the Associates. As a result, prior year adjustments have been made in the Group’s financial statements to reflect the above impact on the Group’s share of profits and taxes of the Associates and prior year adjustments have been made by the Group to increase the cost of goodwill by HK\$11,173,266 to reflect the retrospective decrease in the fair values of the identifiable assets and liabilities of the Associates acquired as at the date of acquisition.

Furthermore, in order to reflect the change in pattern of the future economic benefits arising from the goodwill due to the retrospective change of share of profits and taxes of the Associates, the accounting policy on amortisation of the goodwill was changed from the sinking fund method to the straight-line method over 25 years. This change in accounting policy has been accounted for retrospectively by prior year adjustments.

As a consequence, the Group’s interests in the Associates as at 31 December 2003 have been decreased by HK\$44,055,285, and the Group’s goodwill as at 31 December 2003 have been increased by HK\$1,972,396. The Group’s share of profits and taxes of the Associates for the year ended 31 December 2003 have been decreased by HK\$6,826,581 and HK\$651,225, respectively, and the consolidated net profit from ordinary activities attributable to shareholders for the year ended 31 December 2003 has been decreased by HK\$7,703,403, and the Group’s consolidated retained profits at 1 January 2004 and 2003 have been decreased by HK\$42,082,889 and HK\$34,379,486, respectively.

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. SEGMENT INFORMATION

The Group's turnover and results by business segments are as follows:

	Securities trading and investment holding		Securities broking and dealing		Securities financing and direct loans		Investment advisory services		Eliminated on consolidation		Total	Total
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment turnover:												
External customers	966,087,450	498,915,615	63,088,347	52,844,880	27,391,229	31,339,656	10,626,071	6,405,188	-	-	1,067,193,097	589,505,339
Inter-segment	-	-	-	-	763,934	-	1,200,000	3,008,554	(1,963,934)	(3,008,554)	-	-
Total	<u>966,087,450</u>	<u>498,915,615</u>	<u>63,088,347</u>	<u>52,844,880</u>	<u>28,155,163</u>	<u>31,339,656</u>	<u>11,826,071</u>	<u>9,413,742</u>	<u>(1,963,934)</u>	<u>(3,008,554)</u>	<u>1,067,193,097</u>	<u>589,505,339</u>
Segment results	<u>(25,675,912)</u>	<u>10,276,976</u>	<u>4,743,802</u>	<u>(17,567,747)</u>	<u>19,844,777</u>	<u>23,098,907</u>	<u>4,505,115</u>	<u>2,073,326</u>	<u>-</u>	<u>-</u>	<u>3,417,782</u>	<u>17,881,462</u>
Unallocated expenses											<u>(4,961,844)</u>	<u>(5,415,470)</u>
Profit/(Loss) from operating activities											<u>(1,544,062)</u>	<u>12,465,992</u>
Finance costs											<u>(37,724)</u>	<u>(48,576)</u>
Share of profits of associates (formerly jointly-controlled entities)											<u>13,034,904</u>	<u>18,850,212</u>
Profit before tax											<u>11,453,118</u>	<u>31,267,628</u>
Tax											<u>(2,397,508)</u>	<u>(3,345,192)</u>
Net profit from ordinary activities attributable to shareholders											<u>9,055,610</u>	<u>27,922,436</u>

(Restated)

The Group's turnover by geographical segments is as follows:

	2004 HK\$	2003 HK\$
The People's Republic of China		
Hong Kong	760,158,449	518,423,574
Mainland China	306,867,053	70,785,370
Others	167,595	296,395
	<u>1,067,193,097</u>	<u>589,505,339</u>

3. TURNOVER

Turnover represents the aggregate of sales proceeds from securities and futures contracts trading, gross interest income from securities financing and direct loans, commission and brokerage income less rebates, fees for the rendering of services and dividend income. Revenue from the following activities has been included in turnover:

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Financial services:		
Sales proceeds from securities and futures contracts trading	964,008,748	497,030,571
Interest income from securities financing and direct loans	26,390,188	28,686,059
Commission and brokerage income	61,676,986	52,776,754
Rendering of services	12,093,479	6,283,425
	<u>1,064,169,401</u>	<u>584,776,809</u>
Others:		
Bank interest income	1,001,039	2,653,598
Dividend income from listed equity investments	1,952,040	1,743,522
Others	70,617	331,410
	<u>3,023,696</u>	<u>4,728,530</u>
Total turnover	<u>1,067,193,097</u>	<u>589,505,339</u>

4. OTHER REVENUE AND GAINS

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Exchange gains, net	417,353	378,216
Others	–	156,000
	<u>417,353</u>	<u>534,216</u>

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	2004 <i>HK\$</i>	2003 <i>HK\$</i> (Restated)
Depreciation	4,347,034	6,533,525
Amortisation of goodwill	3,033,284	3,033,284
Amortisation of Stock and Futures Exchange trading rights	842,366	842,366
Interest expenses for financial services operations on bank loans and overdrafts	1,680,833	4,893,127
Net realised losses/(gains) on trading of listed equity investments and futures contracts	7,041,622	(30,595,398)
Net realised gains on disposal of long term investments	<u>(9,505,773)</u>	<u>–</u>

6. FINANCE COSTS

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Interest on bank loans and overdrafts	<u>37,724</u>	<u>48,576</u>

7. ASSOCIATES (FORMERLY JOINTLY-CONTROLLED ENTITIES)

During the year, the jointly-controlled entities became subsidiaries of another corporation. Accordingly, the Group's interests in these entities have been reclassified as interests in associates.

8. TAX

Provision for Hong Kong profits tax has been made at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax was made in the prior year as the Group companies either had available tax losses carried forward to offset the assessable profits arising in Hong Kong or did not generate any assessable profits arising in Hong Kong during that year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2004 <i>HK\$</i>	2003 <i>HK\$</i> (Restated)
Group:		
Current – Hong Kong		
Charge for the year	367,000	–
Under/(over) provision in prior years	18,433	(47,420)
Deferred	–	184,000
	<u>385,433</u>	<u>136,580</u>
Share of tax attributable to associates (formerly jointly-controlled entities)	<u>2,012,075</u>	<u>3,208,612</u>
	<u><u>2,397,508</u></u>	<u><u>3,345,192</u></u>

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$9,055,610 (2003 restated: HK\$27,922,436) and 530,759,126 (2003: 530,759,126) ordinary shares in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share has been presented for the current and prior year because there was no dilutive potential ordinary shares in existence during the years ended 31 December 2004 and 2003.

10. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated as explained in note 1 above.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK1 cent per ordinary share in respect of 2004, to shareholders whose names appear on the register of members of the Company on 27 May 2005. The proposed dividend will be paid on or about 3 June 2005 subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 May 2005 to Friday, 27 May 2005, both days inclusive, during which period no transfers of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars, Tengis Limited, at G/F., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Friday, 20 May 2005.

MANAGEMENT DISCUSSION & ANALYSIS OF PERFORMANCE

Review of market in 2004

The Hong Kong economy and market sentiment made a gradual recovery in 2004 because of close economic ties with the Mainland with economic growth supported by strong inbound tourism, rebounding domestic consumer spending and flourishing external trade. Surging oil prices and rising US interest rates did not interrupt the recovery, Hong Kong has benefited from low interest rates, rising employment, firmer property prices, a sharp increase in retail sales resulting from the Mainland Individual Travelers Scheme, and an influx of liquidity. Also, 2004 witnessed strong performance in the world economy, in which both the United States and Mainland China played key pivotal roles. Mainland China's economy has shown impressive resilience in the face of increased commodity prices, such as crude oil, aluminum and steel, and has responded well to the Central Government's macro-economic policies to control fixed assets investments.

Comparing with the last two years, Hong Kong economy has been growing not only at an energetic pace but also in a more broad-based manner, with local spending and capital investment picking up shoulder-to-shoulder in 2004. Private consumption expenditure went up by 7.3%, reversing the protracted slide seen in year 2002 and 2003. Moreover, overall investment spending rose by 5.5%, 12.7% and 4.9% in the first three quarters respectively, reflecting the firming of business confidence. In tandem with the across-the-border economic recovery, both the property market and stock market have gathered steam, and the labour market conditions are steadily turning to the better with unemployment rate dropping to 6.7% from 7.3% at the beginning of this year. During 2004, Hong Kong experienced a recovery in both economic conditions and market sentiment with GDP growth of around 8% for the year, compared with 3.2% for 2003, and Hong Kong's total export value had also increased by about 16% to HK\$2,019 billion.

Benefiting from the positive market sentiment as a result of the economic recovery, the Hong Kong stock market started the year 2004 on a positive note. The market retreated in the second quarter, mainly driven by the adoption of the Central Government's macro-economic policies to control fixed assets investments, the fear of rising US interest rates, growing unrest in the Middle East as well as another global oil crisis. The turnover value of the Hong Kong stock market for the whole year was HK\$3,948.4 billion, representing an increase of 55% over the previous year. By year end, the benchmark Hang Seng Index reached 14,230 points, representing a 13% increase over the previous year. The Hang Seng China-affiliated Corporations Index (the red-chip index) rose 9% during the year while the Hang Seng China Enterprises Index (the H-share index) dropped 6% for the same period. Whilst, the turnover value of the Hang Seng China Enterprises (H shares) for the whole year was approximately HK\$933.8 billion, representing an increase of 86% over the previous year.

In 2004, China's B share markets saw mixed performances, compared to 2003. Shanghai's and Shenzhen's B share indices ended the year down 27.9% and up 19.2% respectively. Average daily turnover of B shares on both Shanghai and Shenzhen Stock Exchanges declined to RMB104.9 million and RMB212.5 million, respectively as compared to RMB119.5 million and RMB 256.3 million in 2003. The domestic A share markets remained subdued during the year. A general recovery in operating profitability, and continued interest in the Qualified Foreign Institutional Investors' Scheme, were not enough to lift the

generally negative sentiment in the domestic markets; especially with the uncertainty over the rate of slowdown of China's economy after macrocontrol policies were strengthened in March. Shanghai's and Shenzhen's A share indices ended the year down 15.2% and 16.5% respectively.

REVIEW OF OPERATIONS

Overall Review

For the year ended 31 December 2004, the Group recorded a net profit attributable to shareholders of approximately HK\$9 million, representing a decrease of 68% over 2003. The turnover rose by 81% to approximately HK\$1,067 million (2003: HK\$590 million). The basic earnings per share dropped by 68% to HK1.71 cents as compared to HK5.26 cents (restated) for the year 2003.

Securities Trading and Broking

In 2004, Shenyin Wanguo Securities (H.K.) Limited ("SW Securities"), a wholly-owned subsidiary of the Company, continued to conduct securities trading and broking businesses, which largely cover Hang Seng Index constituent stocks, Hang Seng China-Affiliated Enterprise Index constituent stocks, H shares as well as B shares listed on the Shenzhen and Shanghai stock exchanges. The whole stockbroking sector improved because of the upturn of the Hong Kong economy that became evident in the first two quarters extended into the second half of 2004. In such circumstances, SW Securities, a leading player of mainland stocks in Hong Kong, was capable of tapping the regenerated buying interest in China-related stocks in the second half of 2004 by capitalizing on its expertise and resources in this area. A number of marketing campaigns were organised in 2004 with a view to marketing mainland stocks to clients and market practitioners. The stockbroking business contributed to approximately HK\$63 million to the Group's turnover in 2004 with the number of clients growing 7.59% for the year ended 31 December 2004.

Securities Financing

In 2004, the Group recorded interest income of approximately HK\$27.4 million (2003: HK\$31.3 million), a drop of 12%, mainly due to the reduction in average level of margin financing and direct loans and lower interest rate level. Despite the shrinking loan demand in 2004, we continued to exercise caution in the granting of securities financing packages to clients, carefully monitored its credit policy in this regard, performed regular reviews and assessments on individual cases on the basis of the gearing level, the portfolio contents and credit considerations relevant to the individual borrower.

Corporate Finance

Our corporate finance activities are carried out by Shenyin Wanguo Capital (H.K.) Limited ("SW Capital"), a wholly-owned subsidiary of the Company. In 2004, SW Capital actively participated in the underwriting of new issues, including that of China Shipping Container Lines Company Limited, China Netcom Group Corporation (HK) Limited and Air China Limited. In addition, it collaborated with our controlling shareholder, Shenyin & Wanguo Securities Co., Ltd ("S&W"), in the secondary placement of the B shares of BOE Technology Group Company Limited worth more than HK\$2 billion. With regard to corporate advisory services, SW Capital was appointed as financial adviser to Shanghai Zendai Property Limited and Jiangsu Expressway Company Limited. It was also appointed as the financial adviser to Sparkle China Development Limited in respect of its general offer for B&S Entertainment Holdings Limited and the placement of private equity by a U.S. firm specializing in display technology. Besides, SW Capital acted as independent financial adviser in relation to the privatization of Oxford Properties & Finance Limited.

Securities Research

Our securities trading and broking businesses are supported by a securities research team. With the support of the Company's single largest shareholder, S&W, which is one of the leading securities companies in China, our securities research team is a specialist in the securities market in China and produces regular reports on the securities market in China covering the macroeconomy, market strategy as well as comments on individual China-related enterprises listed on the Hong Kong, Shanghai and Shenzhen stock exchanges. Our research team also produces detailed company analyses from time to time and on an ad hoc basis, which are circulated to our clients. In 2004, a total of 19 investment analysts from S&W joined our exchange programs. They familiarised themselves with the local economy and stock market during their visits in Hong Kong. We believe that the exchange programs are beneficial to the collaboration between S&W and us on research and investment banking fronts.

Asset Management

After more than 2 years of intensive business development effort, we have successfully launched, in collaboration with Aizawa Securities in Japan, the Shenyin Wanguo Aizawa China A Share Number 1 and Number 2 Fund in Japan in May and August of 2004. We believe the Fund was the first open-ended unit trust investing only in the China domestic A share market, through the Qualified Foreign Institutional Investor Scheme, offered to Japanese investors. Performance of the two Funds has been satisfactory despite the weak A share market.

New trenches of the A share Fund, together with other new products, were planned and developed in 2004 for existing and prospective institutional clients in Japan and other Asian markets, for launching in 2005.

At the end of first quarter 2004, the Chinese Government introduced the tightening program to curb over-investments in selective heavy industries, triggering major corrections in both the Hang Seng H share and Red Chip Indices in the second quarter, as well as a structural de-rating of the domestic A share and B share Indices. Further strengthening in prices of various commodities such as oil, petrochemicals and coal; which are well represented in the Hong Kong H share Index, together with continues strong growth in logistics and transportation sectors such as container ports and shipping; which are also well represented in the Hang Seng Red Chip Index, have led to strong recovery in both Indices in the second half. However, the local A share and B share markets, except for selective good quality companies with sustainable growth prospect, were further de-rated given their rich valuation, deterioration in growth momentum and lack of transparency.

Capital Structure

During the year, there was no change to the share capital of the Company. As at 31 December 2004, the total number of the issued ordinary shares was 530,759,126 shares and total equity attributable to shareholders was HK\$652 million.

Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2004, the Group had a cash holding of HK\$102 million and short term marketable securities of HK\$80 million. As at 31 December 2004, the Group's total unutilised banking facilities amounted to HK\$560 million, of which HK\$200 million could be drawn down without the need of notice nor completion of condition precedent.

As at 31 December 2004, the Group had no outstanding bank loan. The liquidity ratio (current assets to current liabilities) and gearing ratio (borrowings to net asset value) as at 31 December 2004 were 1.30 and nil respectively.

The Group has sufficient financial resources for its day to day operations as well as spare capacity to take advantage of any investment opportunities when they arise.

Significant Investment Held, Material Acquisition and Disposal

At 31 December 2003, the Group had long term receivable from Century City International Holdings Limited (“CCIH”) and its subsidiaries (collectively the “CC Group”) in the aggregate amount of HK\$182.77 million after the provision of HK\$110 million. On 30 September 2004, the Group, together with the other creditors of the CC Group, entered into a restructuring agreement with the CC Group for restructuring the indebtedness of the CC Group.

The restructuring process was completed on 15 December 2004. As settlement of the long term receivable, the Group received 121,683,500 ordinary shares of Paliburg Holdings Limited (the “Paliburg Shares”) and 2,651,472,241 convertible non-voting redeemable preference shares of HK\$0.10 each in the share capital of CCIH (the “Preference Shares”). The total fair values of the Paliburg Shares and the Preference Shares were valued at HK\$179.93 million as at 15 December 2004. A bad debt written off amounting to HK\$2.84 million was resulted. Furthermore, as part of the restructuring, other balances with the CC Group in net amount of HK\$1.85 million was also charged to the profit and loss account for the year.

The Paliburg Shares and the Preference Shares were classified as short term investment and long term investment, respectively, and stated at the fair value of HK\$26.8 million and HK\$166.3 million, respectively, as at 31 December 2004.

During the year, the Group continued to derive a stable earnings stream from its 26.19% interest in The New China Hong Kong Highway Limited (“NCHK”), which in turn held a 60% interest in Sichuan Chengmian Expressway Co., Ltd. (“SCECL”). In accordance with the terms of the joint venture agreement, from 22 December 2003 to 21 December 2008, NCHK is entitled to 60% (before 22 December 2003: 100%) of the net profit generated by SCECL which are derived from the financial statements of SCECL prepared under generally accepted accounting principles in the People’s Republic of China. The investment had a carrying value of HK\$170 million, including the goodwill of HK\$58 million, as at 31 December 2004.

During the year, there was no material acquisition and disposal of subsidiaries or associated companies.

Charges on the Group’s Asset

The Group’s interest in associates has been pledged to a bank as security for a short term loan facility. As at 31 December 2004, the Group did not utilise this loan facility.

During the year ended 31 December 2004, the Group repaid all long term bank loans which were originally secured by the Group’s land and buildings.

Risk Management

The Group has properly put credit management policies in place which cover the examination of the approval of clients’ trading and credit limits, regular reviews of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The policies are reviewed and updated regularly.

The management closely monitors the market condition so that precautionary measures will be taken to eliminate the risk that the Group may encounter. As at 31 December 2004, all gross advances to customers were margin financing and amounted to HK\$157 million (2003: HK\$284 million) of which 24% (2003: 7%) was attributable to corporate borrowers with the remaining attributable to individual borrowers.

Exposure to Fluctuations in Exchange Rates and Any Related Hedges

The Group's exposure to fluctuations in exchange rates arises from its dealings in overseas share markets. Such dealings are entered into on behalf of clients of the Group and accounted for a small portion of the Group's turnover. A material portion of such overseas transactions is denominated in United States dollars. The pegged exchange rate between USD and HKD kept the Group's exchange risk exposure to a minimum and thus, no hedging was required. Exchange gains and/or losses are dealt with in the profit and loss account. The Group closely monitors its foreign currency positions and takes necessary measures if the situations so justify.

Contingent Liabilities

There were no material contingent liabilities as at 31 December 2004.

Future Plans for Material Investments or Capital Assets

Except the future plans as disclosed in the paragraph of "Future Plan & Prospects", the Group had no other future plans for material investments or capital assets as at 31 December 2004.

Employees and Training

As at 31 December 2004, the total number of full-time employees was 129. The total staff costs for the year (excluding directors' fees) amounted to approximately HK\$44 million.

The Group is committed to professional training for its employees. In compliance with the relevant requirement of the Securities & Futures Commission, the Group had organised a Continuous Professional Training seminar in September 2004 for all licensed staff members.

FUTURE PLAN & PROSPECTS

As Hong Kong is an open economy, it has been significantly affected by the movement of the global economy. First, the economic development of America and the peripheral countries of the Asian Pacific Region will have an impact on the growth of the Hong Kong economy. Second, the continuing development of the mainland economy and the implementation of CEPA to the Hong Kong will promote its economic growth. In brief, the Group expects the economy of Hong Kong will maintain its recovery momentum in 2005.

With the increasingly closer economic relationships between Hong Kong and the Mainland, the consolidation of China's economic power will help upholding the capital market activities of Hong Kong. The Group anticipates that, in 2005, the major State-owned enterprises and banks will conduct large-scale fund raising activities by way of listing in Hong Kong, which are beneficial to both Hong Kong economy and capital market.

Our Group shall continue to seize every opportunity to provide financial advisory and capital raising services to PRC corporations and to strengthen our traditional stockbroking business and at the same time maintain high liquidity to respond to opportunities which may appear at any moment to enhance our market share. Further, we shall continue to solicit sales professionals to cope with the on-going keen competition in the industry. The Group will strictly comply with the Laws of Hong Kong and the relevant rules of the financial regulatory authorities in Hong Kong and will also continue to strengthen our risk management in a prudent manner.

Finally, all members of the Board of Directors and myself would like to take this opportunity to express our sincere gratitude to all our staff for their dedication and hard work during the year, and we would like to thank all our shareholders and customers for their trust and support over the past year.

PURCHASE, REDEMPTION AND SALE OF LISTED SHARES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed shares during the year under review.

ANNUAL GENERAL MEETING

The 2005 Annual General Meeting of the Company will be held at 9:00 a.m. on Friday, 27 May 2005 at The Dragon Room, The Hong Kong Bankers Club at 43rd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting, which is expected to be published on or about 22 April 2005.

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 of The Stock Exchange of Hong Kong Limited, throughout the accounting period 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.

The Board of Directors comprises Mr Feng Guorong, Mr Lu Wenqing, Mr Lee Man Chun Tony, Mr Guo Chun, Mr Ying Niankang, Mr Chang Pen Tsao, Mr Qu Zihai, Mr Ng Wing Hang Patrick, Mr Kwok Lam Kwong Larry and Mr Zhuo Fumin.

On behalf of the Board
Feng Guorong
Chairman

Hong Kong, 8 April 2005

A detailed results announcement containing all information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited will be published on the Stock Exchange's website (<http://www.hkex.com.hk>) in due course.

Please also refer to the published version of this announcement in The Standard.