

A close-up photograph of a fountain pen nib writing on a document. The pen is silver with intricate scrollwork. The nib is positioned over a document that features a green line graph and numerical data. The background is a soft, out-of-focus green and yellow. The text "Chief Executive Officer's Report" and "行政總裁報告書" is overlaid on the left side of the image.

Chief Executive  
Officer's Report  
行政總裁報告書



# CHIEF EXECUTIVE OFFICER'S REPORT

## 行政總裁報告書

### RESULTS OF THE GROUP

In 2006, the Company and its subsidiaries (the “Group”) achieved remarkable development in the Group’s business under the continued follow-through implementation of our guiding principles of “resources integration, build on solid foundations, prudent management”. This coupled with a very favourable business environment, led to significant growth in all our businesses. For the year ended 31 December 2006, the Group’s after tax profit attributable to our shareholders amounted to HK\$879 million, a remarkable increase of 197% as compared with last year. Our shareholders’ equity stands at HK\$6.37 billion, an increase of HK\$1.55 billion from the beginning of the year, with a growth rate of 32%.

### Hong Kong Business

In 2006, with an enhanced foundation and our development strategies effectively implemented, sound profit-making models were established by our investment banking, asset management, direct investment and brokerage businesses. Pre-tax profit from operations (other than strategic investments) amounted to HK\$593 million, representing an increase of 223% as compared with last year and reached its record high. Profits after tax of our Hong Kong operations (excluding all non-operating factors such as properties revaluation) was HK\$537 million, representing an increase of 220% as compared with last year.

### 經營業績

二零零六年，本公司及其附屬公司（「本集團」）「整合資源、夯實基礎、穩健經營」的思路得以持續貫徹並取得明顯成效，加上所處經營環境良好之推動，各項業務保持穩步發展，截至二零零六年十二月三十一日年度，本集團實現除稅後股東應佔盈利港幣8.79億元，去去年同比大幅增長197%，股東權益總額港幣63.7億元，比年初增加港幣15.5億元，增長32%。

### 香港業務

二零零六年，本集團香港業務基礎更加穩固，各項發展策略能被有效執行，投資銀行、資產管理、直接投資及經紀業務均建立較好的盈利模式。除策略投資外，日常營運業務盈利港幣5.93億元，比去年同比增加223%，達到歷史最高，而整體香港業務實現稅後利潤港幣5.37億元（撇除物業重估等非經營性因素後），也比去年同比增加220%。

# CHIEF EXECUTIVE OFFICER'S REPORT

## 行政總裁報告書

### RESULTS OF THE GROUP (CONTINUED)

#### Hong Kong Business (continued)

In 2006, the investment banking business has been affected by changes in the policies and other factors. Two IPO projects in which the Group is acting as sponsor had to postpone their listing timetables to the first half of 2007. However, through the extension of its private placement, financial advisory and IPO underwriting businesses etc., the investment banking division recorded a profit before tax of HK\$7.95 million for the whole year.

The direct investment division maintained its three-fold operation structure, namely, sector focused investment, private equity investment and securities investment. The direct investment division made three additional investments through the "China Special Opportunity Fund I" (中國特別機會基金I) during the year, the businesses of which involved precision gears, paper making and media. The establishment of China Special Opportunity Fund II (中國特別機會基金II) is now making marked progress. The success in capturing the opportunity of securities market revival in Mainland China has led to satisfactory returns. The direct investment division achieved an overall pre-tax profit of HK\$176 million for the year.

The asset management division had a total AUM of HK\$680 million, out of which an amount of HK\$380 million was entrusted by clients. The division achieved profit before tax of HK\$168 million. The hedge fund it managed, "China Everbright Dragon Fund", achieved an annual return rate (pre-tax) of 48.7%, which is higher than the growth rate of 34% rise of Hang Seng Index in 2006. Despite the competitive market environment, the securities brokerage division maintained its diversified services and its daily average trading volume rose by 83% as compared to last year. Interest income on loans were 1.7 times higher than that of last year. The brokerage business recorded profit before tax of HK\$85.68 million for the whole year. While achieving satisfactory business development amongst each division, the management has placed professional ethics and responsibility attitude as their first priority by management in order to build up the Group's motto of being "a responsible company". We further enhanced our corporate governance and risk control quality and our improved implementation of our incentive scheme. All these contributed to the energetic yet harmonious corporate temperament within the Group.

### 經營業績(續)

#### 香港業務(續)

二零零六年，投資銀行上市保薦業務受政策變動和其它因素影響，兩個項目延遲至二零零七年上半年，但透過拓展私募融資、財務顧問、新股承銷等項目，投資銀行業務全年實現稅前利潤港幣795萬元。

直接投資部門維持產業投資、私人股權投資和證券投資三項業務並舉的經營架構，年內通過「中國特別機會基金I」新增三項投資，涉及精密齒輪、造紙及傳媒等行業，第二期「中國特別機會基金II」的籌組進展順利；證券投資抓住內地證券市場復蘇的機會，取得良好回報，直接投資部門全年稅前利潤港幣1.76億元。

資產管理部門年末管理資金達港幣6.8億元，其中受託管理客戶資產港幣3.8億元，全年實現稅前利潤港幣1.68億元，所設立的對沖基金「中國龍騰基金」稅前年度回報率48.7%，高於恒生指數全年34%的升幅。證券經紀部門在市場競爭激烈的環境下，繼續保持多元化服務，日均成交額比去年同期上升83%，貸款利息收入更比去年同期上升1.7倍，經紀業務全年實現稅前利潤港幣8,568萬元。在各項業務取得良好發展的同時，管理層把職業操守和負責任的態度放在第一位，努力打造「負責任的公司」品質，公司治理、風險控制的質素進一步提高，內部激勵約束機制更加完善和落實，團隊呈現和諧、進取的工作氣氛。

# CHIEF EXECUTIVE OFFICER'S REPORT

## 行政總裁報告書

### RESULTS OF THE GROUP (CONTINUED)

#### Everbright Bank

2006 is the first year in Everbright Bank's new "Five-Year Plan". As at the end of 2006, according to its unaudited financial statements, Everbright Bank has a total asset of RMB593.4 billion (comprising a total loan book of RMB352.3 billion), both saw a year-to-year growth of 16%. Total deposits stand at RMB569.9 billion, which means a year-to-year growth of 15.4%. Continued improvement in monetary amount and ratios of non-performing loans were seen. With sound overall operations and budgeted performance, Everbright Bank's pole position in wealth management and investment banking businesses continued to maintain a leading role in the market.

The financial results for the years 2004, 2005 and 2006 audited in accordance with the requirements of the Hong Kong Financial Reporting Standards ("HKFRSs") are yet to be published. Therefore it was difficult for the management to appraise the comprehensive and accurate financial information of Everbright Bank. As at 31 December 2004, taking into account that after making full provision for the Group's investment in Everbright Bank, the Group still has an unrecorded accumulated net loss of approximately HK\$592 million that was attributable from Everbright Bank. Accordingly, the Directors consider it prudent and reasonable not to account for the Group's share of the un-audited results of Everbright Bank attributable to the Group for the year ended 31 December 2006 and not to make full disclosure of Everbright Bank's financial information. After provision of Everbright Bank's full audit report to the Group by the independent auditors, the Directors will provide timely and detailed disclosures. However, the capital restructuring plan of Everbright Bank led by the government is yet to be finalised. As a shareholder of Everbright Bank, the Group has not yet received any formal written documents relating to the restructuring plan. Thus, it is difficult for the Group to make any substantive disclosure. The Group will make timely disclosure according to the requirements of the Listing Rules of Hong Kong after receiving the formal restructuring plan from the PRC government and seriously evaluating strategies therefor in a prudent manner with a view to maximise the interests of the Company's shareholders.

### 經營業績(續)

#### 光大銀行

二零零六年，是光大銀行實施新的五年發展規劃的第一年，截止二零零六年末，根據未經審計管理帳目，光大銀行資產總額人民幣5,934億元，其中貸款總額人民幣3,523億元，均比上年增長16%，存款總額人民幣5,699億元，比上年增長15.4%，不良貸款餘額和比率均比上年下降，全年整體經營和預算執行情況良好。理財、投行等特色產品和業務繼續保持市場領先地位。

光大銀行以「香港財務報告準則」為基準的二零零四、二零零五及二零零六年報仍未公告，本集團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。此外，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帳面值已撥減至零，而尚餘應佔光大銀行之虧損港幣5.92億元未記入本集團帳內。為此，本集團董事認為如往年一般不對截至二零零六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帳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。在獨立核數師提供光大銀行全面審計意見後，董事會將及時做出較詳細的披露。惟政府主導的光大銀行重組尚未出台。作為光大銀行的股東，本集團尚未收到任何有關光大銀行重組方案的正式書面文件，暫難以做出實質的披露。本集團將以審慎的態度，以股東的利益最大化為依歸，在認真研究政府將要正式出台的方案後，提出相應對策，並根據香港上市公司條例的要求，及時做出披露。

# CHIEF EXECUTIVE OFFICER'S REPORT

## 行政總裁報告書

### RESULTS OF THE GROUP (CONTINUED)

#### Everbright Bank (continued)

By the end of December 2006, Everbright Bank was operating 30 branches and 387 operation points in 23 provinces/municipal cities and autonomous regions in Mainland China with a representative office in Hong Kong.

As at 31 December 2006, the Group still holds 21.39% of the issued shares of Everbright Bank.

#### Everbright Securities

In 2006, having experienced four years of adjustment and breakthrough on the shareholding structure reform of domestic listed enterprises, the investment sentiment of the securities market in the Mainland China revived. The Shanghai composite index increased by 130% in the year together with sharply increased trading turnover. Under such favorable market conditions, Everbright Securities maintained healthy operations and achieved rapid development, resulting in an upsurge of operating results and efficiency. As at the end of 2006, the total asset and shareholders' equity based on HKFRS were valued at HK\$5.73 billion and HK\$3.60 billion respectively, while the profit after tax for the year was HK\$1.15 billion, equivalent to 19 times of that of last year.

In 2006, actively complying with the policy directives from the regulatory body to straighten up securities brokerage firms that are under sub-standard management, Everbright Securities participated in the entrusted custody of Tianyi Securities, the largest securities firm in Zhejiang Province, while at the same time, coping with the development needs of the Company, acquired all branches of Kunlun Securities and some operation points of the ex-Dai Tong Securities.

In addition, Everbright Securities increased its efforts on the expansion of traditional brokerage business, equities, fund and warrants total turnover for the year in the amount of RMB615 billion. Its market share has increased from 2.57% in the prior year to 2.73% this year. To tap on the upcoming securities financing and stock index future businesses in Mainland China, Everbright Securities acquired Shanghai Nan Du Futures Limited (上海南都期貨經紀有限責任公司) in August 2006, and made financial derivatives business one of its key business development directions in the future.

### 經營業績(續)

#### 光大銀行(續)

截止二零零六年十二月底，光大銀行在中國內地23省市自治區設立了30家分行和387家營業網站，並於香港設有代表處。

本集團二零零六年十二月三十一日仍持有光大銀行已發行股份的21.39%。

#### 光大證券

二零零六年內地證券市場在經歷了長達四年的調整後，隨著國內上市企業股權分置改革的突破性進展，投資信心恢復，市場交投熱烈，全年上證綜合指數上升130%。在此市場環境下，光大證券在穩健經營的同時保持快速發展，經營效益明顯提升，截止二零零六年底以「香港財務報告準則」為基準的資產總額為港幣57.3億元，所有者權益港幣36億元，全年實現稅後利潤港幣11.5億元，為上年的19倍。

二零零六年，光大證券積極配合監管機構對管理不善券商的清理工作，參與對浙江省最大券商天一證券的託管，同時根據公司發展需要，收購了崑崙證券的全部和原大通證券的部份營業網點。

此外，光大證券加大力度拓展傳統經紀業務，股票、基金、權證全年交易總額約人民幣6,150億元，市場份額由上年的2.57%進一步提升至2.73%。為配合即將在內地開展的融資融券和股指期貨業務，光大證券在二零零六年八月份收購了上海南都期貨經紀有限責任公司，把拓展金融衍生業務作為未來發展的重要方向之一。

# CHIEF EXECUTIVE OFFICER'S REPORT

## 行政總裁報告書

### RESULTS OF THE GROUP (CONTINUED)

#### Everbright Securities (continued)

As at the end of 2006, Everbright Securities has a network of 48 operation units across 20 provinces, municipal cities and autonomous regions in the Mainland China.

As at 31 December 2006, the Group still holds 46.6% of the issued shares of Everbright Securities.

### FINANCIAL POSITION

As at 31 December 2006, the total assets of the Group amounted to approximately HK\$8.37 billion, with cash on hand of approximately HK\$2.15 billion. Apart from trade liabilities in the ordinary course of business, the Group's principal liability was HK\$439 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 31 December 2006, the Group has on hand committed borrowing facilities of approximately HK\$269 million. The Group's gearing ratio, which is computed from the Group's total interest bearing liabilities divided by shareholders' fund, was 6.9% as at 31 December 2006 as compared to 9.1% as at 31 December 2005.

As at 31 December 2006, the Group had no material exposure to foreign exchange fluctuations other than assets denominated in Renminbi.

As at 31 December 2006, the Group had pledged listed securities to the value of approximately HK\$135 million as security for certain banking facilities.

### 經營業績(續)

#### 光大證券(續)

截止二零零六年底，光大證券在全國20個省市自治區設立了48家營業部。

本集團二零零六年十二月三十一日仍持有光大證券已發行股份的46.6%。

### 財務狀況

於二零零六年十二月三十一日，本集團的總資產約港幣83.7億元，其中現金總額約港幣21.5億元。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4.39億元的可續期借款。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。

於二零零六年十二月三十一日，本集團的已承諾借貸額度約為港幣2.69億元。以附帶利息之負債與股東權益總額為計算基準，本集團於二零零六年十二月三十一日之負債資本比率為6.9%（二零零五：9.1%）。

除以人民幣為基礎的資產外，於二零零六年十二月三十一日本集團並無重大之外匯風險。

於二零零六年十二月三十一日本集團就若干銀行貸款額度做出約港幣1.35億元之上市證券抵押。

# CHIEF EXECUTIVE OFFICER'S REPORT

## 行政總裁報告書

### FINANCIAL POSITION (CONTINUED)

The Group did not have any material contingent liabilities as at 31 December 2006. The Company had provided guarantees in respect of banking and trading facilities available to its subsidiaries totalling approximately HK\$80 million. As at 31 December 2006, the Company also provided guarantees to financial institutions in respect of trading limits provided by them to its subsidiaries which are engaged in the businesses of leverage forex trading and derivatives trading. The amount of such guaranteed liabilities will vary according to the value of transactions. As at 31 December 2006, no subsidiary of the Group have any borrowings from banks.

### EMPLOYEES

As at 31 December 2006, the Group had 155 employees. Total staff cost for the year under review amounted to approximately HK\$174 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 the extraordinary general meeting held on 24 May 2002.

### PROSPECTS

In 2007, whilst it is anticipated that the global economy will maintain a mild growth rate, the robust economic prospects of the Mainland China are to continue, with the Hong Kong economy likely to record its best performance for the past ten-year period. However, given the exchange rate trend and the relatively high liquidity, we are likely to see expanded volatility and noticeable increase in risks in the Hong Kong and Mainland China securities market.

### 財務狀況 (續)

於二零零六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做出的借款擔保合共約港幣0.8億元。截至二零零六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。於二零零六年十二月三十一日，本集團屬下之子公司並未作出任何相關借款。

### 僱員

本集團於二零零六年十二月三十一日擁有僱員155名。於回顧期內之總員工成本約為港幣1.74億元並已列載於綜合損益表內。本集團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。本公司董事及全體僱員可能獲授根據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

二零零七年，環球經濟有望保持溫和增長，內地經濟仍將呈快速增長態勢，香港經濟有可能為十年來最好年份，惟滙率因素與動性相對較高令香港和內地證券市場的波動較大風險或明顯增加。

# CHIEF EXECUTIVE OFFICER'S REPORT

## 行政總裁報告書

### PROSPECTS (CONTINUED)

After a couple of years' rapid development in its Hong Kong operations, the business structure of the Group is in a better shape with stable financial foundation. In 2007, the brokerage business will set up a wealth management centre to provide more diversified financial products and services to customers, while the investment banking operation will fully leverage on the cross border network of resources in order to achieve synergy and commence the merger and acquisition business. For direct investment division, fund raising activities of the China Special Opportunity Fund II will be finalised and investment kicked off. The establishment of direct investment fund in Beijing are underway. As for asset management division, market research and adaptability will be further enhanced with the aim to increase the proportion of external capital to the overall AUM. Meanwhile, the Group will speed up its establishment or acquisition of an integrated business platform in Mainland China and will continue the development of customers resources and financial products cross selling activities and its provision of comprehensive financial services to clients. The Group will maintain the stable profitability growth of its Hong Kong operations.

With financial restructuring and the introduction of strategic investors duly initiated and materialized, Everbright Bank will see a fundamental improvement of its capital base and operating environment. By keeping good corporate governance, Everbright Bank will maximize its competitive edge in innovative businesses, realize appropriate growth in business scale as well as continually uplifting the quality of its assets. These will enhance the core competitiveness of Everbright Bank and markedly increase its corporate and shareholder value.

After the increase of its share capital, the competitive edge of Everbright Securities has been further strengthened. It will continue to gain market share through sound management and appropriate expansion, while riding on the favorable market conditions to speed up the introduction of new businesses and products and listing timetable. Everbright Securities will continue to maintain a relatively higher return level.

### 展望(續)

本集團香港業務經過近幾年的快速發展，業務結構穩固，財務狀況穩健。二零零七年，經紀業務將建立財富管理中心，為客戶提供更多元化的產品和服務；投資銀行業務將充分發揮跨境資源的協同優勢，並擴展收購兼併業務；直接投資業務將完成中國特別機會基金II的募集並開始投放，在北京設立直接投資管理機構和基金亦將完成；資產管理業務將進一步提高市場研究和應變能力，擴大外部資金在基金內的佔比份額；此外，本集團還將加快推進內地主動投資平台的收購或設立，繼續推動集團內產品交叉銷售和客戶深度開發，努力保持香港業務盈利的穩定增長。

隨著財務重組方案和引入戰略投資者工作的啓動和落實，光大銀行的資本約束和經營條件將得到根本改善，保持良好的公司治理，發揮在創新業務方面的優勢，實現業務規模的適度增長和資產質量的不斷提高，將大大增強光大銀行的核心競爭力，顯著提升企業和股東價值。

光大證券在增資擴股後，競爭實力得到進一步加強，通過穩健的管理和適度擴張，提高市場份額，同時利用良好的市場環境，加大創新步伐，加快上市進程，光大證券將繼續保持其較高的回報水平。





# CHIEF EXECUTIVE OFFICER'S REPORT

## 行政總裁報告書

### PROSPECTS (CONTINUED)

2007 is a year for the Group to carry out active expansion and development. We will enhance and adjust our mid-long term strategy and business planning. With the resources integration and business co-operation between the Hong Kong operations and the associated companies in the Mainland China, the Group will pay more attention to exploration of new business areas. The employees of the Group will enjoy more development opportunities under a people-oriented, respectful and sharing environment, and thus creating greater value to our shareholders.

On behalf of the management, I would like to take this opportunity to express my sincere gratitude for the care and support of all the shareholders, directors, employees as well as all our clients and the general society. The Management will endeavour to serve and to deliver even more satisfactory results to our stakeholders in the coming year.

By order of the Board  
**Zhou Liqun**  
*Chief Executive Officer*

Hong Kong, 29 March 2007

### 展望 (續)

二零零七年是本集團積極拓展的一年，我們將更加注重中長期戰略調整和業務規劃，更加注重集團與聯營公司之間的資源整合與業務聯動，更加注重對新領域的拓展，集團員工將在以人為本、敬業共享的環境下獲得更多的發展機會，為股東創造更大的價值。

本人在此僅代表管理層，向所有股東、董事會和全體員工表示衷心感謝，向關心和支持我們的所有客戶和社會各方表示誠摯謝意。本人和管理層將不遺餘力地履行我們的承諾，以更好的業績回報各方。

承董事會命  
**周立群**  
行政總裁

香港，二零零七年三月二十九日