REXCAPITAL Financial Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 555)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

FINANCIAL RESULTS

The board of directors (the "Board") of REXCAPITAL Financial Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005 together with the comparative figures for the corresponding period in 2004 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	**2005** *HK$*	2004 *HK$*
Turnover	*3*	**41,937,858**	169,137,308
Other income	*3*	**1,225,288**	1,036,851
Other (losses)/gains, net	*3*	**(6,473,277)**	2,167,311
Cost of trading of listed securities		**(3,009,600)**	(91,978,376)
Commission expenses		**(5,042,656)**	(14,161,963)
Depreciation		**(1,846,390)**	(2,159,938)
Impairment losses for bad and doubtful debts		**(18,140,997)**	(95,623,513)
Staff costs	*4*	**(19,004,618)**	(17,955,225)
Other operating expenses		**(30,758,447)**	(18,352,404)
Operating loss		**(41,112,839)**	(67,889,949)
Finance costs	*5*	**(12,838,986)**	(13,929,970)
Loss before taxation	*6*	**(53,951,825)**	(81,819,919)
Taxation	*7*	**3,252,051**	4,146,344
Loss for the year attributable to equity holders of the Company		**(50,699,774)**	(77,673,575)
Loss per share	*8*	**(1.69) cents**	(2.59) cents

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2005

	Notes	2005 HK$	2004 HK$
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment		**3,451,685**	4,706,116
Intangible assets		**–**	–
Investment security		**–**	50,000
Other non-current assets		**3,820,042**	3,735,026
Deferred tax assets	9	**7,609,481**	4,357,430
		14,881,208	12,848,572
CURRENT ASSETS			
Trade receivables	10	**291,018,286**	334,420,776
Other debtors, deposits and prepayments		**2,264,088**	3,268,946
Financial assets at fair value through profit or loss		**13,382,291**	–
Other investments		**–**	22,928,294
Profits tax refundable		**790,000**	–
Cash and cash equivalents		**27,181,323**	73,927,970
		334,635,988	434,545,986
TOTAL ASSETS		**349,517,196**	447,394,558
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**30,000,000**	30,000,000
Reserves		**84,572,317**	128,232,091
TOTAL EQUITY		**114,572,317**	158,232,091
LIABILITIES			
CURRENT LIABILITIES			
Trade payables	11	**24,563,205**	78,841,837
Other payables and accruals		**4,802,237**	4,642,320
Bank borrowings		**205,579,437**	205,678,310
		234,944,879	289,162,467

TOTAL LIABILITIES	**234,944,879**	289,162,467
TOTAL EQUITY AND LIABILITIES	**349,517,196**	447,394,558
Net current assets	**99,691,109**	145,383,519
Total assets less current liabilities	**114,572,317**	158,232,091

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants, and accounting principles generally accepted in Hong Kong. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HK(SIC)-Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payments
HKFRS 3	Business Combination

The adoption of new/revised HKASs 1, 7, 8, 10, 16, 17, 18, 21, 24, 27, 33, 36, HK(SIC)-Int 15 and HKFRS 3 did not result in substantial changes to the Group's accounting policies. In summary:

– HKASs 1, 7, 8, 10, 16, 17, 18, 27, 33, 36, HK(SIC)-Int 15 and HKFRS 3 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the entities has been re-evaluated based on the guidance to the revised standard. The Group has the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related party disclosures.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of financial instruments.

Until 31 December 2004 investments of the Group were classified into investment securities and other investments, which were stated in the balance sheet at cost less any accumulated impairment losses and at fair value respectively, and any impairment losses on investment securities and other investments were recognised in the income statement in the period in which they arise.

In accordance with the provisions of HKAS 39, the investments have been classified into available-for-sale financial assets and financial assets at fair value through profit or loss. The classification depends on the purpose for which the investments were held. As a result of the adoption of HKAS 39, all the investments are now stated at fair value in the balance sheet. In addition, all the investments as at 31 December 2004 that should be measured at fair value on adoption of HKAS 39 should be remeasured at 1 January 2005 and any adjustment of the previous carrying amount should be recognised as an adjustment of the balance of retained profits at 1 January 2005. However the adoption of HKAS 39 has had no material effect on the Group's results and equity.

The effect of the changes in accounting policies on these financial statements as a result of the adoption of HKAS 32 and HKAS 39 is summarised as follows:

– investment security of the Group as at 31 December 2004 was redesignated into available-for-sale financial asset on 1 January 2005. The aggregate difference between the respective carrying value of each investment as at 31 December 2004 and the respective fair value at 1 January 2005 is insignificant and hence, no adjustment has been made against the retained profits at 1 January 2005;

– other investments of the Group as at 31 December 2004 were redesignated into financial assets at fair value through profit or loss on 1 January 2005. There is no effect on remeasurement as the accounting policy on measurement of the Group's other investments as at 31 December 2004 is the same as that for financial assets at fair value through profit or loss.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. In prior years, no amount was recognised when employees (which term includes directors) were granted share options over shares in the Group. If the employees choose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group recognises the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained profits.

The Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

(a) all options granted to employees on or before 7 November 2002; and

(b) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

No adjustments to the opening balances as at 1 January 2004 are required as no options existed at that time which were unvested at 1 January 2005.

The adoption of HKAS 38 has resulted in a change in the accounting policy for intangible assets.

By 31 December 2004, intangible assets were amortised over their estimated useful lives. HKAS 38 Intangible Assets requires intangible assets to be assessed at the individual asset level as having either finite or indefinite life. A finite-life intangible asset is amortised over its estimated useful life whereas an intangible asset with an indefinite useful life is carried at cost less any accumulated impairment losses. Intangible assets with indefinite lives are not subject to amortisation but are tested for impairment annually or more frequently when there are indications of impairment. In accordance with the transitional provisions in HKAS 38, the Group reassessed the useful lives of its trading rights in the exchanges in Hong Kong on 1 January 2005 and concluded that the trading rights have indefinite useful lives. The Group has applied these transitional provisions prospectively and no adjustment was resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 January 2005;

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005.

  The adoption of HKFRS 2 resulted in:

	2005	2004
	HK$	*HK$*
Increase in capital reserve	**7,040,000**	–
Increase in staff costs	**1,005,715**	–
Increase in other operating expenses	**6,034,285**	–

No early adoption of the following new Standards or Interpretations that have been issued but are not yet effective for the year ended 31 December 2005. The adoption of such Standards or Interpretations will not result in substantial changes to the Group's accounting policies.

Hong Kong Companies (Amendment) Ordinance 2005

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 (Amendment) & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 3	Emission Rights
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies

2. SEGMENT INFORMATION

BUSINESS SEGMENTS

The Group is principally organised into five main operating divisions, namely broking, securities margin financing, corporate finance and asset management, money lending and investment trading and holding. These divisions are the basis on which the Group reports its primary segment information. There are no sales or other transactions between the business segments during the current and prior years.

(i) Turnover and loss attributed to the business segments for the year are as follows:

	2005	2004
	HK$'000	*HK$'000*
TURNOVER		
Broking	**12,778**	32,343
Securities margin financing	**14,270**	21,899
Corporate finance and asset management	**1,202**	2,407
Money lending	**13,071**	20,533
Investment trading and holding	**617**	91,955
	41,938	169,137
SEGMENT RESULTS		
Broking	**(24,586)**	(14,683)
Securities margin financing	**7,904**	(39,201)
Corporate finance and asset management	**(1,283)**	(903)
Money lending	**(16,171)**	(23,487)
Investment trading and holding	**(9,273)**	(95)
	(43,409)	(78,369)
NET UNALLOCATED EXPENSES	**(10,543)**	(3,451)

LOSS BEFORE TAXATION	**(53,952)**	(81,820)
TAXATION	**3,252**	4,146
LOSS FOR THE YEAR	**(50,700)**	(77,674)

(ii) Assets and liabilities analysed by business segments are as follows:

	2005	2004
	HK$'000	*HK$'000*
ASSETS		
Broking	**35,257**	100,597
Securities margin financing	**43,745**	127,276
Corporate finance and asset management	**371**	431
Money lending	**250,050**	185,733
Investment trading and holding	**18,402**	31,599
TOTAL SEGMENT ASSETS	**347,825**	445,636
UNALLOCATED ASSETS	**1,692**	1,758
TOTAL ASSETS	**349,517**	447,394

	2005	2004
	HK$'000	*HK$'000*
LIABILITIES		
Broking	**20,862**	63,536
Securities margin financing	**24,879**	114,333
Corporate finance and asset management	**152**	119
Money lending	**177,427**	110,037
Investment trading and holding	**9,427**	–
TOTAL SEGMENT LIABILITIES	**232,747**	288,025
UNALLOCATED LIABILITIES	**2,197**	1,137
TOTAL LIABILITIES	**234,944**	289,162

(iii) Other information

	Depreciation and amortisation		Impairment losses for bad and doubtful debts		Capital expenditure	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Broking	**1,836**	3,319	**1,600**	5,000	**788**	885
Securities margin financing	**–**	–	**4,141**	50,000	**–**	–
Corporate finance and asset management	**3**	4	**–**	–	**–**	–
Money lending	**–**	–	**12,400**	40,624	**–**	–
Investment trading and holding	**–**	–	**–**	–	**–**	–
Unallocated	**7**	129	**–**	–	**–**	–
	1,846	3,452	**18,141**	95,624	**788**	885

GEOGRAPHICAL SEGMENT

The Group's principal markets are located in Hong Kong. For both 2005 and 2004, more than 90% of the Group's turnover and carrying amount of assets were respectively generated from and located in Hong Kong, and therefore no geographical segment information is presented.

3. TURNOVER, OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

An analysis of the Group's turnover, other income and other (losses)/gains, net is as follows:

	2005	2004
	HK$	*HK$*
Turnover		
Commission income and handling fee income	**12,780,202**	32,502,162
Interest income from:		
– banks	**266,623**	10,983
– margin clients	**14,270,764**	21,898,738
– loan receivables	**13,070,662**	20,532,835
Income from trading of listed securities	**350,200**	91,944,480
Asset management and advisory fee income	**1,199,407**	2,248,110
	41,937,858	169,137,308
Other income		
Other interest income	**224,019**	7,582
Other income	**1,001,269**	1,029,269
	1,225,288	1,036,851

	2005	2004
Other (losses)/gains, net		
Unrealised gain on revaluation of other investments	**–**	2,167,311
Financial assets at fair value through profit or loss		
– fair value losses (unrealised)	**(6,536,403)**	–
Gain on disposal of available-for-sale financial asset	**63,126**	–
	(6,473,277)	2,167,311
	36,689,869	172,341,470

4. STAFF COSTS

	2005	2004
	HK$	*HK$*
Salaries, allowances and benefits in kind	**17,534,922**	16,758,795
Bonuses	**118,786**	763,140
MPF contributions	**345,195**	433,290
Employee share options benefits	**1,005,715**	–
	19,004,618	17,955,225

5. FINANCE COSTS

	2005	2004
	HK$	*HK$*
Interest on bank loans and overdraft	**12,548,780**	13,636,898
Interest on client payables with no fixed repayment terms	**290,206**	7,321
Borrowing costs	**–**	285,751
	12,838,986	13,929,970

6. LOSS BEFORE TAXATION

	2005	2004
	HK$	*HK$*
Loss before taxation is stated after crediting and charging the following:		
Crediting:		
Recovery of bad debts previously written-off	**348,128**	–
Charging:		
Amortisation of intangible assets		
– trading rights	**–**	1,292,253
Auditors' remuneration		
– current year	**338,000**	260,000
– underprovision in prior year	**30,000**	–
Loss on disposal of property, plant and equipment	**196,027**	475,835
Operating lease rentals in respect of office premises and warehouse	**4,165,840**	3,930,925

7. TAXATION

No provision for Hong Kong profits tax is made in the financial statements as the Group has no estimated assessable profits for the year (2004: Nil).

The amount of taxation credited to the consolidated income statement represents:

	2005	2004
	HK$	*HK$*
Current tax:		
Hong Kong profits tax	**–**	–
Deferred tax:		
Deferred taxation relating to the origination and reversal of temporary differences	**(3,252,051)**	(4,146,344)
Taxation credit	**(3,252,051)**	(4,146,344)

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the domestic taxation rates applicable to profits of the consolidated companies is as follows:

	2005	2004
	HK$	*HK$*
Loss before taxation	**(53,951,825)**	(81,819,919)
Calculated at a taxation rate of 17.5% (2004: 17.5%)	**(9,441,570)**	(14,318,486)
Tax effect of income not subject to taxation	**(70,208)**	(14,557)
Tax effect of expenses not deductible for taxation purposes	**3,061,956**	839,934
Tax effect of utilisation of previously unrecognised tax losses	**–**	(595,256)
Tax effect of tax losses not recognised	**2,004,385**	187,337
Tax effect of temporary differences not recognised	**1,193,386**	9,754,684
Taxation credit	**(3,252,051)**	(4,146,344)

8. LOSS PER SHARE

The basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2005	2004
	HK$	*HK$*
Loss attributable to equity holders of the Company	**50,699,774**	77,673,575
Weighted average number of ordinary shares in issue	**3,000,000,000**	3,000,000,000
Basic loss per share	**1.69 cents**	2.59 cents

Diluted loss per share for the year ended 31 December 2005 and 2004 has not been shown as the options outstanding during these years had an anti-diluted effect on the basic loss per share for these years.

9. DEFERRED TAXATION

(i) *Deferred tax assets recognised*

	Tax losses *HK$*	Others *HK$*	Total *HK$*
At 1 January 2004	(211,086)	–	(211,086)
Credited to the consolidated income statement	(2,396,344)	(1,750,000)	(4,146,344)
At 31 December 2004	(2,607,430)	(1,750,000)	(4,357,430)
Credited to the consolidated income statement	(1,082,051)	(2,170,000)	(3,252,051)
At 31 December 2005	**(3,689,481)**	**(3,920,000)**	**(7,609,481)**

(ii) *Deferred tax assets/(liabilities) have not been recognised in respect of the following items:*

	2005 ***HK$***	2004 *HK$*
Taxable temporary differences		
– accelerated tax depreciation	**(157,471)**	(292,560)
Deductible temporary differences		
– decelerated tax depreciation	**1,007,587**	1,020,751
– others	**69,505,862**	62,808,981
Tax losses	**74,649,697**	60,236,403
	145,005,675	123,773,575

The deductible temporary differences and tax losses do not expire under current tax legislation.

10. TRADE RECEIVABLES

	2005 ***HK$***	2004 *HK$*
Margin client receivables, net	**43,745,417**	127,275,906
Other client receivables, net	**4,464,569**	7,659,835
Broker receivables	**386,916**	1,781,408
Amounts due from clearing houses	**805,322**	16,327,962
Loan receivables, net	**234,097,149**	175,471,635
Loan interest receivables, net	**7,518,913**	5,904,030
	291,018,286	334,420,776

Margin client receivables are repayable on demand, bear interest at prevailing market rates and are secured by clients' securities listed on the Stock Exchange of Hong Kong Limited (the "SEHK") with a market value of approximately HK$94,305,000 as at 31 December 2005 (2004: HK$311,000,000). No aged analysis is disclosed for margin client receivables as, in the opinion of the directors of the Company (the "Directors"), the aged analysis does not give additional value in view of the nature of business of securities margin financing.

The settlement terms of other client receivables, broker receivables and amounts due from clearing houses are one to two days after the trade date. The age of these balances is within 30 days.

Included in the above client receivables as at 31 December 2005 are the accounts of associates of certain directors of approximately HK$8,788,000 (2004: HK$7,781,000). The amounts due from the associates are of similar trading terms as the other client receivables. The balance was repaid subsequent to year end date.

The remaining maturity of loan receivables as at 31 December 2005 is as follows:

	2005	2004
	HK$	*HK$*
Three months or less	**124,089,838**	53,361,420
One year or less but over three months	**110,007,311**	122,110,215
	234,097,149	175,471,635

11. TRADE PAYABLES

	2005	2004
	HK$	*HK$*
Margin client payables	**6,056,484**	18,550,425
Other client payables	**18,506,721**	60,177,437
Broker payables	–	113,975
	24,563,205	78,841,837

Margin client payables and other client payables are repayable on demand and bear interest at prevailing market rates. No aged analysis is disclosed for margin client payables and other client payables as, in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of business of securities margin financing and broking.

The settlement terms of broker payables are one or two days after the trade date. The age of these balances is within 30 days.

12. DIVIDEND

The Board does not recommend the payment of a dividend in respect of the year ended 31 December 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

During the year, the Group was principally engaged in the provision of financial services, including money lending, investment trading and holding, broking, securities margin financing and asset management. In order to diversify business, the Group had also explored investment opportunities in China and other Asian areas.

Money Lending

Interest income from money lending accounted for 31% (2004: 12%) of the Group's turnover. The Group recorded a loss due to the prudent approach towards provision concerning money lending business. The Group will continue to adopt a prudent and conservative financing policy and stringent control on loan lending.

Investment Trading and Holding

Hong Kong experienced a static investment environment in the first half of 2005, dampened by rising interest rates and oil prices. The Group has slowed down its investment trading activities. The unrealized loss on securities amounted to HK$6,536,000. Nevertheless, market sentiment recovered stably in the second half. The Group is optimistic to see improvement in this business segment.

Broking and Securities Margin Financing

Turnover of the local stock market in 2005 grew by 13.7% as compared with 2004, reaching a record market turnover of HK$4,520.4 billion. However, the Group's performance in this segment was affected by keen competition in the industry as well as a sharp rise in rental and other operating costs. The Group made a strategic decision to close down two branches during the year. Turnover of the Group's broking business decreased 60% to HK$12,778,000, representing 30% of the total turnover. Turnover of the Group's securities margin financing business decreased 35% to HK$14,270,000 representing 34% of the total turnover.

Asset Management

Turnover from this segment accounted for 3% of the Group's total turnover. In line with the successful launch of several large-scale H-share IPOs and the first REIT, The Link, the Group's asset management business achieved solid investment returns during the year. In order to meet the investment interests of our clients, the Group terminated one of the funds during the year. Cited by inflow of funds (especially renowned hedge funds) in the local market, the growth momentum of this segment remains strong. Our investment team will continue to provide personalized and tailor-made services for our clients.

LOOKING AHEAD

The Group has been streamlining the operation and identifying suitable opportunities to enrich its business portfolio.

Subsequent to the year end in March 2006, the Group entered into an agreement to acquire Multi Glory Limited, which will hold a controlling stake in Shenzhen Sinodata Technology Co., Ltd. ("Sinodata"), for a total consideration of HK$227,880,000. Sinodata is one of the largest computer ticket lottery system and machine providers in China. Details of this transaction are set out in the Company's announcement dated 22 March 2006.

The acquisition will position the Group to capture the high growth potentials of this emerging market and strengthen the long-term profitability. The Group will keep on identifying potential investment opportunities, with a view to bring long-term favourable returns to our shareholders.

FINANCIAL REVIEW

Result

For the year ended 31 December 2005, the Group recorded a turnover of HK$41,938,000 (2004: HK$169,137,000), representing a decrease of 75%. The decrease in turnover was mainly due to the decrease in contribution from investment trading and holding activities. Turnover of this segment decreased by 99% to HK$617,000 for the year ended 31 December 2005 in comparison with last year (2004: HK$91,955,000).

Loss for the year was HK$50,700,000 (2004: loss of HK$77,674,000), representing a decrease of 35%. The loss per share was 1.69 cents (2004: 2.59 cents). The loss was improved as the Group imposed a strict control on securities margin financing and money lending sectors.

Liquidity, Financial Resources and Funding

At 31 December 2005, the Group had net current assets of HK$99,691,000 (2004: HK$145,384,000). The net decrease in net current assets was attributable to the loss reported.

At 31 December 2005, the Group had cash reserves of approximately HK$27,181,000 (2004: HK$73,928,000), which include approximately HK$22,161,000 (2004: HK$65,342,000) of clients' funds that were kept in designated segregated bank accounts. Most of the cash reserves were placed in Hong Kong dollar short-term deposits with major banks in Hong Kong.

The gearing ratio as at 31 December 2005 was 179% (2004: 130%). The gearing ratio was derived by dividing the aggregate of bank borrowings by the amount of shareholders' equity. The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 142% (2004: 150%).

The Group had outstanding bank overdrafts of approximately HK$205,579,000 as at 31 December 2005 (2004: HK$205,678,000). The bank overdrafts were denominated in Hong Kong dollars and interest bearing at prevailing commercial lending rates. Listed investments belonging to clients and the Group were pledged to secure these bank overdrafts. These loans and overdrafts were used to finance the Group's operations. We expect that all these borrowings will be repaid by internal generated funds.

Taking into account the financial resources available to the Group including internally generated funds and available banking facilities, the Group has sufficient working capital to meet its present requirements.

Pledge of Assets

At 31 December 2005, listed investments belonging to clients and the Group with total market value of approximately HK$89,042,000 and HK$13,348,000 respectively (2004: HK$305,074,000 and HK$22,859,000 respectively) were pledged to banks to secure overdraft facilities granted to the Group.

Capital Structure

There was no change in the Company's capital structure during the year ended 31 December 2005.

Exchange Rate Risk

The Group is exposed to a very limited level of exchange risk as the business transactions of the Group are mainly denominated in Hong Kong dollars.

Material Acquisitions and Disposals of Subsidiaries

The Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2005.

Human Resources

As at 31 December 2005, the Group had 24 employees.

The Group remunerated its employee mainly based on the individual's performance and experience. Apart from the basic remuneration, discretionary bonus and share options may be granted to eligible employees by reference to the Group's performance as well as individual's performance.

The Group will continue to emphasize on staff training and total quality management to better prepare its staff for the upcoming changes and challenges in the market and industry.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES

None of the directors is aware of any information which would reasonably indicate that the Company is not, or was not, throughout the year, in compliance with the Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"), except that:

(a) Code Provision A.4.1 requires that non-executive directors should be appointed for a specific term, subject to re-election. Currently the Independent Non-executive Directors are not appointed for a specific term, but are subject to retirement by rotation at the Company's annual general meeting as specified in the bye-laws of the Company (the "Bye-laws").

(b) Under Code Provision A.4.2, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

    According to the Bye-laws, (i) at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office by rotation save any director holding office as Chairman or Managing Director; and (ii) any Director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

(c) Under Code Provision E.2.2, all proxy votes should be counted. According to the Bye-laws, at any general meeting on a show of hands every shareholder who is present in person or by a duly authorized corporate representative shall have one vote, and on a poll every shareholder present in person or by a duly authorized corporate representative or by proxy, shall have one vote for every fully paid up share.

Further information is set out in the Corporate Governance Report contained in the 2005 annual report.

PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY

The Board proposes to make certain amendments to the Bye-laws to comply with the relevant requirements under the revised Listing Rules in relation to the Code on Corporate Governance Practices and consistency with the Bye-laws. The proposed amendments to the Bye-laws are subject to approval of the shareholders of the Company by way of a special resolution at the annual general meeting of the Company. Details of the proposed amendments will be set out in the notice of the annual general meeting of the Company to be contained in the 2005 annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2005, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year.

AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2005.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to all our shareholders and business partners for their continuous support and confidence in the Group. I would also like to thank our management team and all staff member for their dedicated service and hard work in the past year.

By order of Board
Chan How Chung, Victor
Executive Director

Hong Kong, 27 April 2006

As at the date hereof, the executive directors of the Company are Mr Chan How Chung, Victor, Ms Lee Huei Lin and Mr Boo Chun Lon. The independent non-executive directors of the Company are Mr Yuen Wai Ho, Mr On Kien Quoc and Mr Chow Siu Ngor.

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