



REXCAPITAL Financial Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 555)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

FINANCIAL RESULTS

The board of directors (the “Board”) of REXCAPITAL Financial Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2006 together with the comparative figures for the corresponding period in 2005 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	<i>Notes</i>	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Turnover	2	173,882,886	41,937,858
Other income	2	5,503,491	1,225,288
Other gains/(losses), net	2	15,412,970	(6,473,277)
Bad debts recovery, net		3,013,777	–
Impairment losses for bad and doubtful debts written back, net		2,181,806	–
Raw material consumed		(56,005,491)	–
Cost of trading of listed securities		(12,544,094)	(3,009,600)
Commission expenses		(3,056,885)	(5,042,656)
Depreciation and amortisation expenses		(6,309,089)	(1,846,390)
Impairment losses for bad and doubtful debts		–	(18,140,997)
Staff costs	4	(24,617,127)	(19,004,618)
Other operating expenses		(38,568,737)	(30,758,447)
Operating profit/(loss)		58,893,507	(41,112,839)
Finance costs	5	(17,260,214)	(12,838,986)
Profit/(loss) before taxation	6	41,633,293	(53,951,825)
Taxation	7	(11,001,740)	3,252,051
Profit/(loss) for the year		30,631,553	(50,699,774)

Attributable to:

Equity holders of the Company		11,170,190	(50,699,774)
Minority interests		19,461,363	–
		<u>30,631,553</u>	<u>(50,699,774)</u>

Earnings/(losses) per share	8		
– Basic		<u>0.26 cents</u>	<u>(1.69) cents</u>
– Diluted		<u>0.25 cents</u>	–

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2006

	<i>Notes</i>	2006 <i>HK\$</i>	2005 <i>HK\$</i>
ASSETS			
Non-current assets			
Property, plant and equipment		43,138,567	3,451,685
Prepaid lease payments on land use rights		5,981,522	–
Goodwill		384,095,385	–
Intangible assets		11,944,892	–
Deposits for acquisition of leasehold land use rights and buildings		23,499,671	–
Statutory deposits		2,132,400	3,820,042
Deferred tax assets		3,715,054	7,609,481
Total non-current assets		<u>474,507,491</u>	<u>14,881,208</u>
Current assets			
Inventories		53,568,664	–
Trade receivables	9	323,101,470	291,018,286
Other receivables		40,000,000	–
Other debtors, deposits and prepayments		66,683,505	2,264,088
Financial assets at fair value through profit or loss		20,287,536	13,382,291
Profits tax refundable		3,181,370	790,000
Cash and bank balances	10	164,867,477	27,181,323
Total current assets		<u>671,690,022</u>	<u>334,635,988</u>
Total assets		<u>1,146,197,513</u>	<u>349,517,196</u>

EQUITY

Capital and reserves attributable to the equity holders of the Company

Share capital		59,170,000	30,000,000
Reserves		752,261,799	84,572,317
		<u>811,431,799</u>	<u>114,572,317</u>
Minority interests		118,611,742	–
		<u>930,043,541</u>	<u>114,572,317</u>
Current liabilities			
Trade payables	<i>11</i>	41,308,809	24,563,205
Other payables and accruals		26,333,813	4,802,237
Current tax liabilities		3,693,120	–
Bank borrowings		125,667,366	205,579,437
		<u>197,003,108</u>	<u>234,944,879</u>
Total current liabilities			
		2006	2005
	<i>Notes</i>	HK\$	HK\$
Non-current liabilities			
Bank borrowings		12,776,705	–
Deferred tax liabilities		6,374,159	–
		<u>19,150,864</u>	<u>–</u>
Total liabilities		<u>216,153,972</u>	<u>234,944,879</u>
Total equity and liabilities		<u>1,146,197,513</u>	<u>349,517,196</u>
Net current assets		<u>474,686,914</u>	<u>99,691,109</u>
Total assets less current liabilities		<u>949,194,405</u>	<u>114,572,317</u>

NOTES:

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 (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The consolidated financial statements have been prepared under the historical cost convention, as modified by 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 2006, the Group adopted the amendments and interpretation of HKFRS below, which are relevant to its operations:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements Amendments as a consequence of the Companies (Amendments) Ordinance 2005
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease

The Group has assessed the impact of the adoption of these amendments and interpretation and considered that there was no significant impact on the Group's results and equity for the current nor prior accounting periods.

Standards, interpretation and amendments to existing standards that are not yet effective

The HKICPA has issued certain new standards, amendments and interpretations to existing standards which are relevant to the Group's operations and financial statements and are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods as follows:

Effective from 1 January 2007

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006)
HK(IFRIC) – Int 8	Scope of HKFRS 2 (effective from 1 March 2006)
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives (effective from 1 June 2006)
HK(IFRIC) – Int 10	Interim Reporting and Impairment (effective from 1 November 2006)
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HKFRS 7	Financial Instruments: Disclosures

Effective from 1 January 2009

HKFRS 8	Operating Segments
---------	--------------------

The Group has not early adopted the above standards, amendments and interpretations and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

2 TURNOVER, OTHER INCOME AND GAINS/(LOSSES), NET

Turnover represents commission income and handling fee income, interest income, income from trading of listed securities, assets management and advisory fee income, income from provision of lottery machines and related services.

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

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Turnover		
Commission income and asset management income	7,827,048	13,979,609
Interest income from:		
– Banks on financial services	709,067	266,623
– Margin clients	10,223,338	14,270,764
– Loan receivables	10,942,978	13,070,662
Income from trading of listed securities	29,137,230	350,200
Income from provision of lottery machines and related services	115,043,225	–
	<u>173,882,886</u>	<u>41,937,858</u>
Other income		
Interest income on bank deposits	2,791,743	224,019
Government grants	261,318	–
Sundry income	2,450,430	1,001,269
	<u>5,503,491</u>	<u>1,225,288</u>
	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Other gains/(losses), net		
Fair value gains/(losses) on financial assets at fair value through profit or loss	15,412,970	(6,536,403)
Gain on disposal of available-for-sale financial asset	–	63,126
	<u>15,412,970</u>	<u>(6,473,277)</u>
	<u>194,799,347</u>	<u>36,689,869</u>

3 SEGMENT INFORMATION

Business segments

For management purposes, the Group is organised into the following four major operating divisions:

- i) Financial services
- ii) Money lending
- iii) Investment trading and holding
- iv) Lottery business

In accordance with the Group's internal financial and operating activities, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments.

- (i) The segment assets, liabilities at 31 December 2006 and segment results for the year ended 31 December 2006 are as follows:

	As at and for the year ended 31 December 2006				
	Financial services <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Investment trading and holding <i>HK\$'000</i>	Lottery business <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover	<u>18,107</u>	<u>10,943</u>	<u>29,790</u>	<u>115,043</u>	<u>173,883</u>
Segment results	1,065	(9,738)	21,097	39,676	52,100
Net unallocated expenses					<u>(10,467)</u>
Profit before taxation					41,633
Taxation					<u>(11,001)</u>
Profit for the year					<u>30,632</u>
Assets					
Segment assets	50,900	248,420	164,635	679,451	1,143,406
Unallocated assets					2,791
Total assets					<u>1,146,197</u>
Liabilities					
Segment liabilities	30,530	418	–	181,260	212,208
Unallocated liabilities					3,945
Total liabilities					<u>216,153</u>

The segment assets, liabilities at 31 December 2005 and segment results for the year ended 31 December 2005 are as follows:

	As at and for the year ended 31 December 2005			
	Financial services <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Investment trading and holding <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover	<u>28,250</u>	<u>13,071</u>	<u>617</u>	<u>41,938</u>
Segment results	(17,965)	(16,171)	(9,273)	(43,409)
Net unallocated expenses				<u>(10,543)</u>
Loss before taxation				(53,952)
Taxation				<u>3,252</u>
Loss for the year				<u>(50,700)</u>
Assets				
Segment assets	79,373	250,050	18,402	347,825
Unallocated assets				<u>1,692</u>
Total assets				<u>349,517</u>
Liabilities				
Segment liabilities	45,893	177,427	9,427	232,747
Unallocated liabilities				<u>2,197</u>
Total liabilities				<u>234,944</u>

(ii) *Other segment information*

	For the year ended 31 December 2006				
	Financial services <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Investment trading and holding <i>HK\$'000</i>	Lottery business <i>HK\$'000</i>	Group <i>HK\$'000</i>
Other information					
Depreciation and amortisation	1,473	–	7	4,829	6,309
Impairment losses of bad and doubtful debts	430	13,688	–	–	14,118
Impairment losses of bad and doubtful debts written back	6,300	10,000	–	–	16,300
Bad debts recovery, net	3,013	–	–	–	3,013
Capital expenditure	122	–	–	384,297	384,419

	For the year ended 31 December 2005				
	Financial services HK\$'000	Money lending HK\$'000	Investment trading and holding HK\$'000	Unallocated HK\$'000	Group HK\$'000
Other information					
Depreciation and amortisation	1,839	–	–	7	1,846
Impairment losses of bad and doubtful debts	5,741	12,400	–	–	18,141
Capital expenditure	788	–	–	–	788

Geographical segments

The Group's business segments operate in two main geographical areas.

	As at and for the year ended 31 December 2006				
	Turnover HK\$'000	Segment results and profit before taxation HK\$'000	Total assets HK\$'000	Total liabilities HK\$'000	Capital expenditure HK\$'000
Hong Kong	58,839	1,957	466,746	34,893	–
PRC	115,043	39,676	679,451	181,260	384,419
	<u>173,882</u>	<u>41,633</u>	<u>1,146,197</u>	<u>216,153</u>	<u>384,419</u>

	As at and for the year ended 31 December 2005				
	Turnover HK\$'000	Segment results and loss before taxation HK\$'000	Total assets HK\$'000	Total liabilities HK\$'000	Capital expenditure HK\$'000
Hong Kong	41,938	(53,952)	349,517	234,944	788
PRC	–	–	–	–	–
	<u>41,938</u>	<u>(53,952)</u>	<u>349,517</u>	<u>234,944</u>	<u>788</u>

4 STAFF COSTS

	2006 HK\$	2005 HK\$
Salaries, allowances and benefits in kind	20,551,389	17,534,922
Bonuses	202,344	118,786
MPF contributions	224,894	345,195
Employee share option benefits	3,638,500	1,005,715
	<u>24,617,127</u>	<u>19,004,618</u>

5 FINANCE COSTS

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Interest on bank loans and overdrafts	16,372,812	12,548,780
Interest on client payables with no fixed repayment terms	887,402	290,206
	<u>17,260,214</u>	<u>12,838,986</u>

6 PROFIT/(LOSS) BEFORE TAXATION

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
The Group's profit/(loss) before taxation is stated after charging the following:		
Auditor's remuneration – current year	1,750,000	338,000
– underprovision in prior year	71,500	30,000
Depreciation and amortisation on:		
– Property, plant and equipment	5,974,511	1,846,390
– Prepaid lease payments on land use rights	22,853	–
– Intangible assets	311,725	–
Loss on disposal of property, plant and equipment	–	196,027
Operating lease rentals in respect of office premises and warehouse	4,311,635	4,165,840
Research and development costs	<u>2,968,342</u>	<u>–</u>

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 (2005: Nil). Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

One of the subsidiaries of the Group's lottery business in the PRC, Beijing Guard Libang Technology Co Ltd, is eligible for application of tax holiday and concession which are in the form of three years tax exemption from the year 2003 to 2005 and followed by a 50% reduction of applicable tax rate in the following three years commencing from 2006. The applicable income tax rate for this subsidiary in current year is 7.5%. The applicable income tax rate for the remaining subsidiaries of the Group's lottery business in current year is 15% as their tax holiday and concession periods were expired.

The amount of taxation charged/(credited) to the consolidated income statement represents:

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Current tax:		
– Hong Kong	–	–
– PRC	3,726,701	–
Deferred tax:		
Deferred taxation relating to the origination and reversal of temporary differences	<u>7,275,039</u>	<u>(3,252,051)</u>
Taxation charge/(credit)	<u>11,001,740</u>	<u>(3,252,051)</u>

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

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Profit/(loss) before taxation	<u>41,633,293</u>	<u>(53,951,825)</u>
Taxation at the domestic income tax rate of 17.5% (2005:17.5%)	7,285,826	(9,441,570)
Tax effect of income not subject to taxation	(1,614,384)	(70,208)
Tax effect of expenses not deductible for taxation purposes	5,026,045	3,061,956
Tax effect of tax losses not recognised	3,635,284	2,004,385
Tax effect of temporary differences not recognised	(1,018,566)	1,193,386
Effect of different tax rates of subsidiaries operating in other jurisdictions	<u>(2,312,465)</u>	<u>–</u>
Taxation charge/(credit)	<u>11,001,740</u>	<u>(3,252,051)</u>

8 EARNINGS/(LOSSES) PER SHARE

(a) *Basic earnings/(losses) per share*

The basic earnings/(losses) per share is calculated by dividing the profit for the year attributable to the equity holders of the Company by the weighted average number of shares in issue during the year.

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Profit/(loss) attributable to equity holders of the Company	<u>11,170,190</u>	<u>(50,699,774)</u>
Weighted average number of ordinary shares in issue	<u>4,381,072,877</u>	<u>3,000,000,000</u>
Basic earnings/(losses) per share	<u>0.26 cents</u>	<u>(1.69 cents)</u>

(b) *Diluted earnings per share*

The diluted earnings per share is calculated by dividing the profit for the year and on the weighted average number of ordinary shares, being the weighted average number of ordinary shares in issue during the year as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year.

	2006 HK\$
Profit for the year, used in the basic and diluted earnings per share calculation	<u>11,170,190</u>
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	4,381,072,877
Weighted average number of ordinary shares assumed issued at no consideration on deemed exercise of all share options outstanding during the year	<u>131,922,733</u>
	<u>4,512,995,610</u>
Diluted earnings per share	<u><u>0.25 cents</u></u>

Diluted losses per share for the year ended 31 December 2005 has not been shown as the options outstanding during the year 2005 has an anti-diluted effect on the basic losses per share for the year 2005.

9 **TRADE RECEIVABLES**

	The Group	
	2006 HK\$	2005 HK\$
Margin client receivables, net	3,610,414	43,745,417
Other client receivables, net	9,926,168	4,464,569
Broker receivables	5,431,401	386,916
Amounts due from clearing houses	1,357,580	805,322
Loan receivables, net	214,713,230	234,097,149
Loan interest receivables, net	6,709,217	7,518,913
Trade debtors, net	81,353,460	–
	<u>323,101,470</u>	<u>291,018,286</u>

Included in the Group's trade debtors are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group	
	2006	2005
Indonesian Rupiah	–	3,892,335
Malaysian Ringgits	18,952	3,461
Singapore dollars	1,336	2,957
Renminbi	<u>81,678,874</u>	<u>–</u>

Margin client receivables are repayable on demand, bear interest at prevailing market rates and are secured by clients' securities listed on the Stock Exchange with a market value of approximately HK\$136,737,000 as at 31 December 2006 (2005: HK\$94,305,000). No aged analysis is disclosed for margin client receivables 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.

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 2006 are the accounts of associates of certain directors of HK\$Nil (2005: approximately HK\$8,788,000). The amounts due from the associates are of similar trading terms as the other client receivables.

Included in the above loan receivables as at 31 December 2006 is the account of an associate of certain directors of HK\$Nil (2005: approximately HK\$2,640,000). The amount due from the associate is of similar trading terms as the other loan receivables.

The directors consider that the carrying amount of trade receivables approximate to their fair values.

The remaining maturity and aged analysis of loan receivables and trade debtors as at 31 December 2006 are as follows:

	The Group	
	2006	2005
	HK\$	HK\$
Three months or less	179,657,561	124,089,838
One year or less but over three months	116,409,129	110,007,311
	<u>296,066,690</u>	<u>234,097,149</u>

10 CASH AND BANK BALANCES

	The Group		The Company	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
Pledged bank deposit	123,286,616	–	–	–
Cash at banks				
– general accounts	22,555,270	4,995,095	819,579	3,953
– segregated accounts	17,633,045	22,160,817	–	–
Cash in hand	1,392,546	25,411	–	–
	<u>164,867,477</u>	<u>27,181,323</u>	<u>819,579</u>	<u>3,953</u>

The bank deposit of HK\$123,286,616 together with all interest accrued thereon has been pledged to a bank by way of fixed charge to secure the banking facilities granted to the Group. The bank deposit carries interest at prevailing market rate per annum and has maturity of 10 months.

The pledged bank deposit was released after repayment of the secured loan after year end.

11 TRADE PAYABLES

	The Group	
	2006	2005
	HK\$	HK\$
Margin client payables	7,303,213	6,056,484
Other client payables	17,117,097	18,506,721
Trade payables	16,888,499	–
	<u>41,308,809</u>	<u>24,563,205</u>

Included in the Group's trade payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2006	2005
Indonesian Rupiah	–	3,892,335
Malaysian Ringgits	–	59,095
Singapore dollars	–	2,807
Renminbi	<u>16,956,053</u>	<u>–</u>

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 directors consider that the carrying amount of trade and other payables approximate to their fair values.

The aged analysis of the Group's trade payables as at 31 December 2006 are as follows:

	2006	2005
	HK\$	HK\$
Three months or less	9,624,928	–
One year or less but over three months	7,263,571	–
	<u>16,888,499</u>	<u>–</u>

12 DIVIDEND

The Board does not recommend the payment of a dividend in respect of the year ended 31 December 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Year 2006 has been a year of tremendous development for our Group in that we have successfully expanded our business activities from financial and brokerage into the expanding lottery market in China.

In mid 2006, the Group successfully acquired a 45.81% interest in Shenzhen Sinodata Technology Co Ltd (“Sinodata”). Sinodata is engaged in the development and production of proprietary lottery machines, related operations software system and networks for the welfare lottery industry in China. In late 2006, the Group also completed the acquisitions of a 70% stake in Beijing Guard Libang Technology Co Ltd (“Guard Libang”) and a 58% stake in Shenzhen Kingsail Software Tech Co Ltd (“Kingsail”). Guard Libang is one of the leaders in the instant lottery industry in China. Kingsail is one of the approved vendors for the development and production of sports lottery machine by China Sports Lottery Administration Center.

With these acquisitions and the subsequent further expansion into new provinces, the Group now has one of the largest franchise in the lottery market in China and has operations covering multiple provinces and municipalities in China which have an addressable populations of over 900 million. It is our belief that lottery products are part of the consumer products for the mid and low income groups in China. In light of the continuing growth in GDP of China and the accompanying increase in disposable income of the Chinese people and the filtering through of the “wealth effect” from the coastal regions of China into the inland provinces, we are of the view that the lottery market in China will enjoy a period of continued sustainable growth going forward and given our Group’s franchise in China, we also believe that our Group will be able to benefit from this continuing growth trend.

Welfare Lottery

The Group has a substantial participation in the Welfare Lottery Computer Ticket Games (“Welfare CTG”) business through its subsidiary Sinodata. Our Group’s Welfare CTG business involves the provision of operating system, hardware, maintenance and development for Welfare CTG games for the China Welfare Lottery. In 2006, the sales of Welfare CTG games achieved a new record high of approximately RMB44 billion, which accounted for approximately 90% of the total sales of the China Welfare Lottery. Given the already substantial and more established base for the Welfare CTG business, we believe that the Welfare CTG market will enjoy a period of stable, sustainable and continuing growth for the coming years which is likely to track the growth in disposable income for China.

Our Welfare CTG business covered 13 provinces in China in 2006 (which has since been further increased as more provinces have been added after the end of the financial year out of which approximately 50% of the provinces covered is on a revenue sharing basis). Currently, it has deployed over 40,000 lottery machines in China. Our Group is the largest provider for the Welfare CTG business in China in 2006 commanding approximately 50% market share.

Furthermore, the Group’s initiative in Welfare CTG games development has also achieved significant breakthrough in that our High Frequency 2D game will be officially rolled out in the third quarter of 2007 after our successful completion of the testing and review by various regulatory authorities in China. Our income from the provision of games is on a revenue sharing basis.

The Group is also actively involved in the Instant Lottery business for Welfare Lottery (Scratch Cards) in China (“SC business”) through our subsidiary Guard Libang. In the SC business, the Group provides games, system software and hardware, verifications and anti-counterfeiting technologies as well as logistical tracking systems to the Instant Ticket Games for Welfare Lottery based on the approved proprietary and patented technology of Guard Libang. Guard Libang is the sole system provider to the SC business in China Welfare Lottery. Our SC business covers 14 provinces and we plan to further expand our coverage in SC business by expanding into more provinces in China. Our Group’s revenue from the SC business is based on a revenue sharing model.

Instant Ticket Games have seen its fair share of ups and downs in the past and has, in our view, rejuvenated after the re-launch of the SC business in 2005 with improved anti-counterfeiting measures and more efficient system and distribution support. With the implementation of the 2D bar code verification system and the logistical tracking system, the SC business has gradually regained confidence and popularities with the general public in China which led to a speedy recovery in its sales. In 2005, SC games generated approximately RMB100 million in ticket sales and the figure has already exceeded RMB500 million in 2006. We are very much encouraged by the growth of the SC business in 2006 (i.e. a growth of approximately 500% in a year). We are committed to further developing the SC business in China in 2007 and beyond and we believe that substantial growth opportunities still lie ahead in the coming years.

Sports Lottery

Through our subsidiary Kingsail, our Group is one of the 7 licensed providers to the China Sports Lottery Computer Ticket Games (“Sports CTG”). At the end of 2006, our Group has already won contracts to supply Sports CTG to 2 provinces in China and since then a further province has been added to the list in 2007. Looking into 2007, more provinces will be inviting tender for their Sports CTG systems and our Group will continue its efforts to increase our participations in the Sports CTG market. Since the acquisition of Kingsail was only completed in late December 2006, the results of Kingsail have not been included in the results of the Group for the year ended 31 December 2006.

The results of the lottery business was encouraging. The post-acquisition turnover of the lottery business was approximately HK\$115,043,000, representing 66% of the total turnover. Profit arising from this segment amounted to approximately HK\$39,676,000.

Money Lending

Interest income from money lending decreased slightly by 16% to HK\$10,943,000 (2005: HK\$13,071,000). The Group will continue to adopt strict credit monitoring measures on loan lending.

Investment Trading and Holding

In view of huge activities in the capital market and buoyant IPO activities during the year, turnover increased to HK\$29,790,000 and the segment profit was HK\$21,097,000 which included the unrealized profit on securities amounted to HK\$15,412,000. The Group is optimistic to see income generated from this business segment.

Financial Services

Notwithstanding a surge of securities trading volume on the Stock Exchange that the average daily turnover increased from HK\$18.3 billion in 2005 to HK\$33.9 billion in 2006, the performance of the Group’s broking business and asset management business was affected by increase in interest rate and operating costs as well as keen competition in the industry, including securities trading services offered by retail banks. Turnover of the Group’s financial services decreased by 35% to HK\$18,107,000, representing 10% of the total turnover.

LOOKING AHEAD

According to the Ministry of Finance People's Republic of China, the annual sales of lotteries amounted to RMB81.9 billion in 2006. The sales of Welfare Lottery was RMB49 billion in 2006, representing an increase of 20% from 2005, on the other hand, the sales of Sports Lottery increased by RMB2.1 billion to RMB32.3 billion in 2006. According to the Development Research Center of State Council PR China, total lottery revenues in China are forecast to reach RMB100 billion in 2007. We are optimistic about the prospect of the lottery market in China in the coming year. Together with the determination of the Chinese government to clamp down on illegal gambling, the Group believes that there will be a huge growth potential in the lottery market in China. We will continue to identify appropriate investment opportunities to enhance the Group's revenue base and profitability.

Subsequent to the year end in March 2007, the Group entered into two agreements to further acquire an aggregate of 18.94% interest in Sinodata for a total consideration of HK\$235,250,000. Upon completion of the acquisitions, its shareholding in Sinodata will increase to approximately 65%. Details of the transactions are set out in the Company's announcement dated 22 March 2007.

In April 2007, the Group further extended its market reach to more provinces in the lottery market in China. Sinodata was awarded the contract to provide lottery system software and machines for Xizang (Tibet Autonomous Region) Welfare Lottery Issuance Centre for its Welfare CTG games, while Kingsail secured contract with Sports Lottery Issuance Centre in Liaoning to supply Sports CTG terminals.

During the year, the Group has been proactively identifying suitable investment opportunities in order to enhance the Group's income base and profitability. The Group will continue to focus on lottery-related businesses in China and put in more resources to offer more comprehensive and quality services to the lottery market with a view to enriching its business portfolio and bringing long-term stable returns to our shareholders.

FINANCIAL REVIEW

Result

For the year ended 31 December 2006, the Group recorded a turnover of HK\$173,883,000 (2005: HK\$41,938,000), representing an increase of 315% over the last year. The increase was mainly attributable to the Group's lottery business in China which achieved a turnover of HK\$115,043,000 (represented a partial year impact on turnover after the completion of the respective acquisition in July 2006) and also partly due to the growth in investment trading and holdings activities. Turnover from the trading of listed securities increased to HK\$29,137,000 for the year ended 31 December 2006 (2005: HK\$617,000).

Profit attributable to shareholders for the year was HK\$11,170,000 (2005: loss of HK\$50,700,000). The earnings per share was 0.26 cents (2005: loss per share of 1.69 cents). Fully diluted earnings per share was 0.25 cents (2005: Nil).

Liquidity, Financial Resources and Funding

At 31 December 2006, the Group's total equity amounted to HK\$930,044,000 as compared to HK\$114,572,000 at the end of the previous year. The net increase in equity was mainly attributed to the completion of the capital raising exercises by the Company during the year. The proceeds from the capital raising exercises were mainly used to finance the acquisition of the lottery business in China and to strengthen the working capital base of the Group.

At 31 December 2006, the Group had cash reserves of approximately HK\$164,867,000 (2005: HK\$27,181,000), which include approximately HK\$17,633,000 (2005: HK\$22,161,000) of clients' funds that were kept in designated segregated bank accounts.

The gearing ratio as at 31 December 2006 was 14.89% (2005: 179%). 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 341% (2005: 142%).

The Group had outstanding bank borrowings as at 31 December 2006 of HK\$138,444,000 (2005: HK\$205,579,000). The bank borrowings were denominated in Hong Kong dollars and Renminbi and interest bearing at prevailing commercial lending rates. The Group's bank deposit of HK\$123,304,000 and listed investments belonging to clients were pledged to secure these bank borrowings which were used to finance the Group's operations. We expect that all these borrowings will be repaid by internal generated funds. Subsequently after the year end, the secured loan of HK\$122,509,000 has been repaid.

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 2006, the Group's bank deposit of HK\$123,304,000 and listed investments belonging to clients and the Group with total market value of approximately HK\$21,871,000 and HK\$nil respectively (2005: HK\$89,042,000 and HK\$13,348,000 respectively) were pledged to banks to secure the bank borrowings granted to the Group. Subsequently after the year end, the charge on the pledged deposit has been released as a result of repayment of certain bank borrowings after year end.

Share Capital

During the year, the Company issued 1,200,000,000 new shares of HK\$0.01 each at a price of HK\$0.2 per share pursuant to a subscription agreement dated 23 March 2006. Details of which are set out in the circular of the Company dated 12 June 2006. 730,000,000 new shares of HK\$0.01 each were issued at a price of HK\$0.35 per share pursuant to a subscription agreement dated 1 August 2006 as amended by a supplemental agreement dated 2 August 2006.

Pursuant to the share purchase agreement dated 15 March 2006, 500,000,000 new shares of HK\$0.01 each were issued by the Company in July 2006 at a price of HK\$0.15 per share to satisfy part of the consideration for the acquisition of the entire issued share capital of Multi Glory Limited. Details of the acquisition are set out in the Company's circular dated 12 June 2006.

Pursuant to the share purchase agreement dated 25 July 2006, 240,000,000 new shares of HK\$0.01 each were issued by the Company in November 2006 at a price of HK\$0.37 per share to satisfy part of the consideration for the acquisition of the entire issued share capital of Happy Sun Technologies Ltd. Details of the acquisition are set out in the Company's circular dated 18 August 2006.

247,000,000 new shares of HK\$0.01 each were issued and allotted during the year upon exercise of share options granted by the Company.

Save as the above, there was no change in the Company's capital structure during the year ended 31 December 2006.

Exchange Rate Risk

All the Group's assets, liabilities and transactions are denominated either in Hong Kong dollar or Renminbi. The Group did not enter into any foreign exchange forward contracts to hedge against exchange rates fluctuations. Foreign exchange risk arising from the normal course of operations is considered to be minimal and the management will closely monitor the fluctuation in the currency and take appropriate actions when condition arises.

Material Acquisitions and Disposals of Subsidiaries

On 15 March 2006, the Group entered into a share purchase agreement with Magic Dynasty Limited under which the Group agreed to acquire the entire issued share capital of Multi Glory Limited, a company which was holding an indirect interest in 45.436% of the registered capital of Sinodata. The consideration payable for the acquisition is HK\$227,880,000 which is to be satisfied as to HK\$152,880,000 in cash and as to HK\$75,000,000 by the issue of 500,000,000 consideration shares at a price of HK\$0.15 per share. Details of the acquisition are set out in the Company's circular dated 12 June 2006. The transaction has been completed in July 2006.

On 25 July 2006, the Group entered into a share purchase agreement with Gain Silver International Limited under which the Group agreed to acquire the entire share capital of Happy Sun Technologies Ltd which, upon completion, will indirectly own 70% of Guard Libang. The consideration payable for the acquisition is HK\$157,040,000 which is to be satisfied as to HK\$68,240,000 in cash and as to HK\$88,800,000 by the issue of 240,000,000 consideration shares at a price of HK\$0.37 per share. Details of the acquisition are set out in the Company's circular dated 18 August 2006. The transaction has been completed in November 2006.

On 8 August 2006, the Group entered into a sale and purchase agreement with Grand Langley Limited for the acquisition of the entire issued share capital of Pentium Win Limited at the consideration of HK\$29,000,000. Upon completion of the transaction, Pentium Win Limited shall be indirectly interested in 58% of the registered capital of Kingsail. Details of the acquisition are set out in the Company's announcement dated 9 August 2006. The transaction has been completed in December 2006.

Apart from the above, the Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2006.

Human Resources

As at 31 December 2006, the Group had 406 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 2006.

CORPORATE GOVERNANCE

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 on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except that 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.

Further information is set out in the Corporate Governance Report contained in the 2006 annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2006, 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 Group’s audited consolidated results for the year ended 31 December 2006 have been reviewed by the audit committee of the Company.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere thanks to all our shareholders and business partners for their continuous support, and to our management and staff for their dedication to the Group throughout the year.

By order of the Board
Chan How Chung, Victor
Executive Director

Hong Kong, 27 April 2007

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

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