

Directors' Business Review

董事會業務回顧

On behalf of the board of directors (the "Board"), I am pleased to present the annual results of REXCAPITAL Financial Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the financial year ended 31 December 2005.

OPERATING RESULTS

For the year under review, the Group recorded a turnover of HK\$41,938,000 (2004: HK\$169,137,000). Loss attributable to shareholders was HK\$50,700,000 (2004: loss of HK\$77,674,000). The Substantial decrease in turnover was mainly explained by the decrease in investment trading and holding segment. Turnover of this segment was approximately HK\$617,000 for the year ended 31 December 2005, compared with HK\$91,955,000 in 2004. For the year ended 31 December 2005, the cash and bank balances of the Group amounted to HK\$27,181,000 (2004: HK\$73,928,000).

BUSINESS REVIEW AND PROSPECTS

2005 was a challenging year for Hong Kong financial market. Despite a lack of market direction in the first half of the year, the macro economic environment was affected by rising oil prices and successive interest rate hikes. The Group faced a challenging time due to keen competition in the broking business as well as sharp rise in rental and other operating cost. However, trading resumed hectic in the second half. That can be seen from Hang Seng Index rallying to high of 15,508 from year low of 13,320. It was a record-breaking year for Hong Kong stock market in terms of funds raised in Initial Public Offerings ("IPO") and market turnover. Highlight was also given to China enterprises listing in Hong Kong. In particular, the listing of China Construction Bank was the largest IPO ever in the local market, raising HK\$71.6 billion.

China economy went through encouraging progress on all fronts during 2005. The GDP grew by 9.9% to RMB18.23 trillion in the year. The appreciation of the Renminbi ("RMB") and its peg with a basket of currencies during the year enhance the status of RMB in the global currencies market. Continual speculation on further revaluation of RMB has drawn a rosy picture for various sectors in China such as finance and property. The momentum is accelerating and will propel the development in other sectors in China.

本人謹代表董事會（「董事會」）公佈御泰金融控股有限公司（「本公司」）及其附屬公司（統稱「本集團」）於截至二零零五年十二月三十一日止財政年度之全年業績。

經營業績

於回顧年度，本集團錄得營業額 41,938,000 港元（二零零四年：169,137,000 港元），股東應佔虧損 50,700,000 港元（二零零四年：77,674,000 港元）。營業額大幅下降，主要由於投資買賣和控股業務減少。截至二零零五年十二月三十一日止年度，該業務的營業額約為 617,000 港元，二零零四年則為 91,955,000 港元。截至二零零五年十二月三十一日止，本集團之現金及銀行結餘為 27,181,000 港元（二零零四年：73,928,000 港元）。

業務回顧及展望

二零零五年對香港金融市場而言很具挑戰性。雖然上半年大市缺乏方向，但油價上漲及利率不斷調高持續影響宏觀經濟環境。由於證券業務競爭激烈，本集團經歷具挑戰的時刻。然而，到了下半年，交投回復熾熱，這從 生指數於年內重拾升軌，由最低點 13,320 點上升至 15,508 點可見一斑，不論是透過首次公開招股融資或市場交投量方面，香港的股票市場在該年都創造歷史新高。中國企業也成為於香港上市之市場焦點，其中中國建設銀行上市籌集 716 億港元資金，是香港歷來最大型的首次公開招股活動。

於二零零五年，中國經濟在各方面的增長均令人鼓舞。國民生產總值較去年增加 9.9% 至 182,300 億元人民幣。人民幣升值，以及與一籃子貨幣掛鈎，因而提升人民幣於國際貨幣市場的地位。此外，市場憧憬人民幣進一步升值，利好中國內地多個行業，如金融及地產。這股經濟增長動力正在加快，將有助推動國內其他行業的發展。

In March 2006, the Group announced the acquisition of a Chinese leading lottery system and machine supplier. The acquisition signifies a major corporate milestone. The booming economy in China spurs the lottery market. Despite its late start, we believe that the lottery sector in China exhibited robust growth potential. According to the China Welfare Lottery Operation Center, the annual sales of lotteries increased 80% to RMB71.1 billion in 2005, and the sales of welfare lotteries reached RMB41 billion, accounting for 58% of the total sales of lotteries in China. Compared with well-developed lottery market countries, China is lagging behind. In some developed countries, annual lottery sales is approximately 1% of the GDP. However, the per capita lottery sales in China was merely RMB40 in 2005, and its actual annual lottery sales only represents 0.2% of the GDP. There is indeed plenty of room for future development. We believe the new business will broaden the Group's revenue base and at the same time the Group is expected to benefit in the high growth lottery market.

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.

For and on behalf of the Board

Chan How Chung, Victor
Executive Director

Hong Kong, 27 April 2006

於二零零六年三月，本集團宣佈收購中國其中一家大型電腦彩票系統及彩票機供應商，而是次收購標緻著本集團進入一個新里程。中國經濟蓬勃，帶動彩票業的發展，儘管內地的彩票業起步較遲，我們深信這是一個具增長潛力的市場。根據中國電子彩票營運中心資料顯示，二零零五年中國彩票的年銷售總額達 711 億元人民幣，增長 80%，其中福利彩票的年銷售總額為 410 億元人民幣，佔中國彩票整體銷售的 58%。然而，中國還落後於彩票業發展發達的國家，在一些已發展國家，彩票年銷售額大致相當於國民生產總約 1%；而二零零五年中國彩票的人均銷售額只有 40 元人民幣，年銷售額亦只相當於國民生產總值之 0.2%。故此，中國彩票市場實在有著龐大的發展空間。我們相信這項新業務可擴闊集團的收入基礎，同時，本集團預期將受惠於這個高增長的彩票市場。

致謝

本人謹藉此機會代表董事會，對各股東、業務夥伴在過去一年給予本集團不斷的支持和信任致以衷心謝意。同時，特此致謝管理層及各員工對公司業務的熱誠投入及忠誠。

代表董事會

執行董事
陳孝聰

香港，二零零六年四月二十七日