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## **REXCAPITAL Financial Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 555)**

### **PLACING OF EXISTING SHARES SUBSCRIPTION FOR NEW SHARES AND RESUMPTION OF TRADING**

On 7 November 2007, the Company, the Placing Agent and the Vendor entered into the Placing Agreement, pursuant to which the Placing Agent agreed to place, on a best efforts basis, up to an aggregate of 648,000,000 existing Shares at a price of HK\$1.52 per Placing Share on behalf of the Vendor.

On the same day, the Company entered into the Subscription Agreement with the Vendor, pursuant to which the Vendor conditionally agreed to subscribe for the Subscription Shares, which is equivalent to the number of Placing Shares on the Completion Date, at the same price per Subscription Share.

Assuming all the Placing Shares are placed under the Placing Agreement, the Placing Shares represent approximately 9.98% of the existing issued share capital of the Company and approximately 9.08% of the issued share capital as enlarged by the Subscription.

Assuming all the Placing Shares are placed under the Placing Agreement, the gross and net proceeds from the subscription of the Subscription Shares are approximately HK\$985 million and HK\$965.5 million respectively. It is intended that the net proceeds will be used for the purposes of pursuing any opportunities that could be identified by the Company in the lottery market and for general working capital of the Group.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on Wednesday, 7 November 2007 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on Thursday, 8 November 2007.

## **PLACING AGREEMENT DATED 7 NOVEMBER 2007**

On 7 November 2007, the Company, the Placing Agent and the Vendor entered into the Placing Agreement, pursuant to which the Placing Agent agreed to place, on a best efforts basis, up to a maximum of 648,000,000 existing Shares.

### **Parties:**

The Company, the Placing Agent and the Vendor

### **Placing Agent:**

The Placing Agent is and its ultimate beneficial owners are independent of and not connected with the Company and its associates and connected persons.

The placing commission (which shall include sellers brokerage) is 1.75% of the amount equal to the Placing Price multiplied by the number of Placing Shares actually placed. The placing commission was determined after arm's length negotiations between the Company and the Placing Agent with reference to the market rate.

### **Number of Placing Shares:**

Up to 648,000,000 Shares on a best efforts basis. Assuming all the Placing Shares are placed under the Placing Agreement, the aggregate nominal value of the Placing Shares is HK\$6,480,000, and the Placing Shares represent 9.98% of the existing issued share capital of the Company and approximately 9.08% of the issued share capital of the Company as enlarged by the Subscription.

### **Placees:**

The Placees are expected to be not less than six professional, institutional and/or corporate investors. The Placees and their ultimate beneficial owners shall be third parties independent of the Company and its connected persons and of the Vendor and its connected persons.

**Placing Price:**

HK\$1.52 per Placing Share, which is equivalent to the Subscription Price.

Assuming all the Placing Shares are placed under the Placing Agreement, the aggregate value of the Placing is approximately HK\$985 million. This Placing Price was agreed after arm's length negotiations and represents (i) a discount of approximately 5% to the closing price of HK\$1.60 per Share as quoted on the Stock Exchange on 6 November 2007, being the last trading day of the Shares immediately before and including the date of this announcement; and (ii) a discount of approximately 4.16% to the average closing price of approximately HK\$1.586 per Share as quoted on the Stock Exchange for the last five trading days ended 6 November 2007.

**Rights:**

The Placing Shares were sold free from all liens, charges and encumbrances and together with all rights attaching to them as at the date of the Placing Agreement, including the right to receive all dividends declared, made or paid on or after the date of the Placing Agreement.

**Lock-up:**

- (a) The Vendor undertakes to the Placing Agent that (except for the sale of the Placing Shares pursuant to the Placing Agreement) for the period commencing from the date of the Placing Agreement and ending 3 months from the Closing Date, it will not, directly or indirectly or conditionally or unconditionally, offer for sale, sell, transfer, contract to sell or otherwise dispose of (including without limitation by the creation of any option, rights, interests, warrant to purchase or otherwise transfer or dispose of, or any charges, pledges or encumbrances or other third party rights over), or announce any intention to dispose of, any Shares or any interest therein or any other securities of the Company which are of the same class as, or convertible or exchangeable for, or which carry a right to subscribe, purchase or acquire, or represent the right to receive, any such Shares or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such Shares, in respect of which it is the beneficial owner (directly or indirectly) and/or which are registered in its name unless the prior written consent of the Placing Agent to any disposal or grant shall have been obtained (such consent not to be unreasonably withheld or delayed); and

- (b) The Company has undertaken that it will not issue or agree to allot or issue any Shares (other than pursuant to (i) options granted or to be granted under any existing shares option scheme or (ii) any scrip dividend scheme or (iii) the Subscription Agreement) or other securities or grant or agree to grant any options (other than options granted or to be granted pursuant to an existing shares option scheme), warrants or other rights to subscribe for Shares or other securities or to repurchase any securities of the Company (except that the Company may allot or issue or agree to allot or issue any Shares or other securities or grant or agree to grant any options, warrants or other rights to subscribe for Shares or other securities so far as it is in relation to the acquisition of interests in any company, entity or asset, or the formation of joint venture, by the Company or any of its Subsidiaries from or with any other person), for the period commencing from the date of the Placing Agreement and ending 3 months from the Completion Date unless with the prior written consent of the Placing Agent (such consent not to be unreasonably withheld or delayed).

**Termination of the Placing:**

The Placing is unconditional. If at any time prior to the Closing Date:

- (a) in the reasonable opinion of the Placing Agent there shall have been since the date of the Placing Agreement such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Placing; or
- (b) any material breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Closing Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Vendor of any other provision of the Placing Agreement; or
- (c) there is any adverse change in the financial position of the Group (taken as a whole) which in the reasonable opinion of the Placing Agent is material in the context of the Placing;

then and in any such case, the Placing Agent may after consultation with the Vendor (to the extent that the same is reasonably practicable) terminate the Placing Agreement without liability to the Vendor by giving notice in writing to the Vendor, provided that such notice is received prior to the Closing Date.

**Completion of the Placing:**

Expected to be on 12 November 2007 or such other date as agreed by the Vendor and the Placing Agent.

**SUBSCRIPTION AGREEMENT DATED AS OF 7 NOVEMBER 2007**

On 7 November 2007, the Company entered into the Subscription Agreement with the Vendor, pursuant to which the Vendor agrees to subscribe as principal, and the Company agrees to issue to the Vendor, the Subscription Shares at the Subscription Price on the Completion Date on the terms and subject to the conditions set out therein.

**Subscriber:**

The Vendor, holding approximately 18.47% of the total issued share capital of the Company, who is a substantial shareholder of the Company as at the date of this announcement.

**Number of Subscription Shares:**

Equivalent to the number of Placing Shares. Assuming all the Placing Shares are placed under the Placing Agreement, the Subscription Shares represent 9.98% of the existing issued share capital of the Company and approximately 9.08% of the share capital as enlarged by the Subscription.

**Subscription Price:**

HK\$1.52 per Subscription Share, which is equivalent to the Placing Price.

Upon completion of the issue and allotment of the Subscription Shares, the Company shall reimburse the Vendor the expenses properly incurred by it in connection with the Placing (including without limitation the fee payable to the Placing Agent, stamp duty, the SFC transaction levy, the Stock Exchange trading fee and special levy, printing and publishing costs and legal fees) after deducting, where applicable, interest accrued and received by the Vendor (if any) on the net proceeds of the Placing during the period from completion of the Placing to (but excluding) the completion of the Subscription.

The net price (after the reimbursement by the Company of such expenses properly incurred by the Vendor in the Placing) is HK\$1.49 per Subscription Share.

In the event that completion of the Placing Agreement does not occur in accordance with its terms, the Company shall reimburse the Vendor any legal fees and out-of-pocket expenses which the Vendor shall be obliged to pay in connection with the Placing.

**Rights:**

The Subscription Shares will be issued and allotted free from all liens, charges, security interests, encumbrances and adverse claims whatsoever on the Completion Date.

**General Mandate to issue the Subscription Shares:**

The Subscription Shares will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 31 May 2007.

**Ranking of the Subscription Shares:**

The Subscription Shares shall, when fully paid, rank pari passu in all respects with the other Shares in issue on the Completion Date including the rights to all dividends and other distributions declared, made or paid at any time after the date of allotment.

**Conditions of the Subscription:**

Completion of the issue and allotment of the Subscription Shares is conditional upon:

- (a) completion of the Placing having occurred pursuant to the terms of the Placing Agreement;
- (b) the listing of and permission to deal in the Subscription Shares being granted by the Listing Committee (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares);  
and
- (c) if required, the Bermuda Monetary Authority granting permission to allot and issue the Subscription Shares.

(The above conditions (a) to (c) are collectively referred as the “**Conditions**”)

In the event that the Conditions are not fulfilled on or prior to 13 days from the date of the Placing Agreement or such later date as may be agreed between the Company and the Vendor, neither of the Company and the Vendor shall be obligated to proceed to completion of the issue and allotment of the Subscription Shares and the Subscription Agreement shall cease and terminate.

Further, if the Conditions are not fulfilled on or prior to 13 days from the date of the Placing Agreement and the Company and the Vendor still decide to proceed to complete the subscription of the Subscription Shares on a subsequent date, such subscription would be subject to approval by the independent shareholders under the Listing Rules.

None of the Conditions may be waived by either the Vendor or the Company.

### **Completion of the Subscription:**

The Completion Date is on the Business Day immediately after the date upon which the last of the Conditions shall have been satisfied provided that such date shall not be later than the date falling 13 days from the date of the Subscription Agreement or such later date as the Company and the Vendor may agree in writing.

### **APPLICATION FOR LISTING**

The Company will apply to the Listing Committee for the listing of and permission to deal in the Subscription Shares.

## EFFECTS OF THE PLACING AND THE SUBSCRIPTION ON THE SHAREHOLDING

Assuming all the Placing Shares are placed under the Placing Agreement, the shareholding structure of the Company before and after the Placing and the Subscription will be as follows respectively:

Shareholders	As at the date of this announcement		Immediately after the Placing but before the Subscription		Immediately after the Subscription	
	Shares	%	Shares	%	Shares	%
Kingly Profits Corporation ( <i>Note 1</i> )	1,198,805,635	18.47	550,805,635	8.49	1,198,805,635	16.79
Gandhara Master Fund Ltd.	646,625,000	9.96	646,625,000	9.96	646,625,000	9.06
Other public Shareholders	4,644,569,365	71.57	4,644,569,365	71.57	4,644,569,365	65.07
The Placees ( <i>Note 2</i> )	–	–	648,000,000	9.98	648,000,000	9.08
<b>Total</b>	<b><u>6,490,000,000</u></b>	<b><u>100</u></b>	<b><u>6,490,000,000</u></b>	<b><u>100</u></b>	<b><u>7,138,000,000</u></b>	<b><u>100</u></b>

*Notes:*

- (1) Kingly Profits Corporation is indirectly wholly owned by Mr. Chan How Chung, Victor, a Director.
- (2) The Placees are part of the public Shareholders.

The Company confirms that after completion of the Placing and Subscription, there will not be any introduction of new substantial shareholder and connected person of the Company.



## **REASONS FOR AND BENEFITS OF THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS**

The Group is principally engaged in lottery system and games design business and the provision of financial services including securities broking and margin financing, money lending and investment trading and holding. In mid 2006, the Group successfully expanded its business activities into the expanding lottery market in China through various acquisition projects. The lottery business had made a substantial contributions to the results of the Group for 2006 and the first half of 2007. The Group will continue to focus on lottery-related businesses and allocate 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. The Group has also been proactively identifying suitable investment opportunities in order to enhance its income base and profitability. The Directors consider that the Placing and the Subscription provide an excellent opportunity to raise additional readily available funds for expansion of the Group's existing business and any potential future investment projects, should such suitable opportunities arise. At the same time the Shareholder and capital base of the Company can be further broadened.

Assuming all the Placing Shares are placed under the Placing Agreement, the net proceeds from the subscription of the Subscription Shares will be approximately HK\$965.5 million. It is intended that the proceeds will be used for the purposes of pursuing any opportunities that may be identified by the Company in the lottery market and for general working capital of the Group.

The Directors believe that the terms of the Placing and the Subscription are fair and reasonable and in the interests of the Shareholders as a whole.

## **GENERAL INFORMATION**

The Company is principally engaged in investment holding. The Group is principally engaged in lottery system and games design business and the provision of financial services including securities broking and margin financing, money lending and investment trading and holding.

The Vendor is a holding company incorporated in the British Virgin Islands and its principal business is investment holding including its investment in the Shares held by it.

The Company did not conduct any fund raising exercise in the twelve months immediately preceding this announcement.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on Wednesday, 7 November 2007 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares from 9:30 a.m. on Thursday, 8 November 2007.

## **DEFINITIONS**

“associate”	has the meaning as defined in the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday and a Sunday) on which banks generally open for business in Hong Kong
“Closing Date”	12 November 2007 or such later date as the Vendor and the Placing Agent may agree in writing
“Company”	REXCAPITAL Financial Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion Date”	the Business Day immediately after the date upon which the last of the Conditions shall have been satisfied provided that such date shall not be later than the date falling 13 days from the date of the Subscription Agreement or such later date as the Company and the Vendor may agree in writing
“connected persons”	has the meaning as defined in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its Subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Committee”	the listing sub-committee of the board of the Stock Exchange

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placees”	the professional, institutional and other investors selected and procured by or on behalf of the Placing Agent as contemplated by the Placing Agreement
“Placing”	a placing of the Placing Shares by the Placing Agent on behalf of the Vendor on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	CLSA Limited
“Placing Agreement”	the placing agreement dated as of 7 November 2007 entered into among the Vendor, the Company and the Placing Agent in relation to the Placing
“Placing Shares”	up to 648,000,000 Shares to be placed by the Vendor
“PRC”	People’s Republic of China
“Shareholders”	shareholders of the Company
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares at the Subscription Price
“Subscription Agreement”	the subscription agreement dated as of 7 November 2007 entered into between the Vendor and the Company in relation to the Subscription
“Subscription Price”	HK\$1.52 per Subscription Share

“Subscription Shares”	the lesser of the Placing Shares actually sold by the Vendor under the Placing and 648,000,000 new Shares to be subscribed by the Vendor on the Completion Date on the terms and subject to the conditions set out in the Subscription Agreement
“Subsidiary”	has the same meaning as in section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), and “Subsidiaries” shall be construed accordingly
“Vendor”	Kingly Profits Corporation
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.

By Order of the Board  
**Chan How Chung, Victor**  
*Executive Director*

*As at the date of this announcement, the Board comprises two executive directors namely Mr. Chan How Chung, Victor and Mr. Boo Chun Lon and three independent non-executive directors namely Mr. Yuen Wai Ho, Mr. Chow Siu Ngor and Mr. Lee Ka Lun.*

Hong Kong, 7 November 2007

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*