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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 1 August 2006, the Company, the Placing Agent and the Vendor entered into the Placing Agreement (as amended by the Supplemental Placing Agreement), pursuant to which the Placing Agent agreed to place, on a best efforts basis, up to a maximum of 730,000,000 existing Shares at a price of HK\$0.35 per Share on behalf of the Vendor. On the same day, the Company entered into the Subscription Agreement (as amended by the Supplemental Subscription Agreement) with the Vendor for the subscription of up to an aggregate of 730,000,000 new Shares at the same price per Share.

Assuming all the Placing Shares are placed under the Placing Agreement, the Placing Shares represent 15.32% of the existing issued share capital of the Company and approximately 13.28% of the issued share capital as enlarged by the Subscription. The total number of Placing Shares to be placed by the Vendor is up to 730,000,000 Shares. Pursuant to the Subscription Agreement, the Vendor has conditionally agreed to subscribe for the Subscription Shares which is equivalent to the number of Placing Shares on the Completion Date.

Assuming all the Placing Shares are placed under the Placing Agreement, the net proceeds from the subscription of the Subscription Shares is approximately HK\$250 million. It is intended that approximately HK\$68 million of the proceeds will be used to pay the consideration for the Acquisition, and the remaining balance will be used for general working capital of the Group, including financing future working capital requirement of Happy Sun upon completion of the Acquisition.

At the request of the Company, trading of Shares on the Stock Exchange was suspended from 9:33 a.m. on Wednesday, 2 August 2006 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading of Shares on the Stock Exchange from 9:30 a.m. on Friday, 4 August 2006.

## **PLACING AGREEMENT DATED 1 AUGUST 2006**

On 1 August 2006, the Company, the Placing Agent and the Vendor entered into the Placing Agreement (as amended by the Supplemental Placing Agreement), pursuant to which the Placing Agent agreed to place, on a best efforts basis, up to a maximum of 730,000,000 existing Shares.

### **Vendor:**

Kingly Profits Corporation

### **Placing Agent:**

Bear Stearns Asia Limited, which is and whose beneficial owners are not connected persons and are independent of the Company and its connected persons. The placing commission is 1.5% of the aggregate Placing Price of the Placing Shares, which was determined after arm's length negotiation, and the net placing price is HK\$0.345 per Placing Share.

### **Number of existing Shares to be placed:**

The total number of Placing Shares to be placed by the Vendor is up to a maximum of 730,000,000 existing Shares on a best efforts basis. Assuming all the Placing Shares are placed under the Placing Agreement, the Placing Shares represent 15.32% of the existing issued share capital of the Company and approximately 13.28% of the issued share capital of the Company as enlarged by the Subscription.

Further announcement will be made by the Company on the actual number of existing Shares placed by the Placing Agent under the Placing Agreement.

### **Placement to:**

More than six professional, institutional and other investors selected and procured by or on behalf of the Placing Agent as contemplated under the Placing Agreement.

Pursuant to the Placing Agreement, the Placing Agent shall ensure that it receives a confirmation from each Placee that it is independent of the directors, chief executive and substantial shareholders of the Company or its subsidiaries or their respective associates, and that it is independent of and not acting in concert (as defined under the Hong Kong Code on Takeovers and Mergers) with the Vendor and its concert parties in relation to the control of the Company.

### **Placing Price:**

HK\$0.35 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 HK\$255,500,000. This Placing Price was agreed after arm's length negotiations and represents (i) a discount of approximately 6.67% to the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on 1 August 2006, being the last trading day of the Shares immediately before and including the date of this announcement; and (ii) a discount of approximately 2.78% to the average closing price of approximately HK\$0.36 per Share as quoted on the Stock Exchange for the last five trading days ended 1 August 2006.

**Rights:**

The Placing Shares were sold free from any liens, charges, encumbrances, claims, options or third-party rights and together with all rights attaching thereto at the date of the Placing Agreement.

**Lock-up:**

- (a) The Vendor has undertaken to the Placing Agent that (except for the sale of the Placing Shares pursuant to the Placing Agreement) from the date of the Placing Agreement and on or prior to the date being six months after the date of the Placing Agreement it will not and will procure that none of its nominees and companies controlled by it (whether individually or together and whether directly or indirectly) will (without the prior written consent of the Placing Agent) (i) offer, issue, sell, contract to sell, sell any contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (excluding the Placing Shares) or any interests therein or any securities convertible into or exercisable or exchangeable for any such Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

Consent has already been obtained from the Placing Agent (being the same placing agent with respect to the placing as mentioned in the announcement of the Company dated 24 March 2006) on the placing of existing Shares under the Placing Agreement.

- (b) The Company has undertaken to the Placing Agent that (except for (i) the Subscription Shares to be allotted and issued to the subscribers named in the Subscription Agreement; (ii) any Shares or other securities or rights issued or granted to shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with its Bye-laws or on the exercise of any rights existing at the date of the Placing Agreement; (iii) the Shares to be allotted and issued pursuant to the Share Purchase Agreement; and (iv) any Shares to be allotted and issued upon exercise of options granted by the Company under the share option scheme adopted by the Company on 22 November 2002) from the date of the Placing Agreement and on and prior to the date being six months after the date of the Placing Agreement it will not (without the prior written consent of the Placing Agent) (x) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for any Shares or interest in Shares or (y) agree (conditionally or unconditionally) to enter into or effect any such transaction described in (x) above or (z) announce any intention to enter into or effect any such transaction described in (x) or (y) above.

**Conditions of the Placing:**

The obligation of the Placing Agent to proceed to Completion is conditional upon the following conditions:

- (a) the Subscription Agreement (as amended by the Supplemental Subscription Agreement) having been entered into by the parties to that agreement and not subsequently having been revoked, terminated or modified;

- (b) dealings in the Shares on the Stock Exchange resuming (following suspension on 2 August 2006) no later than 15 August 2006 and, subsequent thereto, listing of or dealings in any of the Shares on the Stock Exchange not having been suspended at any time prior to Completion (other than as a result of clearing this announcement);
- (c) there not having come to the attention of the Placing Agent at any time prior to Completion (i) any material breach of, or any event rendering untrue or incorrect in any material respect, any of the representations, warranties or undertakings given by the Company and the Vendor under the Placing Agreement or (ii) any breach of, or failure to perform, any of the other obligations of the Company or the Vendor which are required to be performed at or before Completion;
- (d) there not having occurred and come to the attention of the Placing Agent at any time prior to Completion (i) any suspension or limitation of trading in securities generally on the Stock Exchange or the New York Stock Exchange or the establishment of minimum prices on the Stock Exchange or the New York Stock Exchange or (ii) the declaration of a banking moratorium in Hong Kong or by Federal or New York State authorities in the United States (iii) any change in local or international financial, political, military, economic or market (including stock market) conditions or currency exchange rates or exchange controls including, without limitation, any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis or (iv) any adverse announcement, determination or ruling of any governmental or other regulatory body (including delay in approval of this announcement or any other relevant announcement by any relevant stock exchange), which (or the effect of which) would (in any case mentioned in (ii), (iii) or (iv) above), in the sole judgment of the Placing Agent, make it impracticable or inadvisable to proceed with the Placing; and
- (e) there not having occurred (i) any event, or series of events, beyond the reasonable control of the Placing Agent (including, without limitation, acts of government, strikes, labour disputes, lock-outs, fire, explosion, flooding, civil commotion, economic sanctions, epidemic, terrorism and acts of God) or (ii) any material adverse change, or development (including, without limitation, the introduction of any new law or regulation or change in existing laws or regulations (or the judicial interpretation thereof) or any other similar event) (whether or not permanent) involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company or the Group as a whole, whether or not arising in the ordinary course of business, which, in the sole judgment of the Placing Agent, make it impracticable or inadvisable to proceed with the Placing.

The above conditions may be waived by the Placing Agent.

**Completion of the Placing:**

Expected to be on 8 August 2006 or such other date as agreed by the Vendor and the Placing Agent.

**SUBSCRIPTION AGREEMENT DATED 1 AUGUST 2006**

On 1 August 2006, the Company entered into the Subscription Agreement (as amended by the Supplemental Subscription Agreement) with the Vendor for the subscription of up to an aggregate of 730,000,000 new Shares at the price of HK\$0.35 per Share.

**Subscriber:**

The Vendor, holding approximately 39.84% of the total issued capital of the Company, 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 15.32% of the existing issued share capital of the Company and approximately 13.28% of the share capital as enlarged by the subscription of the Subscription Shares.

**Subscription Price:**

HK\$0.35 per Subscription Share, which is equivalent to the Placing Price and the net price (after the reimbursement by the Company of the expenses properly incurred by the Subscriber in the Placing) is HK\$0.345 per Subscription Share.

Pursuant to the Subscription Agreement, the Vendor agrees to subscribe as principal, and the Company agrees to issue to the Subscriber or its nominee(s) the Subscription Shares at the Subscription Price on the Completion Date on the terms and subject to the conditions set out in the Subscription Agreement.

Upon completion of the issue and allotment of the Subscription Shares, the Company shall reimburse the Subscriber 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 Subscriber (if any) on the net proceeds of the Placing during the period between completion of the Placing and completion of the Subscription.

In the event that completion of the Placing Agreement does not occur in accordance with its terms, the Company shall reimburse the Subscriber any legal fees and out-of-pocket expenses which the Subscriber 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 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 19 June 2006.

**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);
- (c) the granting of a waiver to the Subscriber by the SFC from general offer obligations that might otherwise arise as a result of the Subscription pursuant to Note 6 on dispensations from Rule 26 of the Takeovers Code; and
- (d) if required, the Bermuda Monetary Authority granting permission to allot and issue the Subscription Shares.

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

If 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 Subscriber, neither of the parties shall be obligated to proceed to completion of the issue and allotment of the Subscription Shares. Further, if the Conditions are not fulfilled within 14 days from the date of the Placing Agreement and the parties 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 Subscriber or the Company.

Application will be made to the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

**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 time and/or date as the Company and the Subscriber may agree in writing.

**EFFECTS ON SHAREHOLDING**

Assuming all the Placing Shares are placed under the Placing Agreement, the Shareholding of the Vendor and its concert parties before and after the Placing, the Subscription and the Acquisition are and will be as follows respectively:

Shareholders	Shareholding in the Company before the Placing and the Subscription	Shareholding in the Company after the Placing but before the Subscription	Shareholding in the Company after the Placing and the Subscription	Shareholding in the Company after the Placing and the Subscription and the Acquisition
Kingly Profits Corporation and its concert parties (Note 1)	1,898,805,635 39.84%	1,168,805,635 24.52%	1,898,805,635 34.55%	1,898,805,635 33.10%
Other public Shareholders	1,718,044,365 36.05%	1,718,044,365 36.05%	1,718,044,365 31.26%	1,718,044,365 29.95%
The Placees (Note 2)	0 0%	730,000,000 15.32%	730,000,000 13.28%	730,000,000 12.73%
Gandhara Master Fund Limited	649,150,000 13.62%	649,150,000 13.62%	649,150,000 11.81%	649,150,000 11.32%
Magic Dynasty Limited	500,000,000 10.49%	500,000,000 10.49%	500,000,000 9.10%	500,000,000 8.72%
Gain Silver International Limited	0 0%	0 0%	0 0%	240,000,000 4.18%
<b>Total</b>	<b>4,766,000,000</b> <b>100%</b>	<b>4,766,000,000</b> <b>100%</b>	<b>5,496,000,000</b> <b>100%</b>	<b>5,736,000,000</b> <b>100%</b>

*Note:*

- (1) Kingly Profits Corporation is owned as to 70.18% by King United Agents Limited, King United Agents Limited is wholly-owned by Mr. To Shu Fai.
- (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.

## **IMPLICATIONS UNDER TAKEOVERS CODE**

Kingly Profits Corporation currently holds approximately 39.84% of the entire issued share capital of the Company. Its shareholding in the Company immediately after the Placing but before the Subscription will be approximately 24.52%. Immediately after the Placing and the subscription of the Subscription Shares, its shareholding in the Company will be approximately 34.55%. Therefore, a general offer obligation will be triggered on the part of Kingly Profits Corporation and its concert parties under Rule 26 of the Takeovers Code. Application will be made to the Executive for a waiver from the obligation to make a general offer under Rule 26 of the Takeovers Code as a result of the Subscription under Note 6 on dispensations from Rule 26 of the Takeovers Code.

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

Assuming all the Placing Shares are placed under the Placing Agreement, the net proceeds from the subscription of the Subscription Shares are approximately HK\$250 million. It is intended that approximately HK\$68 million of the proceeds will be used to pay the consideration for the Acquisition under the Share Purchase Agreement and RMB14 million (equivalent to approximately HK\$13,730,000) will be used for the increase in the registered capital of Beijing Guard Libang Technology Co., Ltd. (“**Guard Libang**”) pursuant to the Share Purchase Agreement. The remaining balance of up to HK\$168 million will be used for general working capital of the Group, including financing future working capital requirement of Happy Sun upon completion of the Acquisition.

The aggregate remaining balance of the proceeds of up to HK\$250 million raised in the placing as set out in the Circular and the Placing will be used as working capital of the Group for its existing business and lottery business. The Directors believe that there is a strong growing potential in the lottery market in China and therefore capital is required to be continuously injected into the businesses of Shenzhen Sinodata Technology Co., Ltd. (“**Sinodata**”) and Guard Libang (after completion of the Acquisition) for the purpose of strengthening the Group’s position in such business. Under such circumstances, the Directors consider that the Placing and the Subscription provides a good opportunity for the Company to raise additional funds under the current market environment to cater for any potential growth in the lottery business in China.

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.

## **FUND RAISING EXERCISES CARRIED OUT BY THE COMPANY IN THE PAST TWELVE MONTHS**

As disclosed in the Circular, the Company carried out a top-up placing at a placing price of HK\$0.20 per Share on 23 March 2006. The net proceeds from the top-up placing were approximately HK\$235 million, out of which, approximately HK\$153 million were used to pay the consideration for the acquisition of the entire issued share capital of Multi Glory Limited under the share purchase agreement dated 15 March 2006 (details as set out in the Circular).

As at the date of this announcement, the Company has retained the remaining balance of approximately HK\$82 million from the proceeds of the top-up placing on 23 March 2006 for general working capital of the Group, including financing future working capital requirement of Multi Glory Limited. RMB27 million (equivalent to approximately HK\$26,470,000) from such proceeds will be used to settle the obligation of the Group under the Capital Contribution Contract (as defined in the Circular) for the increase in the registered capital of Sinodata. The remaining balance of approximately HK\$55.5 million will be used as working capital of the Group. To the extent that the net proceeds from the top-up placing are not immediately required for the above purposes, the Company has placed such funds on short-term deposit with banks and/or financial institutions.

Save as disclosed above, the Company has not undertaken any fund raising exercise in the past twelve months.

## **GENERAL INFORMATION**

The Company is principally engaged in investment holding. The Group is principally engaged in the provision of financial services including broking, securities margin financing and asset management.



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

At the request of the Company, trading of the Shares on the Stock Exchange was suspended from 9:33 a.m. on Wednesday, 2 August 2006 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading of the Shares from 9:30 a.m. on Friday, 4 August 2006.

## **DEFINITIONS**

“Acquisition”	the proposed acquisition of the entire issued share capital of Happy Sun under the Share Purchase Agreement
“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
“Circular”	the Company’s circular dated 12 June 2006 regarding the “Major Transaction, Connected Transaction and Refreshment of Share Option Scheme Mandate”
“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”	completion of the Placing pursuant to the Placing Agreement
“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 time and/or date as the Company and the Subscriber may agree in writing
“connected persons”	has the meaning as defined in the Listing Rules
“Directors”	the directors of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Gain Silver”	Gain Silver International Limited, a company incorporated in the British Virgin Islands and an Independent Third Party
“Genius Nation”	Genius Nation Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries

“Happy Sun”	Happy Sun Technologies Ltd., a company incorporated in the British Virgin Islands with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) or company(ies) together with its/their beneficial owner(s) who or which is/are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, are not connected persons
“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”	the placing of the Placing Shares by the Placing Agent on behalf of the Vendor
“Placing Agent”	Bear Stearns Asia Limited
“Placing Agreement”	the placing agreement dated 1 August 2006, as amended by the Supplemental Placing Agreement, entered into among the Vendor, the Company and the Placing Agent in relation to the Placing
“Placing Shares”	up to 730,000,000 Shares to be placed by the Vendor
“SFC”	the Securities and Futures Commission
“Shareholders”	shareholders of the Company
“Share Purchase Agreement”	a conditional share sale and purchase agreement dated 25 July 2006, entered into between the Company, Genius Nation, Gain Silver and 2 Independent Third Parties regarding the sale and purchase of 100% interest in Happy Sun, details of which are set out in the announcement of the Company dated 31 July 2006
“Shares”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Kingly Profits Corporation, being the subscriber to the Subscription Agreement
“Subscription”	the subscription of the Subscription Shares at the Subscription Price

“Subscription Agreement”	the subscription agreement dated 1 August 2006, as amended by the Supplemental Subscription Agreement, entered into between the Subscriber and the Company in relation to the Subscription
“Subscription Price”	HK\$0.35 per Subscription Share
“Subscription Shares”	the lesser of the Placing Shares and 730,000,000 Shares to be subscribed by the Subscriber on the Completion Date
“Supplemental Placing Agreement”	the supplemental agreement to the Placing Agreement dated 2 August 2006 entered into between the Vendor, the Company and the Placing Agent to amend certain terms of the Placing Agreement
“Supplemental Subscription Agreement”	the supplemental agreement to the Subscription Agreement dated 2 August 2006 entered into between the Subscriber and the Company to amend certain terms of the Subscription Agreement
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“United States”	United States of America
“Vendor”	Kingly Profits Corporation, being the vendor to the Placing Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the People’s Republic of China

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. On Kien Quoc and Mr. Chow Siu Ngor.*

Hong Kong, 3 August 2006

*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.*

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