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## **REXCAPITAL Financial Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 555)**

### **ANNOUNCEMENT**

The board of directors of the Company is pleased to announce that on 8 August 2006, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor for the acquisition of the Sale Shares and the shareholder's loan which is expected to be in the amount of RMB13.6 million as at the date of completion from the Vendor at the consideration of HK\$29,000,000. The consideration will be paid in cash which will be funded by the Group's internal resources. Upon completion of the transactions contemplated in the Sale and Purchase Agreement, the Company will be indirectly interested in the entire issued share capital of Pentium Win which in turn will be indirectly interested in 58% of the registered capital in Kingsail.

In 2005, Kingsail commenced its business in the development and production of sports lottery machines, related operation software system and networks for sports lottery industry in the PRC.

At the request of the Company, trading of the shares of the Company on the Stock Exchange was suspended from 9:30 a.m. on Wednesday, 9 August 2006 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading of the shares of the Company on the Stock Exchange from 9:30 a.m. on Thursday, 10 August 2006.

This announcement is made pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

## THE SALE AND PURCHASE AGREEMENT

The board of directors of the Company (the “**Board**”) is pleased to announce that on 8 August 2006, Huge Top Enterprises Inc. (the “**Purchaser**”), a wholly-owned subsidiary of REXCAPITAL Financial Holdings Limited (the “**Company**”), entered into a conditional sale and purchase agreement (the “**Sale and Purchase Agreement**”) with Grand Langley Ltd. (the “**Vendor**”) for the acquisition of the entire issued share capital (the “**Sale Shares**”) of Pentium Win Limited (“**Pentium Win**”) together with the loan due from Pentium Win to its shareholder as at the date of completion which is expected to be in the amount of RMB13.6 million from the Vendor at the consideration of HK\$29,000,000. After completion of the transaction, the shareholder’s loan will be due from Pentium Win to the Company. Such consideration will be funded by the internal resources of the Company and its subsidiaries (the “**Group**”). The consideration was determined after arm’s length negotiations between the parties by reference to factors including the prospect of Shenzhen Kingsail Software Tech. Co., Ltd. (深圳市金帆軟件技術有限公司) (“**Kingsail**”) in the sports lottery industry in the People’s Republic of China (the “**PRC**”). Kingsail is one of the approved vendors for the development and production of sports lottery machines by 國家體育總局體育彩票管理中心 (China Sports Lottery Administration Center) and has already contracted to supply sports lottery machineries for certain province/cities in the PRC.

To the best of the knowledge, information and belief of the directors of the Company (the “**Directors**”) after having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are parties who are independent of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules) and not connected person(s) (as defined in the Listing Rules) of the Company.

The Directors believe that the terms of the Sale and Purchase Agreement and the transactions thereunder are fair and reasonable and in the interests of the Company’s shareholders as a whole.

## INFORMATION ON PENTIUM WIN AND ITS SUBSIDIARIES

Pentium Win is an investment holding company established in the British Virgin Islands with limited liability. It has no business activity save for being indirectly interested in 58% of the registered capital of Kingsail upon completion of the transactions in the Sale and Purchase Agreement.

Kingsail is a limited liability company established in the PRC. In 2005, Kingsail commenced its business in the development and production of sports lottery machines, related operation software system and networks for the sports lottery industry in the PRC.

The audited net asset value of Kingsail as at 31 December 2005 and the audited net loss of Kingsail for the year ended 31 December 2005 were approximately RMB17,619,000 (equivalent to approximately HK\$17,274,000) and approximately RMB1,264,000 (equivalent to approximately HK\$1,239,000) respectively.

The Company's PRC counsel has confirmed that Kingsail is not, directly or indirectly, engaged in the operation of gambling activities.

The Company has been proactively identifying suitable investment opportunities to enhance the revenue base and profitability of the Group. The Directors are of the view that the proposed investment in Kingsail through Pentium Win will provide a valuable opportunity for the Group to diversify its business into the development and provision of machineries for the sports lottery market in the PRC ("**Sports Lottery**"). The Group has already participated in the provision of systems and machineries in welfare lottery games in the PRC, through the acquisition of 58% interest in Kingsail, the Group intends to participate in the provision of machineries in Sports Lottery as well, which is another main category of lottery games currently available in China. Apart from strengthening the Group's position in the lotteries industry, the Company is able to provide a more comprehensive and quality service to the lottery market in China.

At the request of the Company, trading of the the shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") was suspended from 9:30 a.m. on Wednesday, 9 August 2006 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading of the shares of the Company from 9:30 a.m. on Thursday, 10 August 2006.

On behalf of the Board  
**Chan How Chung, Victor**  
*Executive Director*

Hong Kong, 9 August 2006

*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.*

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