



# REXCAPITAL Financial Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 555)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

### FINANCIAL RESULTS

The board of directors (the “Board”) of REXCAPITAL Financial Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company, its subsidiaries and jointly controlled entities (together the “Group”) for the six months ended 30 June 2008 together with the unaudited comparative figures for the corresponding period in 2007 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	3	367,293	195,545
Other income		2,799	1,798
Fair value (loss)/gain on financial assets at fair value through profit or loss, net		(9,945)	1,929
Allowance for impairment losses for bad and doubtful debts written back, net		–	7,026
Raw material consumed		(106,886)	(78,166)
Cost of trading of listed securities		(14,195)	(21,734)
Commission expenses		(1,329)	(4,293)
Depreciation and amortisation expenses		(18,624)	(5,581)
Staff costs		(30,923)	(18,357)
Other operating expenses		(35,491)	(33,672)
Operating profit		152,699	44,495
Finance costs		(563)	(1,577)
Profit before taxation	4	152,136	42,918
Taxation	5	(4,644)	(6,365)
Profit for the period		147,492	36,553

		<b>Six months ended 30 June</b>	
		<b>2008</b>	2007
		<b>(Unaudited)</b>	(Unaudited)
<i>Notes</i>		<b>HK\$'000</b>	<b>HK\$'000</b>
Attributable to:			
	Equity holders of the Company	<b>134,718</b>	16,627
	Minority interests	<b>12,774</b>	19,926
		<u><b>147,492</b></u>	<u>36,553</u>
Dividend	6	<u>–</u>	<u>–</u>
Earnings per share			
	Basic	<u><b>1.88 cents</b></u>	<u>0.28 cent</u>
	Diluted	<u><b>1.87 cents</b></u>	<u>0.27 cent</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

		At 30 June 2008 (Unaudited) HK\$'000		At 31 December 2007 (Audited) HK\$'000
	<i>Notes</i>			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		153,630		89,445
Prepaid lease payments on land use rights		5,112		4,910
Goodwill		1,316,018		595,357
Intangible assets		101,072		95,638
Investment properties		962		49,034
Statutory deposits		2,178		2,178
Investment deposits		270,000		168,620
Deferred tax assets		1,628		2,111
		1,850,600		1,007,293
<b>Total non-current assets</b>				
<b>Current assets</b>				
Inventories		120,010		51,615
Trade and other receivables	8	827,509		824,554
Financial assets at fair value through profit or loss		10,266		30,072
Current tax refundable		3,009		2,698
Cash and bank balances	9	292,512		689,342
		1,253,306		1,598,281
<b>Total current assets</b>				
		3,103,906		2,605,574
<b>Total assets</b>				

		At 30 June 2008 (Unaudited) HK\$'000	At 31 December 2007 (Audited) HK\$'000
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	<i>11</i>	74,120	71,380
Reserves		<u>2,772,030</u>	<u>2,242,586</u>
		<b>2,846,150</b>	2,313,966
<b>Minority interests</b>		<u>72,770</u>	<u>127,437</u>
<b>Total equity</b>		<u><b>2,918,920</b></u>	<u>2,441,403</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings		12,836	12,675
Deferred tax liabilities		<u>18,461</u>	<u>17,408</u>
Total non-current liabilities		<u><b>31,297</b></u>	<u>30,083</u>
<b>Current liabilities</b>			
Trade and other payables	<i>10</i>	145,660	125,546
Bank borrowings		1,267	1,381
Current tax liabilities		<u>6,762</u>	<u>7,161</u>
Total current liabilities		<u><b>153,689</b></u>	<u>134,088</u>
<b>Total liabilities</b>		<u><b>184,986</b></u>	<u>164,171</u>
<b>Total equity and liabilities</b>		<u><b>3,103,906</b></u>	<u>2,605,574</u>
<b>Net current assets</b>		<u><b>1,099,617</b></u>	<u>1,464,193</u>
<b>Total assets less current liabilities</b>		<u><b>2,950,217</b></u>	<u>2,471,486</u>

Notes:

## 1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies adopted are consistent with those of the Group’s consolidated financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are relevant to its operations and are effective for accounting periods beginning on or after 1 January 2008. The adoption of the new HKFRSs has no significant effect on the Group’s accounting policies and amounts reported for the current and prior accounting periods in these condensed consolidated financial statements.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The directors of the Company (the “Directors”) anticipate that the application of these new standards or interpretations will have no material impact on the results and financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>3</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>3</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>4</sup>
HKAS 32 & 1, Amendments	Puttable Financial Instruments and Obligations Arising On Liquidation <sup>3</sup>
HKFRS 2 (Amendment)	Share-based Payment – Amendments Relating to Vesting Conditions and Cancellations <sup>3</sup>
HKFRS 3 (Revised)	Business Combinations <sup>4</sup>
HKFRS 8	Operating Segments <sup>3</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>1</sup>
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate <sup>3</sup>
HK(IFRIC)-Int 16	Hedge of a Net Investment in a Foreign Operation <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>2</sup> Effective for annual periods beginning on or after 1 October 2008

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2009

## 2. Business and geographical segments

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

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

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.

An analysis of the Group's unaudited turnover and segmental results for the period by principal activities are as follows:

### **Business segments**

*For the six months ended 30 June 2008*

	Lottery business		Financial services		Money lending		Investment trading and holding		Total	
	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Turnover	<u>336,509</u>	<u>158,820</u>	<u>6,428</u>	<u>14,174</u>	<u>14,163</u>	<u>2,379</u>	<u>10,193</u>	<u>20,172</u>	<u>367,293</u>	<u>195,545</u>
Segment results										
Profit/(loss)	<u>167,472</u>	<u>44,273</u>	<u>(10,631)</u>	<u>2,441</u>	<u>11,753</u>	<u>2,205</u>	<u>(13,947)</u>	<u>310</u>	<u>154,647</u>	<u>49,229</u>
Net unallocated expenses									<u>(2,511)</u>	<u>(6,311)</u>
Profit before taxation									<u>152,136</u>	<u>42,918</u>
Taxation									<u>(4,644)</u>	<u>(6,365)</u>
Profit for the period									<u><u>147,492</u></u>	<u><u>36,553</u></u>

### **Geographical segments**

For the six months ended 30 June 2008

The Group's business segments operate into two geographical areas.

	<b>Turnover</b>		<b>Segment results and profit/(loss) before taxation</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Hong Kong	<b>30,784</b>	36,725	<b>(15,336)</b>	(920)
PRC	<b>336,509</b>	158,820	<b>167,472</b>	43,838
	<b>367,293</b>	195,545	<b>152,136</b>	42,918

### **3. Turnover**

Turnover represents the aggregate of income from provision of lottery machines and related services, commission income and asset management fee income, interest income arising from securities margin financing and money lending and income from trading of listed securities.

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Income from provision of lottery machines and related services	<b>336,509</b>	158,820
Commission income and asset management fee income	<b>3,642</b>	9,409
Interest income from		
– Banks	<b>81</b>	632
– Margin clients	<b>2,705</b>	4,135
– Loan receivables	<b>14,163</b>	2,378
Income from trading of listed securities	<b>10,193</b>	20,171
	<b>367,293</b>	195,545

#### 4. Profit before taxation

The Group's profit before taxation is stated after charging the following:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation and amortisation on:		
– Property, plant and equipment	18,474	4,587
– Prepaid lease payments on land use rights	–	29
– Intangible assets	150	965
Operating lease rentals in respect of office premises and warehouse	<u>4,154</u>	<u>3,233</u>

#### 5. Taxation

No provision for Hong Kong profits tax is made as the Group has no estimated assessable profits for the six months ended 30 June 2008. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rate of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
– Hong Kong profits tax	–	–
– PRC income tax	<u>4,644</u>	<u>6,365</u>

#### 6. Dividend

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2008 (2007: Nil).



## 7. Earnings per share

The calculation of basic and diluted earnings per share for the six months ended 30 June 2008 are based on the profit attributable to equity holders of the Company of approximately HK\$134,718,000 (2007: approximately HK\$16,627,000).

- (a) The basic earnings per share is based on the weighted average number of approximately 7,156,571,000 (2007: approximately 5,957,845,000) ordinary shares in issue during the six months ended 30 June 2008.
- (b) The diluted earnings per share is based on approximately 7,187,187,000 (2007: approximately 6,062,322,000) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average number of approximately 30,616,000 (2007: approximately 104,477,000) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

## 8. Trade and other receivables

	At 30 June 2008 (Unaudited) HK\$'000	At 31 December 2007 (Audited) HK\$'000
Trade receivables:		
Margin client receivables, net	8,179	9,342
Other client receivables, net	2,273	1,510
Broker receivables	215	17,378
Loan receivables, net	325,912	283,219
Loan interest receivables, net	11,027	12,211
Other trade debtors	285,056	168,583
Other receivables, deposits and prepayments	194,847	332,311
	<u>827,509</u>	<u>824,554</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 of Hong Kong Limited with a market value of approximately HK\$36,565,000 as at 30 June 2008 (31 December 2007: approximately HK\$66,274,000). No aging analysis is disclosed for margin client receivables as, in the opinion of the Directors, the aging analysis does not give additional value in view of the nature of business of securities margin financing and broking.

The settlement terms of other client receivables and broker receivables are one to two days after the trade date. The age of these balances is within 30 days.

The aging analysis of loan receivables, loan interest receivables and other trade debtors as at 30 June 2008 is as follows:

	At 30 June 2008 (Unaudited) <i>HK\$'000</i>	At 31 December 2007 (Audited) <i>HK\$'000</i>
Three months or less	476,577	378,905
One year or less but over three months	145,418	85,108
	<u>621,995</u>	<u>464,013</u>

#### 9. Cash and bank balances

	At 30 June 2008 (Unaudited) <i>HK\$'000</i>	At 31 December 2007 (Audited) <i>HK\$'000</i>
Cash at banks		
– general accounts	260,992	656,290
– segregated accounts	30,920	31,539
Cash in hand	600	1,513
	<u>292,512</u>	<u>689,342</u>

## 10. Trade and other payables

	At 30 June 2008 (Unaudited) <i>HK\$'000</i>	At 31 December 2007 (Audited) <i>HK\$'000</i>
Trade payables:		
Margin client payables	3,923	4,365
Other client payables	26,303	44,879
Broker payables	1,079	–
Amount due to clearing houses	2,911	–
Other trade payables	77,695	54,804
Other payables and accruals	33,749	21,498
	<u>145,660</u>	<u>125,546</u>

Margin client payables and other client payables are repayable on demand and bear interest at prevailing market rates. No aging analysis is disclosed for margin client payables and other client payables as, in the opinion of the Directors, the aging analysis does not give additional value in view of the nature of business of securities margin financing and broking.

The settlement terms of broker payables and amount due to clearing houses are one or two days after the trade date. The age of these balances is within 30 days.

The aging analysis of the Group's other trade payables as at 30 June 2008 is as follows:

	At 30 June 2008 (Unaudited) <i>HK\$'000</i>	At 31 December 2007 (Audited) <i>HK\$'000</i>
Three months or less	69,207	42,509
One year or less but over three months	8,366	12,295
Over one year	122	–
	<u>77,695</u>	<u>54,804</u>

## 11. Share capital

### *Authorised:*

	<b>Ordinary shares of HK\$0.01 each</b>	
	<b>Number of shares</b>	<b>Amount</b>
	<i>'000</i>	<i>HK\$'000</i>
At 31 December 2007 and at 30 June 2008	20,000,000	200,000

### *Issued and fully paid:*

	<b>Ordinary shares of HK\$0.01 each</b>	
	<b>Number of shares</b>	<b>Amount</b>
	<i>'000</i>	<i>HK\$'000</i>
At 31 December 2007	7,138,000	71,380
Issuance upon exercise of share options	20,000	200
Issuance of consideration shares	254,000	2,540
At 30 June 2008	7,412,000	74,120

## 12. Comparative amount

Certain comparative amounts have been reclassified and restated to comply with the new and revised HKFRSs' requirements and to conform with the current period's presentation.

## 13. Contingent liabilities

The Group has no significant contingent liabilities as at 30 June 2008 (31 December 2007: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

For the period under review, the Group was principally engaged in lottery system and games design business, distribution and marketing of lottery products and the provision of financial services, including securities broking and margin financing, money lending and investment trading and holding.

### **Business Review And Prospects**

In early 2008, the worst snowstorms in 50 years had battered many parts of China, paralyzing densely populated central and eastern regions. When the economy was recovering from the chilling snowstorms, China was severely hit by the earthquakes in Wenchuan County, Sichuan Province in May, which caused the lives of more than 80,000 victims and direct economic losses of over RMB800 billion.

Despite the disasters came just a few months before the Olympics, China hosted a very successful and memorable Beijing Olympics Games in August. Olympics Scratch Cards was launched in March as part of the promotional campaign leading up to the Olympics. These new types of Olympics-themed sports lottery product were very popular amongst the public. First launched in Shandong Province in late March, the nationwide rollout in 30 provinces was completed by the end of May through different channels of Point-of-Sales (“POS”). Sales of Olympics Scratch Cards had reached more than RMB3 billion in the second quarter of 2008.

### ***Lottery Business***

Turnover of the lottery business for the period increased substantially by 1.12 times to HK\$336,509,000 (2007: HK\$158,820,000), accounting for 92% of the total turnover. Profit arising from this segment increased by 2.78 times to HK\$167,472,000 (2007: HK\$44,273,000).

During the period under review, the China’s Welfare Computer Ticket Games (“CTG”) was impacted by the snowstorms and the catastrophe in Sichuan Province. Ticket sales of Welfare CTG in China for the period only recorded a growth of 6% compared to that of last year. Moreover, the lack of new games also affected the sales performance.

On the contrary, Welfare Scratch Cards continued to excel during the period under review with sales covering 24 provinces/cities (17 provinces/cities for the first half of 2007).

In 2007, the total Welfare lottery sales in China amounted to approximately RMB63 billion. Scratch Cards, CTG and Video Lottery Terminals (“VLT”)/Keno accounted for 4%, 74% and 22% of the total lottery sales respectively.

For the period ended June 2008, China’s total Welfare lottery sales for CTG was RMB24.7 billion (2007: RMB23.3 billion), Scratch Cards was RMB4.1 billion (2007: RMB1.1 billion), and VLT/Keno was RMB2 billion (2007: RMB5 billion). Based on the current run rate, we expect that the relative contributions by the three Welfare lottery games categories in 2008 will be CTG at 80%, Scratch Cards at 16% and VLT/Keno plunged to 4%.

In 2007, the total Sports lottery sales for CTG in China amounted to RMB38.5 billion, accounting for 38% of the total lottery sales. The nationwide issue of Olympics Scratch Cards in March 2008 marked the first Sports Scratch Card programme in China. As a key distributor for Olympics Scratch Cards, the Group found that these new scratch card games were warmly received by the lottery public. Evidenced by the success of Olympics Scratch Cards, more new games will be launched subsequent to the Beijing Olympics Games. Among these, a series of new game themed “平安中國” (Peaceful China) with face value of RMB3 per ticket will be launched in October 2008.

Looking ahead, we are cautiously optimistic on the development of the Welfare CTG sales for the rest of 2008 as we cannot rule out the possibility of a slow-down in sales in the second half of 2008 given the lack of new games. On the Welfare Scratch Cards front, we continue to hold a very positive view on the development in the sales for the rest of 2008 and possibly into 2009. Furthermore, the Group is ready to contribute to the intending launch of the new scratch card games in support of the Sichuan disaster relief and rebuilding works.

In July 2008, a joint notice has been issued by the Ministry of Finance, the Ministry of Civil Affairs and the General Administration of Sports announcing the intended raising of funds through scratch card games and VLT from late 2008 to 31 December 2010 for the rehabilitation of Wenchuan County, Sichuan Province, China after the earthquakes. The total size of the lottery ticket sales to be launched has been estimated to be around RMB30-40 billion. The Group is proud to be able to contribute and support the intending launch as the sole provider of Welfare scratch card related system and equipment through its 50%-owned Beijing Guard Libang Technology Co Ltd (“Guard Libang”), which is the exclusive system and equipment supplier of Welfare Scratch Cards in China.

More recently, approvals have been granted by the authorities for the launching of nine series of new Welfare scratch card games on a nationwide basis in China with face values varying from RMB3, RMB5 and RMB10 per ticket. This represents a significant step forward for the Welfare Lottery industry in China, which up till now only has scratch card games at a face value of RMB2 per ticket. The approval of varying and higher face value scratch card games will, in our view, be greatly welcomed by the lottery public. We are optimistic that such series of games will appeal to an even broader spectrum of Chinese customers and the funds raised will contribute very positively to the disaster relief programme.

The Group will be actively involved in both the provision of systems and scratch card games and lottery distribution and marketing business through our distribution network and Guard Libang. The Group's scratch card business for Welfare Lottery is now operated in 30 provinces/cities in China. We expect our network to cover the entirety of China by the end of 2008.

Our strategic partnership with Scientific Games Corporation, the world renowned instant ticket system and games provider which holds 50% interest in Guard Libang, will be instrumental in enabling us to bring its expertise and technology know-how to the growing scratch card market in China.

Going forward, the Group intends to broaden its array of products for the system and games development business segment, especially in the scratch card area where, we believe, the majority of the growth lies. In the Welfare Lottery area, we are already involved in the provision of the system and games for the scratch card products, we intend to broaden our involvement by getting involved in other related areas like printing of such scratch cards.

In addition to the system and games supply business, the Group started its lottery distribution and marketing business with the first initiative focuses on the sales of the Sports Scratch Cards. Subsequent to the period under review, we intend to extend our distribution capabilities to cover both Welfare and Sports Lotteries and further open up our distribution channels to more game categories including CTG games.

The Group will commence the rollout of its POS in September 2008. With a core strategy to focus on channel sales development, the Group has already formed strategic alliance with post office, gas station and supermarket chains as our distribution channels in China. We expect that 15,000-20,000 POS will be set up throughout the country by the end of 2008. Our target is to cover all major channels with a total of more than 100,000 POS by 2010. In this regard, we target to achieve approximately a 35-40% share of the market.

The rollout of our POS will be funded by our internal resources. The Group has successfully strengthened its working capital base after the completion of a placement of shares exercise at the end of 2007. The net proceeds from the placement of approximately HK\$965.5 million were mainly used to finance the acquisition of the lottery business and the expansion of lottery distribution and marketing business in China.

With proceeds from the placement in 2007 and the on-going operating cashflow generated from our business and a practically ungeared balance sheet, the Group has sufficient working capital to complete the planned rollout to 2010 and we do not anticipate any needs to raise funds from either the equity or the debt market to complete the projects at hand.

### ***Financial Business***

In the first half of 2008, rising inflationary pressures on China including Hong Kong and the impact of a global economic slowdown on the China economy badly affected the performance of the local stock market. Average daily turnover of local stock market experienced tremendous drop of almost 50% from HK\$119,514 million in January to HK\$64,344 million in June. Turnover of the Group's financial services decreased by 54.7% to HK\$6,428,000 (2007: HK\$14,174,000) and recorded segment loss of HK\$10,631,000 (2007: profit of HK\$2,441,000). The loss was mainly due to decrease in turnover and high operating costs which were primarily resulted from higher staff cost.

Interest income from money lending business in the period increased by 4.95 times to HK\$14,163,000 (2007: HK\$2,379,000). In order to implement consistent control on risk, the Group will continue to adopt conservative financing policy on the loan lending.

During the period under review, the Group has adopted conservative strategy and has not been engaged in trading of high risk derivatives for its investment trading and holding business due to volatility in local stock market. Turnover of investment trading and holding business for the period decreased by 49.5% to HK\$10,193,000 (2007: HK\$20,172,000) and recorded segment loss of HK\$13,947,000 (2007: profit of HK\$310,000) which included the unrealized loss on securities amounting to HK\$9,945,000 (2007: gain of HK\$1,929,000).



It is widely expected that the global and local markets will continuously be affected by unstable economic environment in the second half of 2008 as a result of the uncertainties surrounding the global economy as well as the credit crunch and sub-prime problem in the United States. The recent crises faced by international financial institutions put further strains on the financial market. The management is cognizant of the impact of such adverse fluctuations. The Group will continue to take prudent and comprehensive measures to rationalise and maximise the use of resources with better cost controls in order to take on the challenges.

## **Financial Review**

### ***Financial Results***

For the six months ended 30 June 2008, the Group achieved an encouraging result. During the period, the Group recorded a turnover of HK\$367,293,000 (2007: HK\$195,545,000), representing an increase of 87.8% over the last year. The increase was mainly attributable by the increase in turnover from the lottery business.

The unaudited profit attributable to shareholders was HK\$134,718,000 (2007: HK\$16,627,000). The earnings per share was 1.88 cents (2007: 0.28 cent). Fully diluted earnings per share was 1.87 cents (2007: 0.27 cent).

### ***Liquidity, Financial Resources and Funding***

At 30 June 2008, the equity attributable to equity holders of the Company amounted to HK\$2,846 million, representing an increase of HK\$532 million or approximately 23% from those of 31 December 2007.

At 30 June 2008, the Group had cash reserves of approximately HK\$292,512,000 (31 December 2007: HK\$689,342,000), which included approximately HK\$30,920,000 (31 December 2007: HK\$31,539,000) of clients' funds that were kept in designated segregated bank accounts. Most of the cash reserves were placed with major banks in the PRC and Hong Kong.

The gearing ratio as at 30 June 2008 was 0.48% (31 December 2007: 0.58%). 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 815% (31 December 2007: 1,192%), reflecting adequacy of financial resources.

The Group had outstanding bank borrowings of approximately HK\$14,103,000 as at 30 June 2008 (31 December 2007: approximately HK\$14,056,000). The bank borrowings were denominated in Renminbi and interest bearing at prevailing commercial lending rates. It is expected that all these borrowings will be repaid by internal generated funds.

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 30 June 2008, the Group's land and building and investment property with value of approximately HK\$51,136,000 and HK\$962,000 respectively (31 December 2007: Nil and HK\$49,034,000 respectively) were pledged to banks to secure the bank borrowings granted to the Group. During the period, an investment property with value of approximately HK\$51,136,000 was transferred to plant, property and equipment.

### ***Share Capital***

During the period, the Company issued 254,000,000 new shares of HK\$0.01 each at a price of HK\$1.4173 per share pursuant to a conditional share sale and purchase agreement dated 31 December 2007. Details of the transaction are set out in the circular of the Company dated 5 June 2008.

20,000,000 new shares of HK\$0.01 each were issued and allotted during the period upon exercise of share options granted by the Company.

Save as the above, there was no change in the share capital structure of the Company during the period under review.

### ***Exposure to Fluctuation in Exchange Rate Risk and Interest Rate Risk***

The Group's assets, liabilities and transactions are mainly 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.

In terms of the interest rate risk exposures, the Group does not have any significant interest rate risk as both the borrowings of the Group and the interest rates currently remain at low levels.

### ***Material Acquisitions and Disposals of Subsidiaries***

On 13 April 2008, Huge Top Enterprises Inc. (“Huge Top”), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with 廣州市彩通信息技術有限公司 (translated as Guangzhou Caitong Information Technology Co. Ltd.), 深圳市華和光電信息有限公司 (translated as Shenzhen Huahe Guangdian Information Co. Ltd.), 姜立斌 (Jiang Libin) and 吳育雄 (Wu Yuxiong) under which Huge Top has agreed to acquire 90% of the registered capital in 廣州市樂得瑞科技有限公司 (translated as Guangzhou Latech Technology Co Ltd) (“Guangzhou Latech”) at the consideration of RMB80,600,000. Guangzhou Latech is involved in the development and production of sports lottery machines, related operation software system and networks (including the provision of incidental consultancy services) for the sports lottery industry in the PRC. Details of the acquisition are set out in the Company’s circular dated 14 May 2008. The Group has taken over management of Guangzhou Latech in May 2008 pursuant to the said share transfer agreement.

On 24 December 2007, Huge Top entered into a share purchase agreement with, among others, Giga Step Limited (“Giga Step”) under which Huge Top has agreed to acquire the entire issued share capital of Jertford Development Ltd (“Jertford”) and the shareholder’s loan due from Jertford to Giga Step. Jertford shall upon completion be indirectly interested in 26% of the registered capital of Shenzhen Kingsail Software Tech Co Ltd (“Kingsail”). The consideration payable for the acquisition is HK\$75,000,000 which was to be settled in cash. Details of the acquisition are set out in the Company’s announcement dated 28 December 2007. The transaction has been completed in April 2008. Upon completion of this acquisition, the Group, together with its then existing interests in Kingsail, holds 84% in the registered capital of Kingsail indirectly.

On 31 December 2007, Multi Glory Limited (“Multi Glory”), a wholly-owned subsidiary of the Company, entered into a share purchase agreement with, among others, Billion Invest Limited (“Billion Invest”) under which Multi Glory has agreed to acquire the entire issued share capital of Top Manage Group Limited (“Top Manage”) and the shareholder’s loan due from Top Manage to Billion Invest. Top Manage was indirectly interested in 20% of the registered capital of Shenzhen Sinodata Technology Co Ltd (“Sinodata”). The consideration payable for the acquisition is HK\$600,000,000, which was to be satisfied as to HK\$240,000,000 by payment in cash and as to HK\$360,000,000 by the issue of 254,000,000 ordinary shares by the Company to Billion Invest (or its nominee) at a price of approximately HK\$1.4173 per share. Details of the acquisition are set out in the Company’s circular dated 5 June 2008. The transaction has been completed in June 2008. Upon completion of this acquisition, the Group, together with its then existing interests in Sinodata, holds 84.75% in the registered capital of Sinodata indirectly.

### ***Human Resources***

At 30 June 2008, the Group had 685 employees.

The Group remunerated its employees 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 the individual’s performance.

The Group will continue to emphasise on staff training and total quality management to better prepare its staff members 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 six months ended 30 June 2008.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2008.

## **AUDIT COMMITTEE**

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2008.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, throughout the six months period, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, except that the Code Provision A.4.1 requires that non-executive directors should be appointed for a specific term, subject to re-election. Currently, the 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 Company's bye-laws.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The results announcement of the Group for the six months ended 30 June 2008 is published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://finance.thestandard.com.hk/en/0555rexcapital>) respectively. The 2008 interim report of the Company will be despatched to the shareholders and made available on the above websites on or before 30 September 2008.

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

Hong Kong, 22 September 2008

*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.*