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REXCAPITAL Financial Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 555)

MAJOR AND CONNECTED TRANSACTION

RESUMPTION OF TRADING

The Board is pleased to announce that on 31 December 2007, Multi Glory has entered into the Share Purchase Agreement with Billion Invest and Mr. Weng under which, Multi Glory has agreed to acquire from Billion Invest and Billion Invest has agreed to sell the Sale Share and assign the Shareholder's Loan to Multi Glory. Top Manage indirectly holds 20% of the registered capital of Sinodata.

Sinodata is a company engages in the development and production of proprietary lottery machines, related operating software system and networks (including the provision of incidental consultancy services) for welfare lottery industry in the PRC. As of the date of this announcement, the Company indirectly holds 64.75% of the registered capital of Sinodata.

The consideration payable by Multi Glory for the Acquisition is HK\$600,000,000, which is to be satisfied as to HK\$240,000,000 by payment in cash and as to HK\$360,000,000 by the issue of the Consideration Shares by the Company to Billion Invest (or its nominee) at a price of approximately HK\$1.4173 per Consideration Share.

Completion is conditional upon the fulfillment of certain conditions which include, among other things, the Listing Committee of the Stock Exchange granting listing of, and permission to deal, in the Consideration Shares and the approval of the transactions contemplated in the Share Purchase Agreement by the Shareholders at the Special General Meeting.

As Billion Invest and its beneficial owner are connected persons of the Company by virtue of Billion Invest, being a substantial shareholder of Sinodata, an indirect non-wholly owned subsidiary of the Company, the Acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules. Also, since the applicable percentage ratios of the Acquisition represents more than 25% but less than 100% for the Company, hence, the Acquisition constitutes a major transaction pursuant to Chapter 14 of the Listing Rules.

As such, the Share Purchase Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The Directors have appointed the Independent Board Committee to advise the Independent Shareholders in relation to the Acquisition. An independent financial adviser will also be appointed to advise the Independent Board Committee and Independent Shareholders in relation to the Acquisition.

A circular containing further information on the Share Purchase Agreement and a notice convening the Special General Meeting to approve the Acquisition and transactions contemplated thereunder as required under the Listing Rules will be issued by the Company and despatched to the Shareholders in due course.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 2 January 2008 pending the issue of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 10 January 2008.

SHARE PURCHASE AGREEMENT

On 31 December 2007, Multi Glory has entered into the Share Purchase Agreement with Billion Invest under which, Multi Glory has agreed to acquire from Billion Invest and Billion Invest has agreed to sell the Sale Share and assign the Shareholder's Loan to Multi Glory. As at the date of the Share Purchase Agreement, the amount of the Shareholder's Loan was approximately RMB13.15 million (equivalent to approximately HK\$13.99 million). Mr. Weng has also entered into the Share Purchase Agreement and agreed to guarantee the performance of the obligations of Billion Invest under the Share Purchase Agreement.

Parties

- (1) Multi Glory as the purchaser;
- (2) Billion Invest as the vendor; and
- (3) Mr. Weng as the guarantor.

Consideration

The consideration for the Acquisition is HK\$600 million. The consideration is payable in the following manner:

- (1) as to HK\$240 million (“Cash Consideration”), in cash; and
- (2) as to HK\$360 million, by the issue of 254,000,000 new Shares, at a price of approximately HK\$1.4173 per Share, to Billion Invest (or its nominee) (“Consideration Shares”).

Upon signing of the Share Purchase Agreement, Multi Glory has paid HK\$120 million (“Deposit”) in cash to Billion Invest. Upon Completion, HK\$120 million being the balance of the Cash Consideration, will be paid to Billion Invest and the Consideration Shares will be issued to Billion Invest (or its nominee) accordingly.

The Cash Consideration shall be financed by the Group’s internal resources.

The consideration for the Acquisition has been agreed by the parties after arm’s length negotiation. In arriving at the consideration, the Directors have considered factors including, (a) the prospects of Sinodata, taking into account, among other information, the position of Sinodata being one of the largest providers in the machine and system supply section to the welfare lottery business in the PRC and the business opportunities in the growing welfare lottery market in the PRC such as Sinodata’s intention to further expand its geographic coverage and increase its penetration in existing provinces in the PRC; (b) the price to earnings multiple (historical) of 53.9 which is based on the total consideration for the Acquisition of HK\$600 million and the audited profit after tax of Sinodata of RMB52.29 million for the year ended 31 December 2006; (c) encouraging performance of Sinodata in the past three years, during which there has been a sustainable high growth in the audited profit after tax of Sinodata from approximately RMB15.56 million (equivalent to approximately HK\$16.55 million) for the year ended 31 December 2004 to approximately RMB20.75 million (equivalent to approximately

HK\$22.07 million) for the year ended 31 December 2005, representing an annual growth rate of approximately 33%; and to RMB52.29 million (equivalent to approximately HK\$55.63 million) for the year ended 31 December 2006, representing an annual growth rate of approximately 152%; (d) for the six months period up to 30 June 2007, the unaudited profit after tax of Sinodata was approximately RMB33.41 million (equivalent to approximately HK\$35.54 million) which is approximately two-thirds of that for the year 2006; and (e) the principal amount of the Shareholder's Loan. The Board considers the consideration of the Acquisition is comparable to the considerations for the March 2006 Acquisition and the March 2007 Acquisition.

Conditions

Completion is conditional upon fulfillment or waiver by Multi Glory, as the case may be, of the following conditions:

- (1) the warranties remaining true and accurate and not misleading from the date of the Share Purchase Agreement to the Completion Date (both dates inclusive);
- (2) Billion Invest and Mr. Weng having complied fully with the obligations and having performed all of the covenants and agreements required to be performed by it under the Share Purchase Agreement from the date of the Share Purchase Agreement to the Completion Date (both dates inclusive);
- (3) all necessary consents required to be given by the third parties (including government or governmental regulatory authority) for the transactions contemplated under the Share Purchase Agreement having been granted and there is no government or governmental regulatory authority which has proposed or enacted any statute or regulation which would prohibit, restrict or materially delay the Acquisition or affect the operation of any member of the Top Manage Group after Completion;
- (4) Multi Glory having received a legal opinion by a firm of qualified lawyers in the PRC regarding Hao Ke and Sinodata, in such form and substance satisfactory to Multi Glory;
- (5) the approval of the transactions contemplated in the Share Purchase Agreement by the Shareholders at the Special General Meeting;
- (6) the Listing Committee of the Stock Exchange granting listing of, and permission to deal, in the Consideration Shares; and
- (7) Multi Glory having satisfied with the due diligence results in respect of the legal, financial and commercial aspects of Top Manage, Golden Million and Hao Ke.

Except for conditions (3), (5) and (6) above, Multi Glory may, at any time, in its absolute discretion, waive in writing any of the conditions set out in conditions (1), (2), (4) and (7) above (or any part thereof).

If any of the above conditions has not been fully fulfilled or waived by 31 May 2008 (or such later date as may be solely determined by Multi Glory and notify Billion Invest in writing), Multi Glory shall not be bound to proceed with the Acquisition and the Share Purchase Agreement shall cease to have any effect save in respect of claims arising out of any antecedent breach of the Share Purchase Agreement. The Deposit shall be returned to Multi Glory, together with the Interest within 2 Business Days after Multi Glory has notified to Billion Invest that it will not proceed with the Acquisition.

Completion

Completion shall take place on the third Business Day immediately following the day on which all of the above conditions are fulfilled or waived, or such later date as may be mutually agreed by the parties in writing.

CONSIDERATION SHARES

The Consideration Shares represent approximately 3.56% of the existing issued share capital of the Company and will represent about 3.44% of the enlarged issued share capital of the Company upon the issue and allotment of the Consideration Shares pursuant to the Share Purchase Agreement. The issue price of approximately HK\$1.4173 per Consideration Share represents:

- (1) a discount of approximately 4.88% to the closing price of HK\$1.49 per Share as quoted on the Stock Exchange on 31 December 2007, being the last trading day of the Shares on the Stock Exchange before the publication of this announcement;
- (2) a premium of approximately 7.37% to the average closing price of HK\$1.32 per Share for the last five consecutive trading days up to and including 31 December 2007; and
- (3) a premium of approximately 18.11% to the average closing price of HK\$1.2 per Share for the last ten consecutive trading days up to and including 31 December 2007.

Billion Invest has undertaken to Multi Glory that it shall not, inter alia, offer, pledge, charge, sell, contract to sell or otherwise transfer or dispose of, either directly or indirectly, (i) during the First Lock-Up Period, any of the Consideration Shares; (ii) during the Second Lock-Up Period, 174,000,000 Shares of the Consideration Shares; and (iii) during the Third Lock-Up Period, 94,000,000 Shares of the Consideration Shares.

The Consideration Shares will be issued pursuant to the Independent Shareholders' approval to be sought by the Company at the Special General Meeting.

The issue price of the Consideration Shares was determined after arm's length negotiations between Multi Glory and Billion Invest by adding a premium to the 5 days' average closing price of the Shares up to and including 31 December 2007. The Board considers that the terms of the Share Purchase Agreement, including the issue price of the Consideration Shares, are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

INFORMATION ON BILLION INVEST

Billion Invest

Billion Invest is an investment holding company beneficially owned by Mr. Weng. It has no business activity save for being beneficially interested in the entire issued share capital of Top Manage.

INFORMATION ON TOP MANAGE GROUP

Top Manage, Golden Million and Hao Ke

Top Manage is an investment holding company and has no business activity save for being beneficially interested in the entire issued share capital of Golden Million, which in turn is beneficially interested in the entire registered capital of Hao Ke. Hao Ke is directly interested in 20% of the registered capital of Sinodata. Each of Golden Million and Hao Ke has no business activities save for holding an investment interest in Sinodata.

Sinodata

Sinodata is a limited liability company established in the PRC in March 1998 with a registered capital of RMB35,560,000. The principal business of Sinodata is in the development and production of proprietary lottery machines, related operation software system and networks (including the provision of incidental consultancy services relating to the provision of software) for the welfare lottery industry in the PRC and the Company has obtained PRC legal advice that such business is regarded as legal in the PRC. Sinodata has obtained the business license in relation to the operation of its business. Apart from such license, the provision of such lottery machines, related operation software system and networks by Sinodata does not require the obtaining of any license or authorization from the relevant authority in the PRC.

The original purchase cost to Billion Invest for the purchase of the 20% registered capital of Sinodata was RMB450 million, which was incurred in April 2007.

Welfare lottery business in the PRC

The lottery market in the PRC can be broadly classified into 2 categories, welfare lottery and sports lottery. Welfare lottery commenced operation in 1987 which accounted for about 60% market share in the PRC lottery market in 2006. It provides an alternative revenue source for the welfare activities in the PRC.

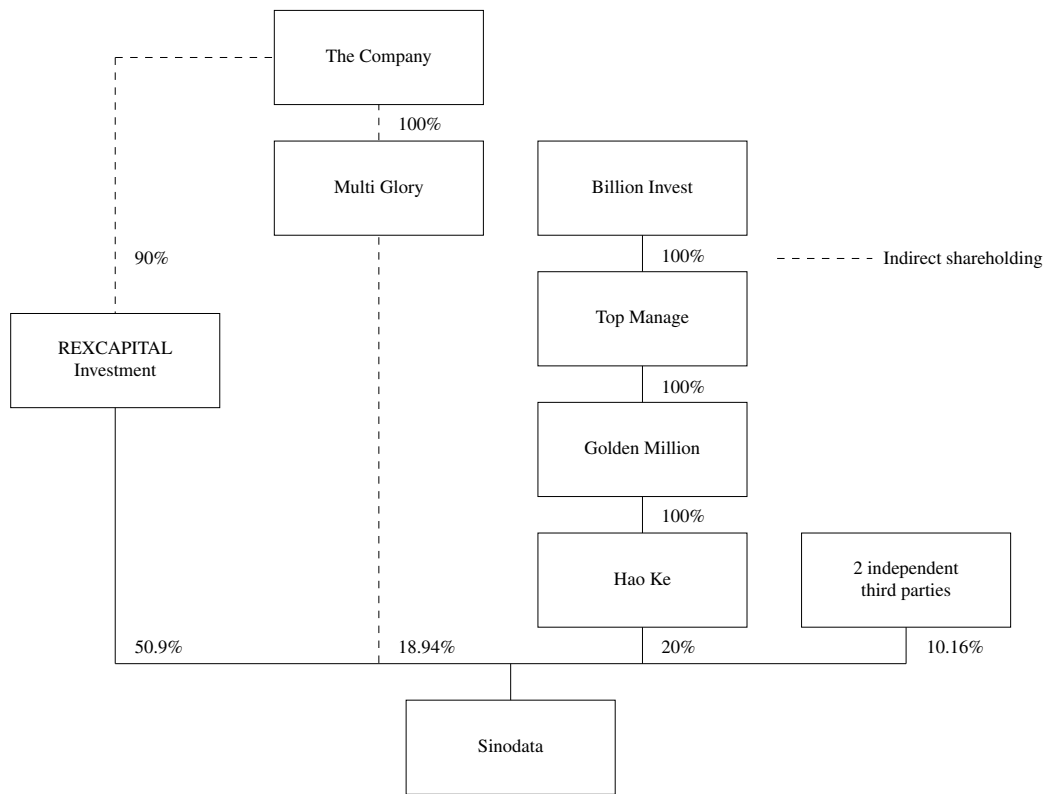
Recent Regulatory Development

The Company noted that there is recent news reporting new regulation in the PRC to prohibit the selling of lotteries through the Internet. As the principal business of the Group is in the provision of lottery related system, machines and services, which the Group's products and services are not used for selling of lotteries through the Internet, the Company confirms that the above will not have any material impact to the Group's business.

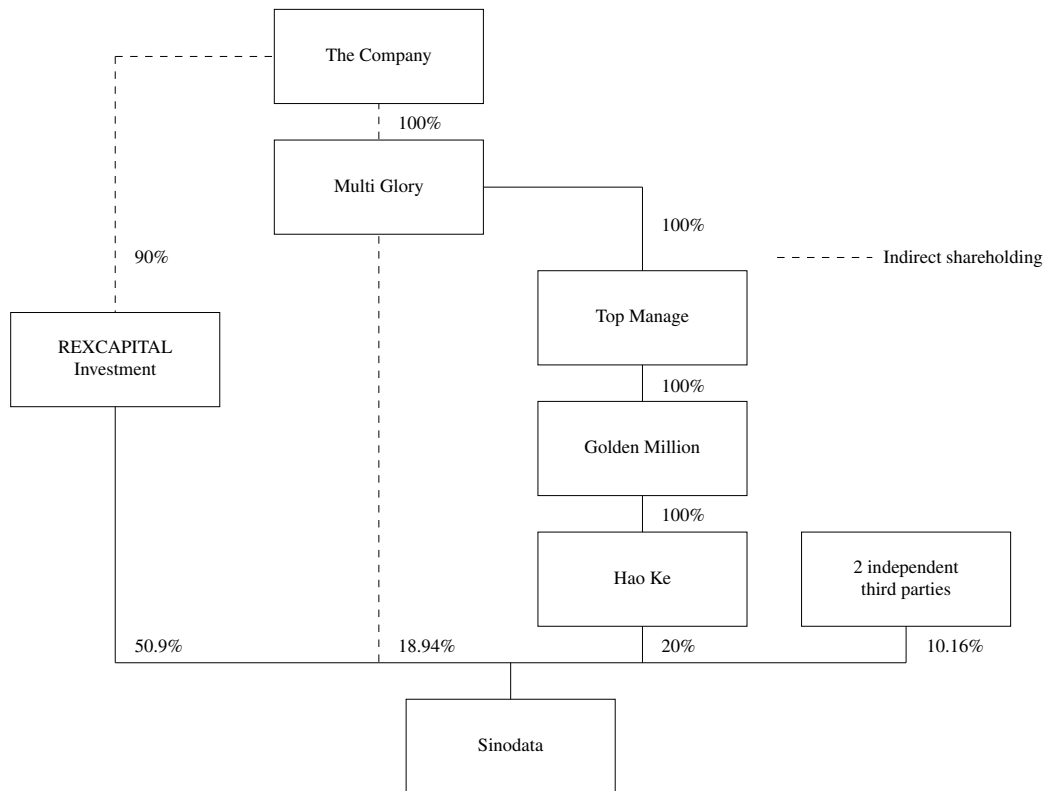
Shareholding Structure of Sinodata

As at the date of this announcement, the Company and Top Manage are indirectly interested in approximately 64.75% and 20% respectively of the registered capital of Sinodata. The remaining 15.25% of the registered capital of Sinodata are held by 2 independent third parties.

The shareholding structure of Sinodata as at the date of this announcement is as follows:



The shareholding structure of Sinodata as at Completion is as follows:



Upon Completion, Multi Glory will, legally and beneficially hold the entire issued share capital of Top Manage which will in turn, indirectly interest in 20% of the registered capital of Sinodata. In aggregate, the Company will be indirectly interested in approximately 84.75% of the registered capital of Sinodata upon Completion.

The audited consolidated total asset value of Sinodata as at 31 December 2006 and 31 December 2005 was approximately RMB231.53 million (equivalent to approximately HK\$246.31 million) and RMB132.49 million (equivalent to approximately HK\$140.95 million) respectively. The unaudited consolidated total asset value of Sinodata as at 30 June 2007 was approximately RMB281.61 million (equivalent to approximately HK\$299.59 million).

The audited consolidated net asset value of Sinodata as at 31 December 2006 and 31 December 2005 was approximately RMB183.27 million (equivalent to approximately HK\$194.97 million) and RMB120.67 million (equivalent to approximately HK\$128.37 million) respectively. The unaudited consolidated net asset value of Sinodata as at 30 June 2007 was approximately RMB217.47 million (equivalent to approximately HK\$231.35 million).

The audited consolidated net profits of Sinodata before and after taxation for the year ended 31 December 2006 was approximately RMB62.19 million (equivalent to approximately HK\$66.16 million) and RMB52.29 million (equivalent to approximately HK\$55.63 million) respectively. The audited consolidated net profits of Sinodata before and after taxation for the year ended 31 December 2005 was approximately RMB21.4 million (equivalent to approximately HK\$22.77 million) and RMB20.75 million (equivalent to approximately HK\$22.07 million) respectively. The unaudited consolidated net profits of Sinodata before and after taxation for the six months ended 30 June 2007 was approximately RMB38.77 million (equivalent to approximately HK\$41.24 million) and RMB33.41 million (equivalent to approximately HK\$35.54 million) respectively.

The above financial information in relation to Sinodata as disclosed above was prepared in accordance with the Hong Kong Financial Reporting Standards.

Financial information of Sinodata, being an indirect non-wholly owned subsidiary of the Company, has been consolidated to the Group's accounts prior to Completion and it will continue to be consolidated to the Group's accounts after Completion.

EFFECTS ON SHAREHOLDING STRUCTURE AFTER ISSUANCE OF THE CONSIDERATION SHARES

	As at the date of this announcement		Immediately after the issue and allotment of the Consideration Shares	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Billion Invest (or its nominee) <i>(Note 1)</i>	0	0	254,000,000	3.44
Kingly Profits Corporation <i>(Note 2)</i>	1,198,805,635	16.79	1,198,805,635	16.22
Public	5,939,194,365	83.21	5,939,194,365	80.34
Total	<u>7,138,000,000</u>	<u>100.00</u>	<u>7,392,000,000</u>	<u>100.00</u>

Notes:

- (1) Billion Invest will cease to be the Company's connected person after Completion.
- (2) Kingly Profits Corporation is indirectly wholly owned by Mr. Chan How Chung, Victor, an executive Director.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the provision of lottery related system, machines and services and has established a strong presence in the lottery industry for the production of the lottery machines, related operation software system and networks in the PRC.

The Group has been proactively identifying suitable investment and business opportunities to enhance the Group's revenue base and profitability. After the completion of the March 2006 Acquisition and the March 2007 Acquisition, the Company became indirectly interested in 64.75% of the registered capital of Sinodata. The Acquisition will provide an exciting opportunity for the Group to further extend its participation in Sinodata. The revenue generated by welfare lottery in the PRC has increased from RMB49 billion in 2006 to approximately RMB60 billion up to mid December 2007. The Directors are optimistic about the growth of the welfare lottery going forward. The Directors also believe that the Acquisition provides a good opportunity for the Group to further increase its control in Sinodata, thus would benefit the setting of overall strategic and development plan of the Group's business.

Having considered the basis of determining the consideration for the Acquisition as mentioned above, the Directors believe that the terms of Share Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As Billion Invest and its beneficial owner are connected persons of the Company by virtue of Billion Invest being a substantial shareholder of Sinodata, an indirect non-wholly owned subsidiary of the Company, the Acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules.

Also, since the applicable percentage ratios in respect of the Acquisition represents more than 25% but less than 100% for the Company, the Acquisition constitutes a major transaction pursuant to the Listing Rules. Therefore, the Share Purchase Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. The Company will convene the Special General Meeting for the Independent Shareholders to consider and, if thought fit, to approve the Share Purchase Agreement and the transactions contemplated thereunder. As at the date of this announcement, Billion Invest and/or its beneficial owner do/does not beneficially own any Shares in the Company. As such, none of the existing Shareholders will abstain from voting for the resolutions approving the Share Purchase Agreement and the transactions contemplated thereunder.

The Directors have appointed the Independent Board Committee, comprising three independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the Acquisition. An independent financial adviser will also be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition.

A circular containing further details of the Acquisition, together with the notice of the Special General Meeting, will be issued by the Company and despatched to its Shareholders in due course. Pursuant to Rules 14.38 and 14A.49 of the Listing Rules, the Company is required to despatch such circular within 21 days from the publication of this announcement.

At the request of the Company, trading in the Shares of the Company on the Stock Exchange was suspended with effect from 9:30 a.m. on 2 January 2008 pending the issue of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares of the Company with effect from 9:30 a.m. on 10 January 2008.

DEFINITIONS

In the announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“Acquisition”	the proposed acquisition of the entire issued share capital of Top Manage by Multi Glory from Billion Invest and the assignment of the Shareholder’s Loan from Billion Invest to Multi Glory pursuant to the Share Purchase Agreement;
“Billion Invest”	Billion Invest Limited, a company incorporated in the British Virgin Islands and is the beneficial shareholder of the entire issued share capital of Top Manage;
“Board”	the board of Directors;
“Business Day”	a day which banks in Hong Kong are open for business (excluding Saturday and Sunday);
“connected person”	has the meaning ascribed to it in the Listing Rules;
“Cash Consideration”	HK\$240 million;
“Company”	REXCAPITAL Financial Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange;
“Completion”	completion of the Acquisition;
“Completion Date”	the date of Completion;

“Consideration Shares”	254,000,000 new Shares to be issued, at a price of approximately HK\$1.4173 per Share, to Billion Invest (or its nominee) for settlement of the consideration of HK\$360,000,000 payable by Multi Glory under the Share Purchase Agreement;
“Deposit”	HK\$120 million;
“Director(s)”	director(s) of the Company;
“First Lock-Up Period”	the period commencing from the Completion Date to a date falling 6 months after the Completion Date (both dates inclusive);
“Golden Million”	Golden Million Limited (廣民有限公司), a company incorporated in Hong Kong, the entire issued share capital of which is beneficially owned by Top Manage;
“Group”	the Company and its subsidiaries;
“Hao Ke”	好客投資管理諮詢(深圳)有限公司, a wholly-owned foreign enterprise established in the PRC and Golden Million is beneficially interested in its entire registered capital;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“independent third party(ies)”	person(s) or company(ies) together with its/their beneficial owner(s) who or which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, is/are not connected person to the Company;
“Independent Board Committee”	an independent committee of the Board appointed to advise the Independent Shareholders in respect of the Acquisition;

“Independent Shareholders”	Shareholders other than those who have interest in the Acquisition;
“Interest”	the amount on such deposit (or part thereof) calculated from the date of the Share Purchase Agreement until actual payment in full of the same (both dates inclusive) at the rate of 7% per annum;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“March 2006 Acquisition”	the acquisition of the entire issued share capital of Multi Glory Limited by the Company at a consideration of HK\$227,880,000, which after completion, the Company was and is indirectly interested in approximately 45.81% in the registered capital of Sinodata. Details of such transaction are set out in the announcement of the Company dated 23 March 2006 and the circular of the Company dated 12 June 2006;
“March 2007 Acquisition”	the acquisition of the entire issued share capital of Global Union Group Limited and Huge Rich Enterprises Limited by the Company at an aggregate consideration of HK\$235,250,000, which after completion, the Company was and is indirectly interested in approximately 64.75% in the registered capital of Sinodata. The relevant percentage ratios in respect of this transaction, when aggregated with the March 2006 Acquisition, represented more than 100%, thus the transaction constituted a very substantial acquisition pursuant to the Listing Rules. Details of such transaction are set out in the announcement of the Company dated 21 March 2007 and the circular of the Company dated 29 June 2007;
“Mr. Weng”	Mr. Weng Pengfei (翁鵬飛), a PRC citizen, the guarantor of the Share Purchase Agreement;

“Multi Glory”	Multi Glory Limited, a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company;
“PRC”	the People’s Republic of China;
“REXCAPITAL Investment”	御泰投資管理（南通）有限公司 (REXCAPITAL Investment Management (Nantong) Limited), a company established in the PRC and an indirect non-wholly owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Share”	1 share of US\$1.00 in the share capital of Top Manage, representing the entire issued share capital of Top Manage;
“Second Lock-Up Period”	the period between the date immediately following the last day of the First Lock-Up Period and the date falling 9 months after the Completion Date (both dates inclusive);
“Share Purchase Agreement”	the conditional share sale and purchase agreement dated 31 December 2007 entered into between, inter alia, Multi Glory and Billion Invest in relation to the Acquisition;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder’s Loan”	all shareholder’s loan due by Top Manage to Billion Invest;
“Shareholders”	shareholders of the Company;
“Sinodata”	深圳市思樂數據技術有限公司 (Shenzhen Sinodata Technology Co., Ltd.), a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company;

“Special General Meeting”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the transactions contemplated under the Share Purchase Agreement, including but not limited to the issuance of the Consideration Shares, and any adjournment thereof;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules;
“Third Lock-Up Period”	the period between the date immediately following the last day of the Second Lock-Up Period and the date falling 12 months after the Completion Date (both dates inclusive);
“Top Manage”	Top Manage Group Limited, a company incorporated in the British Virgin Islands, which is beneficially wholly owned by Billion Invest and is the beneficial shareholder of the entire issued share capital of Golden Million;
“Top Manage Group”	Top Manage, Golden Million, Hao Ke and Sinodata;
“US\$”	US dollars, the lawful currency of the United States of America; and
“%”	per cent.

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.

In this announcement, except as otherwise indicate, RMB has been translated into HK\$ at the rate of RMB0.94 = HK\$1.00 for reference purpose only.

Hong Kong, 9 January 2008