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## **REXCAPITAL Financial Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 555)**

### **CONNECTED TRANSACTION**

The Board is pleased to announce that on 24 December 2007, Huge Top has entered into the Share Purchase Agreement with Giga Step and Mr. Qiu under which, Huge Top has agreed to acquire from Giga Step and Giga Step has agreed to sell the Sale Share and assign the Shareholder's Loan to Huge Top. Upon completion of the acquisition pursuant to the Equity Transfer Contract, Giga Step will be indirectly interested in 26% of the registered capital of Kingsail.

Kingsail is a company involved in the development and production of sports lottery machines, related operating software system and networks for sports lottery industry in the PRC.

The consideration payable by Huge Top for the Acquisition is HK\$75,000,000, which will be paid in cash and will be funded by the Group's internal resources.

As Giga Step and its beneficial owner are connected persons of the Company by virtue of their current shareholding in Kingsail, an indirect non-wholly owned subsidiary of the Company, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios in respect of the Acquisition and the 2006 Acquisition, if aggregated under Rule 14.22 of the Listing Rules, represents more than 0.1% but less than 2.5%, the Acquisition is subject to the reporting and announcement requirements only under Chapter 14A of the Listing Rules.

## **SHARE PURCHASE AGREEMENT**

On 24 December 2007, Huge Top has entered into the Share Purchase Agreement with Giga Step under which, Huge Top has agreed to acquire from Giga Step and Giga Step has agreed to sell the Sale Share and assign the Shareholder's Loan to Huge Top. As at the date of the Share Purchase Agreement, the amount outstanding under the Shareholder's Loan was approximately RMB5.2 million (equivalent to approximately HK\$5.5 million). Mr. Qiu has also entered into the Share Purchase Agreement and agreed to guarantee the performance of the obligations of Giga Step under the Share Purchase Agreement.

### **Parties**

- (1) Huge Top as the purchaser;
- (2) Giga Step as the vendor; and
- (3) Mr. Qiu as the guarantor.

### **Consideration**

The consideration for the Acquisition is HK\$75,000,000, payable in cash and will be funded by the internal resources of the Group.

Upon signing of the Share Purchase Agreement, Huge Top will pay HK\$40,000,000 in cash to Giga Step as deposit. Upon Completion, HK\$35,000,000, being the balance of the consideration of the Acquisition, will be paid to Giga Step.

The consideration for the Acquisition has been agreed by the parties after arm's length negotiation by reference to the factors including the prospect of Kingsail in the sports lottery industry in the PRC. Kingsail is one of the approved vendors for the development and production of sports lottery machine by 國家體育總局體育彩票管理中心 (China Sports Lottery Administration Centre). Kingsail commenced its business in the development and production of sports lottery machines in 2005 and it has established business in 4 provinces as compared to 2 provinces at the end of 2006, when the Company completed the 2006 Acquisition. Kingsail has recorded loss for the years 2005 and 2006 but it has recorded profit for the 7 months ended 31 July 2007. It is intended that Kingsail will expand its existing business to more provinces and cities in the PRC. In addition, Kingsail has also started to participate in the development and design of new games and software for the sports lottery in the PRC.

## Conditions

Completion of the Acquisition is conditional upon fulfillment or waiver by Huge Top, 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) Giga Step and Mr. Qiu having complied fully with the obligations and having performed all of the covenants and agreements required to be performed by each of them 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 third parties (including government or governmental regulatory authority) to Giga Step 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 Giga Step Group after Completion;
- (4) Huge Top having received a legal opinion by a firm of qualified lawyers in the PRC regarding WFOE and Kingsail, in such form and substance satisfactory to Huge Top;
- (5) Huge Top having satisfied with the due diligence results in respect of the legal, financial and commercial aspects of Jertford, Joson and WFOE; and
- (6) WFOE is duly established and completion of the acquisition pursuant to the Equity Transfer Contract whereby WFOE will be directly interested in 26% of the registered capital of Kingsail.

Except for condition (3) above, Huge Top may, at any time, in its absolute discretion, waive in writing any of the other conditions (or any part thereof).

If any of the above conditions has not been fully fulfilled or satisfied or complied with or waived by 31 March 2008 (or such later date as may be solely determined by Huge Top and notify Giga Step in writing), Huge Top 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 paid to Giga Step shall be returned to Huge Top, together with the Interest within 2 business days after Huge Top has notified Giga Step 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 satisfied or waived, or such later date as may be mutually agreed by the parties in writing.

The Directors (including the independent non-executive directors) believe that the terms of the Share Purchase Agreement and the transactions thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **INFORMATION ON GIGA STEP GROUP**

### **Giga Step**

Giga Step is an investment holding company beneficially owned by Mr. Qiu. It has no business activity save for being beneficially interested in the entire issued share capital of Jertford. Giga Step has entered into the Equity Transfer Contract with Beijing De Bang Fu for the acquisition of the 26% interest in the registered capital of Kingsail. The Directors confirm that, to the best of their knowledge, Beijing De Bang Fu and Mr. Qiu has no relationship save for the entering into the Equity Transfer Contract. Upon completion of the acquisition under the Equity Transfer Contract, Giga Step will, through Jertford, Joson and WFOE, be indirectly interested in 26% of the registered capital of Kingsail.

### **Jertford**

Jertford is an investment holding company and has no business activity save for being beneficially interested in the entire issued share capital of Joson.

## **Joson**

Joson is an investment holding company and has no business activity save for being beneficially interested in the entire registered capital of WFOE.

## **WFOE**

WFOE has no business activity save for being beneficially interested in 26% of the registered capital of Kingsail.

## **Kingsail**

Kingsail is a limited liability company established in the PRC in April 2003 with a registered capital of RMB20,000,000. The principal business of Kingsail is in the development and production of sports lottery machines, related operation software system and networks for the sports lottery industry in the PRC.

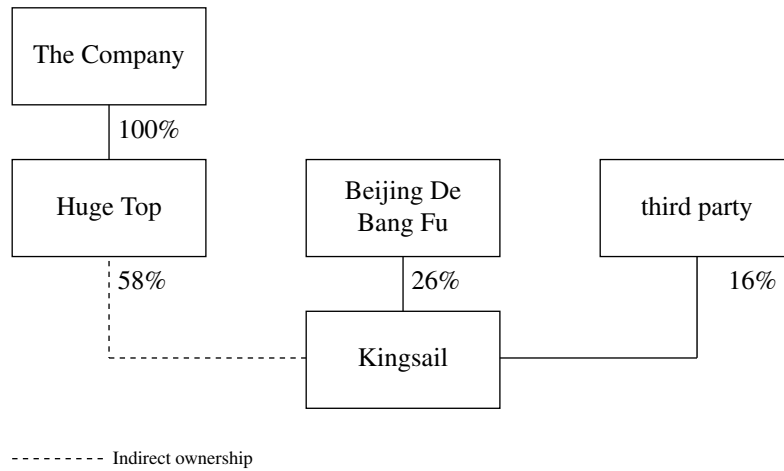
The audited net asset value of Kingsail as at 31 December 2006 and 31 December 2005 were approximately RMB13.8 million (equivalent to approximately HK\$14.6 million) and RMB17.6 million (equivalent to approximately HK\$18.7 million) respectively. The unaudited net asset value of Kingsail as at 31 July 2007 was approximately RMB15 million (equivalent to approximately HK\$15.9 million). The audited net loss of Kingsail for the year ended 31 December 2006 and 31 December 2005 were approximately RMB3.8 million (equivalent to approximately HK\$4 million) and approximately RMB1.3 million (equivalent to approximately HK\$1.4 million) respectively. The unaudited net profit of Kingsail as at 31 July 2007 was approximately RMB0.96 million (equivalent to approximately HK\$1.02 million). These financial information as disclosed was prepared in accordance with PRC GAAP.

Upon completion of the 2006 Acquisition, Kingsail has become a subsidiary of the Company and the financial information of Kingsail has been consolidated to the Group's account and it will continue to be consolidated to the Group's account after the Completion.

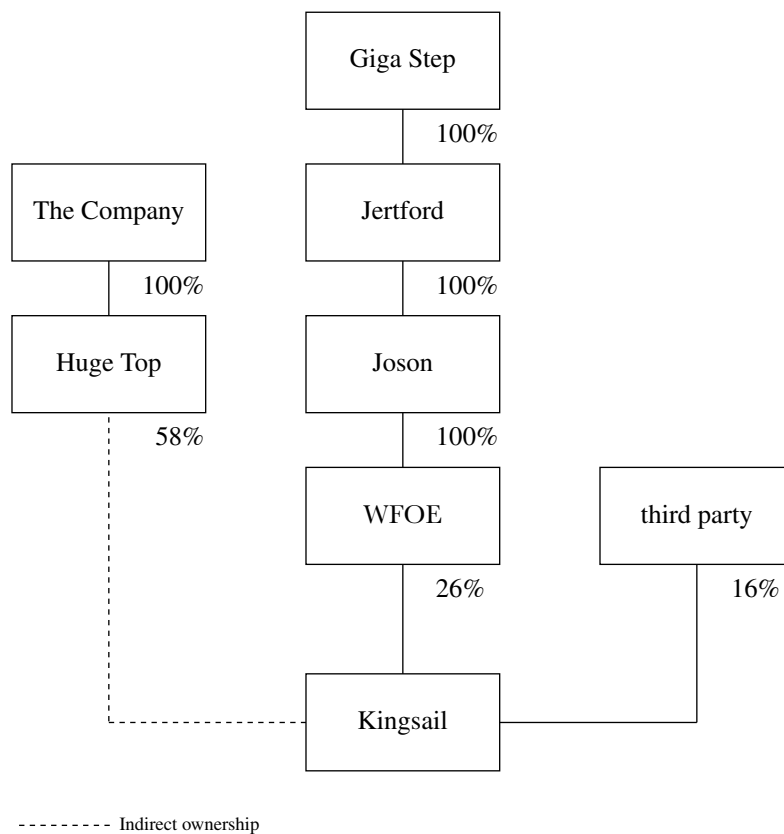
## **Shareholding Structure of Kingsail**

As at the date of this announcement, the Company and Beijing De Bang Fu are interested in approximately 58% and 26% respectively of the registered capital of Kingsail. The remaining 16% of the registered capital of Kingsail is held by a third party.

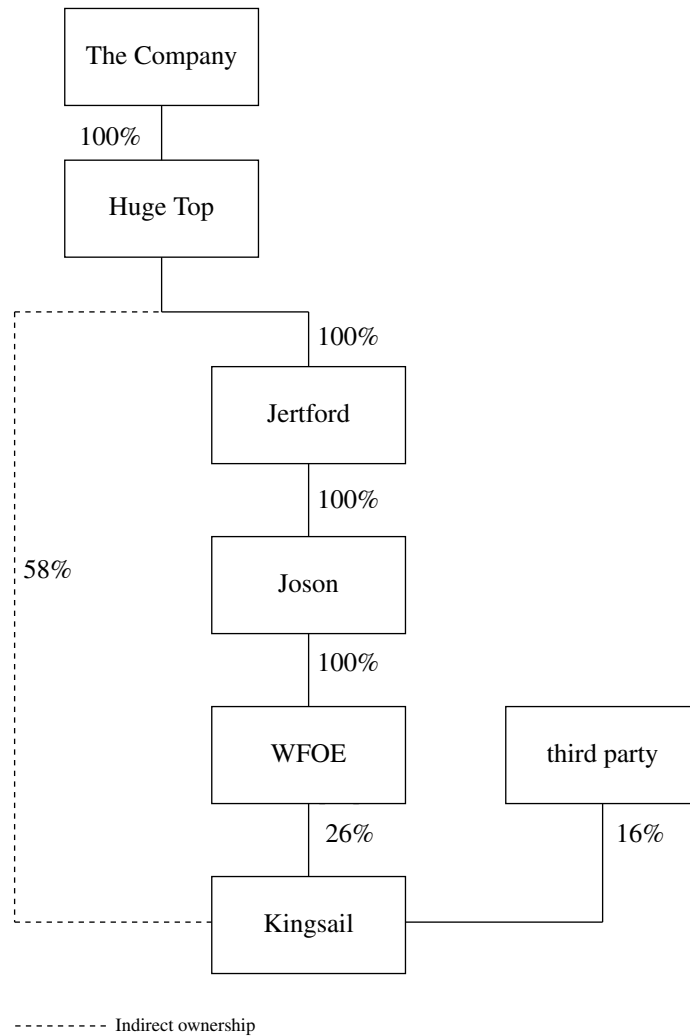
The shareholding structure of Kingsail as at the date of this announcement is as follows:



The shareholding structure of Kingsail upon completion of the acquisition of the Equity Transfer Contract is as follows:



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



Upon Completion, Huge Top will, legally and beneficially hold the entire issued share capital of Jertford, which will in turn, indirectly interest in 26% of the registered capital of Kingsail. In aggregate, the Company will indirectly interest approximately 84% of the registered capital of Kingsail upon Completion.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in lottery system and games design business 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, while its participation in the production of the sports lottery machines, related operation software system and networks is through Kingsail.

The Group 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 further investment in Kingsail through Jertford will provide a valuable opportunity for the Group to further develop its business in the provision of machineries for the sports lottery market in the PRC. Kingsail is one of the licensed providers to the sports lottery computer ticket games (“CTG”) in the PRC among the few licensed providers. It has established business in 4 provinces/cities in the PRC as compared to 2 provinces/cities at the end of 2006. The Group has already had a 58% interest in Kingsail. As set out in the 2006 Annual Report of the Company, the Group will continue its efforts to increase our participations in the sports lottery CTG market. Through the further acquisition of 26% interest in Kingsail, the Group intends to further expand its business in the provision of machineries in sports lottery in the PRC, which is another main category of lottery games currently available in the PRC. In addition, apart from strengthening the Group’s position in the lottery industry as mentioned above, the Group is able to provide more comprehensive and quality services to such lottery industry in the PRC.

The sales in sports lottery in the PRC has recorded a substantial increase from approximately RMB1 billion in 1995 to approximately RMB32.3 billion in 2006. The Directors are optimistic about the growth of the sports lottery going forward, especially part of the operating funds for the Beijing Olympic Games will be financed out of the sales from sports lottery. The Directors believe that the Acquisition provides a good opportunity for the Group to increase its control in Kingsail when it starts to record positive results. The Acquisition will also benefit the setting of overall strategic and development plan of the Group’s lottery business.



## LISTING RULES IMPLICATIONS

As Giga Step and its beneficial owner are connected persons of the Company by virtue of their indirect shareholding in Kingsail, an indirect non-wholly owned subsidiary of the Company, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios in respect of the Acquisition and the 2006 Acquisition, if aggregated under Rule 14.22 of the Listing Rules, represents less than 2.5%, the Acquisition is subject to the reporting and announcement requirements only under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“2006 Acquisition”	the acquisition of the entire issued share capital of Pentium Win Limited by the Company, which after its completion, the Company was and is indirectly interested in 58% of the registered capital of Kingsail. Details of such transaction are set out in the announcement of the Company dated 9 August 2006;
“Acquisition”	the acquisition of the entire issued share capital of Jertford by Huge Top from Giga Step and the assignment of the Shareholder’s Loan from Giga Step to Huge Top pursuant to the Share Purchase Agreement;
“Beijing De Bang Fu”	北京德邦富技術有限公司 (Beijing De Bang Fu Technology Co. Ltd), a limited liability company established in the PRC and interested in 26% of the registered capital of Kingsail;
“Board”	the board of Directors;
“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 Acquisition;
“Completion Date”	the date of the Completion;
“connected person”	has the meaning ascribed to it in the Listing Rules;
“Director(s)”	director(s) including independent non-executive director(s) of the Company;
“Equity Transfer Contract”	the agreement entered into between Beijing De Bang Fu as vendor and Giga Step as purchaser on 10 December 2007 in relation to the acquisition of 26% of the registered capital of Kingsail at a consideration of RMB58 million;
“Giga Step Group”	Giga Step, Jertford, Joson and WFOE;
“Giga Step”	Giga Step Limited, a company incorporated in the British Virgin Islands and is the beneficial shareholder of the entire issued share capital of Jertford;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Huge Top”	Huge Top Enterprises Inc, a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company;
“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;

“Jertford”	Jertford Development Ltd, a company incorporated in the British Virgin Islands, the entire share capital of which is beneficially owned by Giga Step;
“Joson”	Joson Limited, a company incorporated in Hong Kong, the entire share capital of which is beneficially owned by Jertford;
“Kingsail”	深圳市金帆軟件技術有限公司 (Shenzhen Kingsail Software Tech. Co., Ltd.), a limited liability company established in the PRC and an indirectly non-wholly owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Qiu”	Mr. Qiu Zhiping (邱志平), a PRC citizen, the guarantor of the Share Purchase Agreement;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Share”	1 share of US\$1.00 in the share capital of Jertford, representing the entire issued share capital of Jertford;
“Share Purchase Agreement”	the conditional share sale and purchase agreement dated 24 December 2007 entered into between, inter alia, Huge Top and Giga Step in relation to the Acquisition;
“Shareholder’s Loan”	all shareholder’s loan due by Jertford to Giga Step;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“US\$”	United States dollars, the lawful currency of the United States of America;
“WFOE”	A wholly-owned foreign enterprise to be established in the PRC by Joson, which will be directly interested in 26% of the registered capital of Kingsail upon completion of the acquisition pursuant to the Equity Transfer Contract; and
“%”	per cent.

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

Hong Kong, 28 December 2007

*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 RMB0.94305 = HK\$1.00 for reference purpose only.*