

---

## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

**If you are in any doubt** about any of the contents of this circular or as to what action to take in relation to this circular, you should consult appropriate independent advisers to obtain independent professional advice.

**If you have sold or transferred** all your shares in REXCAPITAL Financial Holdings Limited (the “Company”), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



## **REXCAPITAL Financial Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 555)**

### **CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION**

**Independent Financial Adviser  
to the Independent Board Committee and the Independent Shareholders**

**VEDA | CAPITAL**  
**智略資本**

---

A letter from the board of the directors of the Company is set out on pages 7 to 26 of this circular.

A notice dated 15 August 2007 convening the special general meeting of the Company (the “SGM”) to be held at 34/F., COSCO Tower, Grand Millennium Plaza, 183 Queen’s Road Central, Hong Kong, at 10:00 a.m. on Friday, 7 September 2007 is set out at the end of this circular. Whether or not you are able to attend the SGM, you are requested to complete and sign the enclosed form of proxy, in accordance with the instructions printed thereon, and to lodge them with the branch share registrar of the Company in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, as soon as possible but in an event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

15 August 2007

---

## CONTENTS

---

	<i>Pages</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b>	
Introduction .....	7
Gentleigh Share Transfer Contract .....	9
Happy Sun Sale and Purchase Agreement .....	14
Information on Genius Nation .....	20
Information on the Happy Sun Group .....	20
Information on Cityhorizon .....	21
Information on Scientific Games Luxembourg and Scientific Games .....	21
Information on the Gentleigh Group .....	22
Listing Rules Implications .....	23
Financial Information in relation to Guard Libang .....	23
Reasons for and Benefits of the Gentleigh Acquisition and the Happy Sun Disposal .....	24
SGM .....	25
Procedures by which Shareholders may Demand a poll at the SGM .....	25
Recommendations .....	26
Additional Information .....	26
<b>Letter from the Independent Board Committee</b> .....	27
<b>Letter from Veda Capital</b> .....	29
<b>Appendix – General Information</b> .....	42
<b>Notice of SGM</b> .....	48

---

## DEFINITIONS

---

*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“70% GLB Acquisition”	the acquisition of 70% indirect interest in the registered capital of Guard Libang by Genius Nation in 2006, details of which are disclosed in the announcements of the Company dated 31 July 2006 and 21 November 2006 respectively
“Board”	the board of Directors
“business day”	a day (other than a Saturday or Sunday) on which banks are open for business in both Hong Kong and the PRC
“Cityhorizon”	Cityhorizon International Limited, a company incorporated in the British Virgin Islands
“Cityhorizon Guarantors”	Xiong Wei and Wang Xiangbo
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consulting Services”	advice and assistance, based on and making use of the Know-How, in relation to (i) the creation and planning of lottery games; (ii) the marketing and promotion of lottery games and tickets in the PRC at the provincial and municipal level; (iii) the merchandising and distribution of lottery tickets; and (iv) the operation, marketing and management of an instant ticket lottery generally
“Consulting Services Agreement”	the consulting services agreement entered into, inter alia, between Happy Sun and Scientific Games Luxembourg on 18 July 2007
“Director(s)”	director(s) of the Company
“Genius Nation”	Genius Nation Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company

---

## DEFINITIONS

---

“Gentleigh”	Gentleigh International Limited, a company incorporated in the British Virgin Islands
“Gentleigh Acquisition”	the acquisition of the entire interest in the share capital of Gentleigh by Genius Nation from Cityhorizon pursuant to the Gentleigh Share Transfer Contract
“Gentleigh Completion”	completion of the Gentleigh Share Transfer Contract
“Gentleigh Consideration”	consideration to be paid by Genius Nation to Cityhorizon under the Gentleigh Share Transfer Contract
“Gentleigh Group”	Gentleigh and its subsidiaries and associated companies
“Gentleigh Sale Shares”	the shares of Gentleigh to be sold under the Gentleigh Share Transfer Contract
“Gentleigh Share Transfer Contract”	the share transfer contract entered into between, inter alia, Genius Nation and Cityhorizon on 18 July 2007 in relation to the acquisition of the entire interest in the share capital of Gentleigh by Genius Nation from Cityhorizon
“GLB Debt”	the amount of RMB20,574,000 owing by Yida Juncai to Wuhan Huacai in respect of the GLB Interim Share Transfer
“GLB Interim Share Transfer”	the sale of the 30% equity interest in Guard Libang by Wuhan Huacai to Yida Juncai prior to the date of the Gentleigh Share Transfer Contract
“GLB Share Transfer Contract”	the share transfer contract to be entered into between Shenzhen Leli and Yida Juncai in relation to the acquisition by Shenzhen Leli of 30% interest in the registered capital of Guard Libang from Yida Juncai
“Group”	the Company and its subsidiaries
“Guard Libang”	北京戈德利邦科技有限公司 (Beijing Guard Libang Technology Co Ltd), a limited liability company established in the PRC

---

## DEFINITIONS

---

“Happy Sun”	Happy Sun Technologies Ltd, a company incorporated in the British Virgin Islands with limited liability
“Happy Sun Completion”	completion of the Happy Sun Sale and Purchase Agreement
“Happy Sun Completion Date”	the third business day immediately following the day on which all of the conditions set out in the Happy Sun Sale and Purchase Agreement are satisfied or waived, or such later date as may be mutually agreed by the parties in writing
“Happy Sun Disposal”	the disposal of 50% interest in the issued share capital of Happy Sun by Genius Nation to Scientific Games Luxembourg pursuant to the Happy Sun Sale and Purchase Agreement
“Happy Sun Group”	the group of companies comprising Happy Sun and its subsidiaries which shall be deemed to include Success Trader, Success Trader (SZ), Shenzhen Leli and Guard Libang for the purposes of this circular
“Happy Sun Sale and Purchase Agreement”	the conditional agreement for the sale and purchase of shares entered into among Genius Nation, the Company, Scientific Games Luxembourg and Scientific Games dated 18 July 2007 in relation to the disposal of 50% interest in the issued share capital of Happy Sun
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board appointed to advise the Independent Shareholders in respect of the Transactions
“Independent Shareholders”	Shareholders who have no interest whatsoever in the Transactions
“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 person(s) (as defined in the Listing Rules) to the Company

---

## DEFINITIONS

---

“Instant Games”	welfare lottery instant lottery games or Scratch Cards
“Know-How”	the technology, technical information, know-how and experience in promoting lottery games possessed, owned or controlled by Scientific Games Luxembourg and Scientific Games as described in the Consulting Services Agreement
“Latest Practicable Date”	means 13 August 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Pride Win”	Pride Win Limited, a limited company incorporated in Hong Kong
“RFID”	Radio Frequency Identification
“RMB”	Renminbi, the lawful currency of the PRC
“Scientific Games”	Scientific Games Corporation, a company incorporated in the State of Delaware, U.S.A. (the shares of which are listed on the NASDAQ) and an Independent Third Party
“Scientific Games Consideration”	the consideration to be payable by Scientific Games Luxembourg to Genius Nation under the Happy Sun Sale and Purchase Agreement
“Scientific Games Luxembourg”	Scientific Games Luxembourg Holdings SARL, a limited liability company incorporated in Luxembourg, an indirect wholly-owned subsidiary of Scientific Games and an Independent Third Party
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting to be held by the Company to approve the Gentleigh Acquisition and the Happy Sun Disposal

---

## DEFINITIONS

---

“Shareholders Agreement”	the shareholders agreement in relation to Happy Sun entered into between, inter alia, Genius Nation and Scientific Games Luxembourg on 18 July 2007
“Shareholder(s)”	holders of the shares of the Company
“Shenzhen Leli ”	深圳樂利科技發展有限公司, a limited liability company established in the PRC and a directly wholly-owned subsidiary of Success Trader (SZ)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement entered into among Happy Sun, Genius Nation and Scientific Games Luxembourg on 18 July 2007 in relation to the subscription of shares in Happy Sun
“Subscription Shares”	the shares in Happy Sun to be subscribed by Genius Nation and Scientific Games Luxembourg under the Subscription Agreement
“Success Trader”	Success Trader Technologies Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Happy Sun
“Success Trader (SZ)”	誠業利邦科技發展(深圳)有限公司(Success Trader Technologies (Shenzhen) Limited), a wholly foreign owned enterprise established in the PRC and a direct wholly-owned subsidiary of Success Trader
“Transactions”	transactions contemplated under the Gentleigh Share Transfer Contract, the Happy Sun Sale and Purchase Agreement, the Subscription Agreement, the Consulting Services Agreement and other ancillary agreements
“US\$” or “US dollars”	the lawful currency of the United States
“Veda Capital”	Veda Capital Limited, a licensed corporation to carry out type 6 regulated activities under the SFO and is the independent financial adviser to the Independent Board Committee and Independent Shareholders on the Transactions

---

## DEFINITIONS

---

“Wuhan Huacai”	武漢華彩科技有限公司 (Wuhan Huacai Science and Technology Co., Ltd.), a limited liability company established in the PRC
“Xianyida”	先驛達科技（深圳）有限公司 (Xianyida Technology (Shenzhen) Co Ltd), a limited liability company established in the PRC
“Yida Juncai”	北京驛達駿彩科技有限公司 (Beijing Yida Juncai Technology Company Limited), a limited liability company established in the PRC
“%”	per cent.



---

## LETTER FROM THE BOARD

---



# REXCAPITAL Financial Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 555)**

*Executive Directors:*

Chan How Chung, Victor  
Boo Chun Lon

*Independent non-executive Directors:*

Yuen Wai Ho  
Chow Siu Ngor  
Lee Ka Lun

*Registered Office:*

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

*Head office and principal place of  
business in Hong Kong:*

Suite 3401, 34/F  
COSCO Tower  
Grand Millennium Plaza  
183 Queen's Road Central  
Hong Kong

15 August 2007

*To the Shareholders and, for information only,  
the holders of the options of the Company*

Dear Sir or Madam,

### **CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION**

#### **INTRODUCTION**

Reference is made to the Company's announcement dated 24 July 2007.

On 18 July 2007, Genius Nation (a direct wholly-owned subsidiary of the Company), Cityhorizon and the Cityhorizon Guarantors entered into the Gentleigh Share Transfer Contract pursuant to which Genius Nation has agreed to acquire, and Cityhorizon has agreed to sell, the entire interest in the share capital of Gentleigh. Completion of the Gentleigh Share Transfer Contract is conditional upon fulfillment of certain conditions. Following the Gentleigh Completion, Shenzhen Leli, an indirect wholly-owned subsidiary of the Company will acquire, and Yida Juncai

---

## LETTER FROM THE BOARD

---

will sell, a 30% interest in the registered capital of Guard Libang pursuant to the GLB Share Transfer Contract. (Genius Nation acquired a 70% indirect interest in Guard Libang in 2006. Reference is made to the announcements of the Company dated 31 July 2006 and 21 November 2006 respectively.)

On 18 July 2007, the Company, Genius Nation, Scientific Games Luxembourg and Scientific Games entered into the Happy Sun Sale and Purchase Agreement pursuant to which Scientific Games Luxembourg has agreed to acquire, and Genius Nation has agreed to sell, a 50% interest in the share capital of Happy Sun in consideration of RMB210,000,000. Happy Sun Completion is conditional upon, inter alia, the completion of the transfer of equity under the GLB Share Transfer Contract in accordance with its terms and Shenzhen Leli being legally and beneficially interested in the entire registered capital of Guard Libang in accordance with the applicable laws in the PRC. At Happy Sun Completion, Scientific Games Luxembourg will pay the Scientific Games Consideration to Genius Nation, following which (i) Genius Nation will pay RMB110,000,000 in cash to Happy Sun as consideration for subscribing for one Subscription Share under the Subscription Agreement, and Scientific Games Luxembourg will contribute the Know-how and the Consulting Services to Happy Sun as consideration for subscribing for one Subscription Share under the Subscription Agreement; and (ii) Genius Nation will pay Gentleigh the Gentleigh Consideration under the Gentleigh Share Transfer Contract.

The Gentleigh Acquisition constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions contemplated under the Happy Sun Sale and Purchase Agreement and the Subscription Agreement constitute a discloseable transaction under Chapter 14 of the Listing Rules. Since the Happy Sun Sale and Purchase Agreement and the Subscription Agreement are conditional upon the series of transactions contemplated under the Gentleigh Share Transfer Contract, the Transactions are subject to the Independent Shareholders' approval.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Transactions. Veda Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the Transactions and whether the Transactions are in the interests of the Company and its Shareholders as a whole.

The purpose of this circular is to provide the Independent Shareholders with further information in relation to the Transactions as required under the Listing Rules, so as to enable the Independent Shareholders to make an informed decision to vote on the relevant ordinary resolutions set out in the notice of SGM at the end of this circular. A letter from the Independent Board Committee and its recommendations to the Independent Shareholders is set out on pages 7 to 26 of this circular. A letter from Veda Capital and its recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 29 to 41 of this circular.

---

## LETTER FROM THE BOARD

---

### GENTLEIGH SHARE TRANSFER CONTRACT

#### Date

18 July 2007

#### Parties

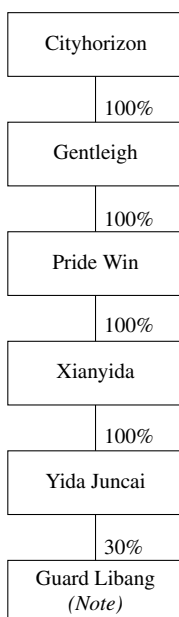
Genius Nation: a direct wholly-owned subsidiary of the Company

Cityhorizon: the beneficial owner of the entire issued share capital of Gentleigh (Cityhorizon is owned by Xiong Wei and Wang Xiangbo in equal proportions of 50%. Wang Xiangbo is a director of Guard Libang)

Cityhorizon Guarantors: Xiong Wei and Wang Xiangbo

#### Assets to be acquired

Pursuant to the Gentleigh Share Transfer Contract, Genius Nation has agreed to acquire, and Cityhorizon has agreed to sell, the entire interest in the issued share capital of Gentleigh. As at the Latest Practicable Date, the corporate structure of the Gentleigh Group is as follows:



*Note:* Prior to the date of the Gentleigh Share Transfer Contract, Yida Juncai and Wuhan Huacai entered into an agreement pursuant to which Wuhan Huacai agreed to transfer its 30% interest in Guard Libang to Yida Juncai. Registration of this GLB Interim Share Transfer has been duly completed shortly after the date of the Gentleigh Share Transfer Contract. As a result of the GLB Interim Share Transfer, the GLB Debt was incurred by Yida Juncai to Wuhan Huacai. Wuhan Huacai is owned by five PRC parties, including Xiong Wei and Wang Xiangbo. Xiong Wei and Wang Xiangbo are the beneficial owners of Cityhorizon, which in turn holds 100% indirect interest in the registered capital of Yida Juncai. Xiong Wei and Wang Xiangbo consider it is necessary to restructure the shareholding of Gentleigh Group before the Gentleigh Completion. The GLB Interim Share Transfer is part of the said restructuring.

---

## LETTER FROM THE BOARD

---

### Conditions

Gentleigh Completion is conditional upon fulfillment or waiver by Genius Nation, as the case may be, of the conditions set out in the Gentleigh Share Transfer Contract, which include but without limitation the following:

- (a) all necessary consents required to be given by third parties to Cityhorizon for the transactions contemplated under the Gentleigh Share Transfer Contract having been granted, and being in full force and effect;
- (b) each member of the Gentleigh Group has been duly incorporated and is validly existing;
- (c) Cityhorizon being the only legal and beneficial owner of the Gentleigh Sale Shares, Gentleigh being the only legal and beneficial owner of the entire issued share capital of Pride Win, Pride Win being the legal and beneficial owner of 100% of the registered capital of Xianyida, Xianyida being the legal and beneficial owner of 100% of the registered capital of Yida Juncai and Yida Juncai being the legal and beneficial owner of 30% of the registered capital of Guard Libang;
- (d) Gentleigh not having or holding, any subsidiary undertakings or shares, registered capital or stock in any company or entity other than the members of the Gentleigh Group and the details set out in schedules to the Gentleigh Share Transfer Contract in relation to each member of the Gentleigh Group being true, accurate, complete and not misleading;
- (e) each member of the Gentleigh Group having been incorporated in accordance with all applicable laws, including in the case of each of Yida Juncai and Xianyida, the obtaining of all necessary approvals in the PRC;
- (f) no member of the Gentleigh Group having traded or otherwise carried on any business and (i) Gentleigh having no assets or liabilities (actual or contingent) whatsoever, save for the issued shares in Pride Win, (ii) Pride Win having no assets or liabilities (actual or contingent) whatsoever, save for the entire registered capital of Xianyida, (iii) Xianyida having no assets or liabilities (actual or contingent) whatsoever, save for the entire registered capital of Yida Juncai and (iv) Yida Juncai having no assets or liabilities (actual or contingent) whatsoever, save for, the 30% interest in Guard Libang and the GLB Debt;

---

## LETTER FROM THE BOARD

---

- (g) the receipt by Genius Nation of a legal opinion by a firm of qualified lawyers in the PRC as may be designated by Genius Nation in such form and substance satisfactory to Genius Nation in respect of, inter alia:
  - (i) the due establishment and valid and legal existence of each of Xianyida and Yida Juncai;
  - (ii) the registered capital of each of Xianyida and Yida Juncai has been fully paid up;
  - (iii) the entire registered capital of Xianyida being legally and beneficially held by Pride Win, the entire registered capital of Yida Juncai being legally and beneficially held by Xianyida and 30% of the registered capital of Guard Libang being legally and beneficially held by Yida Juncai;
  - (iv) the business operated by each of Xianyida and Yida Juncai does not and will not contravene any applicable laws of the PRC; and
  - (v) such other PRC issues as may reasonably be requested by Genius Nation;
- (h) the receipt by Genius Nation of a legal opinion by a firm of qualified lawyers in Hong Kong as may be designated by Genius Nation in such form and substance satisfactory to Genius Nation in respect of, inter alia:
  - (i) the due establishment and valid and legal existence of Pride Win;
  - (ii) the issued capital of Pride Win having been fully paid up;
  - (iii) the entire issued share capital of Pride Win being legally and beneficially held by Gentleigh;
  - (iv) the business operated by Pride Win does not and will not contravene any applicable laws of Hong Kong; and
  - (v) such other Hong Kong issues as may reasonably be requested by Genius Nation;
- (i) the receipt by Genius Nation of a legal opinion by a firm of qualified lawyers in the British Virgin Islands as may be designated by Genius Nation in such form and substance satisfactory to Genius Nation in respect of, inter alia:
  - (i) the due establishment and valid and legal existence of Gentleigh;

---

## LETTER FROM THE BOARD

---

- (ii) the issued share capital of Gentleigh having been fully paid up;
  - (iii) the entire issued capital of Gentleigh being legally and beneficially held by Cityhorizon;
  - (iv) the business operated by Gentleigh does not and will not contravene any applicable laws of the British Virgin Islands; and
  - (v) such other British Virgin Islands issues as may reasonably be requested by Genius Nation; and
- (j) the passing of an ordinary resolution by the Shareholders to approve the Gentleigh Share Transfer Contract and the transactions contemplated therein.

Genius Nation may in its absolute discretion at any time waive in writing any of the conditions set out in the Gentleigh Share Transfer Contract and such waiver may be made subject to such terms and conditions as are determined by Genius Nation. Genius Nation shall not be entitled to exercise such right of waiver in respect of paragraph (j) above if as a result of such waiver Genius Nation would be in breach of the Listing Rules, the rules or regulations of any relevant governmental, statutory or regulatory authority or agency, or any other person or body, in Hong Kong or Bermuda.

If any of the conditions in the Gentleigh Share Transfer Contract shall not have been fulfilled or waived prior to 31 October 2007 (or such later date as Genius Nation and Cityhorizon may agree in writing), Genius Nation and Cityhorizon shall not be bound to proceed with the purchase of the entire issued share capital of Gentleigh, whereupon the Gentleigh Share Transfer Contract shall cease to be of any effect save for certain covenants and indemnities given by Cityhorizon and the Cityhorizon Guarantors and certain general provisions, and save in respect of claims arising out of any antecedent breach of the Gentleigh Share Transfer Contract.

### **Consideration**

The Gentleigh Consideration shall be the US\$ equivalent of RMB120,000,000 in cash less the total amount of all liabilities of each member of the Gentleigh Group at Gentleigh Completion. According to the information provided by Cityhorizon, the GLB Debt is the only liability of the Gentleigh Group at the Latest Practicable Date. The Gentleigh Share Transfer Contract provides that each member of the Gentleigh Group is restricted from incurring any liabilities between the date of the Gentleigh Share Transfer Contract and the Gentleigh Completion. Therefore, the Company expects that the GLB Debt will be the only liability of the Gentleigh Group at Gentleigh Completion. The US\$ to RMB exchange rate hereof shall be the middle exchange rate published by the People's Bank of China on the business day immediately prior to the Happy Sun Completion Date. Genius Nation will settle part of the Gentleigh Consideration by procuring Yida Juncai to repay the GLB Debt to Wuhan Huacai following the Gentleigh Completion.

---

## LETTER FROM THE BOARD

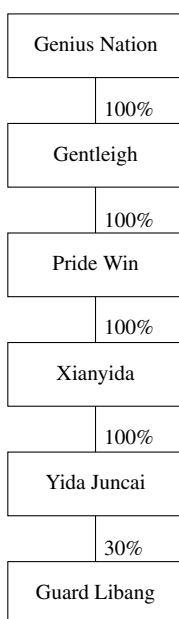
---

The Gentleigh Consideration has been agreed by the parties after arm's length negotiation. In arriving at the Gentleigh Consideration, the Directors have considered factors including, the prospect of Guard Libang by taking into account, among other things, the leading position of Guard Libang as it is currently the sole system provider to the Instant Games section of the welfare lottery industry in China and the business opportunities in the growing welfare lottery market in China.

### Completion

Gentleigh Completion shall take place on the day on which all of the conditions set out in the Gentleigh Share Transfer Contract are satisfied or waived, or such later date as may be mutually agreed by the parties in writing.

As at the Gentleigh Completion, the corporate structure of the Gentleigh Group will be as follows:



### Post-completion Obligations

Following the Gentleigh Completion, Genius Nation shall pay to Cityhorizon the Gentleigh Consideration within three business days of Genius Nation receiving the Scientific Games Consideration payable by Scientific Games Luxembourg pursuant to the Happy Sun Sale and Purchase Agreement.

---

## LETTER FROM THE BOARD

---

If Genius Nation has not received the Scientific Games Consideration by 30 November 2007, Genius Nation may in its sole discretion elect by notice in writing to transfer the Gentleigh Sale Shares back to Cityhorizon. If Genius Nation sends the said notice to Cityhorizon, Genius Nation and Cityhorizon will take such steps as are necessary to transfer the Gentleigh Sale Shares back to Cityhorizon, whereupon the Gentleigh Share Transfer Contract shall cease to be of any effect save for certain covenants and indemnities given by Cityhorizon and Cityhorizon Guarantors and certain general provisions, and save in respect of claims arising out of any antecedent breach of the Gentleigh Share Transfer Contract. If the Gentleigh Sale Shares are transferred back to Cityhorizon as described in the above, Cityhorizon will within three business days of the completion of such transfer pay an amount equal to the GLB Debt to Genius Nation.

### **HAPPY SUN SALE AND PURCHASE AGREEMENT**

#### **Date**

18 July 2007

#### **Parties**

Genius Nation:	a direct wholly-owned subsidiary of the Company
The Company:	Genius Nation's guarantor under the Happy Sun Sale and Purchase Agreement
Scientific Games Luxembourg:	an Independent Third Party
Scientific Games:	the indirect holding company of Scientific Games Luxembourg, being Scientific Games Luxembourg's guarantor under the Happy Sun Sale and Purchase Agreement and an Independent Third Party

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, each of Scientific Games Luxembourg and its ultimate beneficial owner is an Independent Third Party.



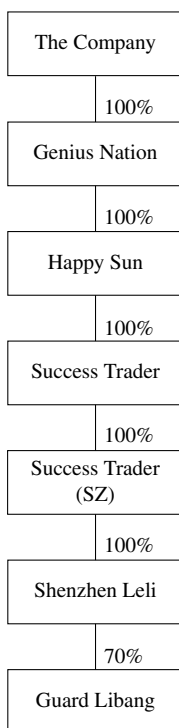
---

## LETTER FROM THE BOARD

---

### Assets to be disposed

Pursuant to the Happy Sun Sale and Purchase Agreement, Scientific Games Luxembourg has agreed to acquire, and Genius Nation has agreed to sell, a 50% interest in the issued share capital of Happy Sun. As at the Latest Practicable Date, the corporate structure of the Happy Sun Group is as follows:



### Conditions

Happy Sun Completion is conditional upon fulfillment or waiver (by Genius Nation and Scientific Games Luxembourg) of the conditions as set out in the Happy Sun Sale and Purchase Agreement, which include but without limitation the following:

- (a) the completion of the transfer of equity under the GLB Share Transfer Contract in accordance with its terms and Shenzhen Leli being legally and beneficially interested in the entire registered capital of Guard Libang in accordance with the applicable laws in the PRC;
- (b) the passing of an ordinary resolution by the Shareholders to approve the Gentleigh Share Transfer Contract and the transactions contemplated therein; and
- (c) the passing of an ordinary resolution by the Shareholders to approve the Happy Sun Sale and Purchase Agreement and the transactions contemplated therein.

---

## LETTER FROM THE BOARD

---

Genius Nation and Scientific Games Luxembourg may in their absolute discretion at any time agree in writing to waive any of the conditions set out in the Happy Sun Sale and Purchase Agreement and such waiver may be made subject to such terms and conditions as are determined by Genius Nation and Scientific Games Luxembourg. Genius Nation and Scientific Games Luxembourg shall not be entitled to exercise such right of waiver in respect of paragraphs (b) or (c) above if as a result of such waiver Genius Nation would be in breach of the Listing Rules, the rules or regulations of any relevant governmental, statutory or regulatory authority or agency, or any other person or body, in Hong Kong or Bermuda.

If any of the conditions in the Happy Sun Sale and Purchase Agreement shall not have been fulfilled or waived prior to 31 December 2007 (or such later date as Genius Nation and Scientific Games Luxembourg may agree in writing), Genius Nation and Scientific Games Luxembourg shall not be bound to proceed with the Happy Sun Disposal, whereupon the Happy Sun Sale and Purchase Agreement shall cease to be of any effect save for certain covenants and indemnities given by Genius Nation and the Company and certain general provisions, and save in respect of claims arising out of any antecedent breach of the Happy Sun Sale and Purchase Agreement.

### **Consideration**

The Scientific Games Consideration shall be the US dollars equivalent of RMB210,000,000. The US dollars to RMB exchange rate for the purpose of determining the payment of the Scientific Games Consideration shall be the middle exchange rate published by the People's Bank of China on the business day immediately prior to the Happy Sun Completion Date.

The Scientific Games Consideration has been agreed by the parties after arm's length negotiation. In arriving at the Scientific Games Consideration, the Directors have considered factors including, the leading position of Guard Libang as it is currently the sole system provider to the Instant Games section of the welfare lottery industry in China and the business opportunities in the growing welfare lottery market in China.

---

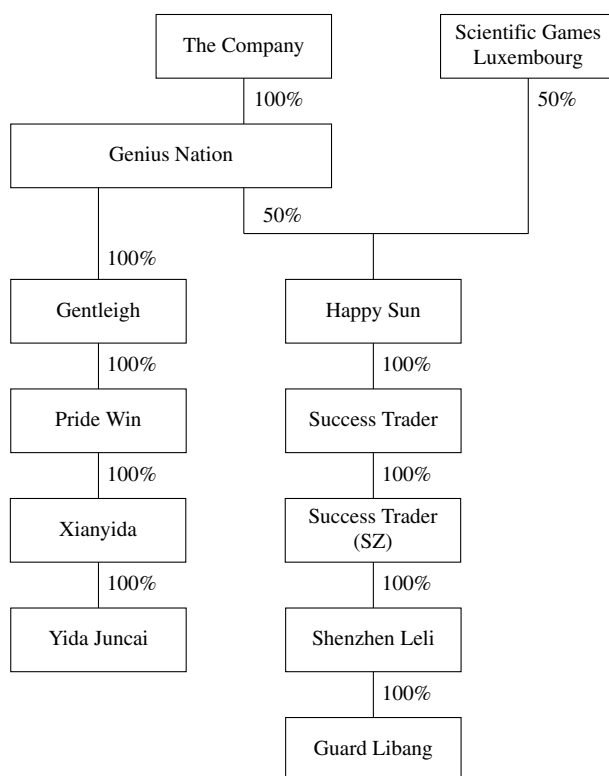
## LETTER FROM THE BOARD

---

### Completion

Completion of the Happy Sun Sale and Purchase Agreement shall take place on the Happy Sun Completion Date.

At Happy Sun Completion, the corporate structure of the Happy Sun Group and the Gentleigh Group will be as follows:



After the completion of the Happy Sun Sale and Purchase Agreement, the Happy Sun Group will be held by Genius Nation and Scientific Games Luxembourg in equal proportions of 50%. As such, from the accounting perspective, the Happy Sun Group will become a jointly controlled company of Genius Nation and Scientific Games Luxembourg and each of the members of the Happy Sun Group will no longer be a subsidiary of the Company.

---

## LETTER FROM THE BOARD

---

### Subscription Agreement and Consulting Services Agreement

On 18 July 2007, Genius Nation, Scientific Games Luxembourg and Happy Sun have also entered into the Subscription Agreement, pursuant to which Happy Sun will, following the Happy Sun Completion, allot and issue, and each of Genius Nation and Scientific Games Luxembourg will subscribe for, such amount of Subscription Shares as set forth below:

	<b>Subscription Shares to be allotted and issued</b>
Genius Nation	One
Scientific Games Luxembourg	One

Pursuant to the terms of the Subscription Agreement, Genius Nation and Scientific Games Luxembourg have each agreed to contribute capital to Happy Sun in order to develop the business of Guard Libang. Further details of the capital to be contributed by Genius Nation and Scientific Games Luxembourg are set out immediately below. Following completion of the Subscription Agreement, Happy Sun will be held by Genius Nation and Scientific Games Luxembourg in equal proportions of 50%.

The capital to be contributed by Genius Nation pursuant to the Subscription Agreement will be a cash payment of RMB110,000,000 to Happy Sun in consideration for the issue to Genius Nation of one Subscription Share. The RMB110,000,000 will be required by Guard Libang for working capital purposes following Happy Sun Completion.

The capital to be contributed by Scientific Games Luxembourg on a non-exclusive basis pursuant to the Subscription Agreement will be the contribution of know-how and consulting services to Happy Sun (pursuant to the terms of the Consulting Services Agreement) in consideration for the issue to Scientific Games Luxembourg of one Subscription Share.

The know-how to be provided by Scientific Games Luxembourg pursuant to the Consulting Services Agreement includes the technology, technical information, know-how and experience that the Scientific Games group has in promoting lottery games including in relation to game planning, game development, game distribution, retailer liaison, game analysis and access to the games library of the Scientific Games group (the “Know-how”).

---

## LETTER FROM THE BOARD

---

The consulting services to be provided by Scientific Games Luxembourg pursuant to the Consulting Services Agreement includes the provision of advice and assistance in relation to using the Know-how to (i) create and plan lottery games; (ii) market and promote lottery games and tickets in the PRC at the provincial and municipal level; (iii) merchandise and distribute of lottery tickets and (iv) operate, market and manage instant ticket lotteries generally (the “Consulting Services”).

Pursuant to the terms of the Consulting Services Agreement, Scientific Games Luxembourg will provide the Consulting Services to the Happy Sun Group principally through the appointment of a Chief Marketing Officer to Happy Sun and by training employees of the Happy Sun Group. In providing the Consulting Services to the Happy Sun Group, Scientific Games Luxembourg will utilize, and provide Happy Sun with access to, the Know-how. The Consulting Services Agreement will come into effect on the Happy Sun Completion Date and will continue in effect until the termination of the Shareholders Agreement or Scientific Games Luxembourg ceases to be a shareholder of Happy Sun, whichever is earlier.

The value of the Know-how and Consulting Services is being assessed by reference to Scientific Games’ track record on working with other companies in the lottery game sector. According to the information provided by Scientific Games, its approach to the lottery market is to provide its instant ticket cooperative services know-how (“CSP Solution”) to its clients for a percentage of sales in return. Since it does not know the level of sales that will be generated from the relevant know-how in advance, it has no way of quantifying the value of the service. However, Scientific Games can provide certain examples of the significant impact of the implementation of the CSP Solution has had on the sales revenue generated by its customers. For example, Scientific Games won a contract to implement its CSP Solution to an operator of the national instant ticket contract in a European country. After the implementation of the CSP Solution in the third quarter of 2004, such European operator was selling instant tickets in the amount of approximately 14.6 million Euros per quarter. Scientific Games, through the implementation of the same know-how being provided to the Happy Sun Group, was able to increase the instant ticket sales of such European operator by over 14 times to approximately 2.1 billion Euros per quarter for the first quarter in 2007. With reference to the effective historical performance of Scientific Games, it is reasonable for the Directors to suggest that the value of the Know-how is not less than RMB110,000,000, being the amount of cash contributed by Genius Nation for its equivalent share in Happy Sun.

The Directors believe that there is potential for growth in the lottery market in the PRC which will lead to an increase in demand for new games. Scientific Games is an established integrated supplier of instant tickets, systems and services to lotteries worldwide. The Directors further believe that the contribution of the Know-how by Scientific Games Luxembourg, and, in particular, access to the games library of the Scientific Games group, will be a key component of the further development of the business of Guard Libang and will strengthen the Group’s position in the instant lottery games market in China and reduce research and development expenses of Guard Libang.

Based on the above, the Directors are of the view that the subscription price under the Subscription Agreement, together with the Happy Sun Consideration, are fair and reasonable and in the interest of the Shareholders as a whole.

---

## LETTER FROM THE BOARD

---

### **INFORMATION ON GENIUS NATION**

Genius Nation is a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company. As at the Latest Practicable Date, Genius Nation holds a 70% indirect interest in Guard Libang. Following the Gentleigh Completion, Yida Juncai will become an indirect wholly-owned subsidiary of Genius Nation. Following the Happy Sun Completion, Genius Nation will hold 100% indirect interest in Guard Libang.

### **INFORMATION ON THE HAPPY SUN GROUP**

#### **Happy Sun**

Happy Sun is an investment holding company established in the British Virgin Islands with limited liability. At the Latest Practicable Date, Happy Sun is a direct wholly-owned subsidiary of Genius Nation. It has no business activity save for being beneficially interested in the entire issued share capital of Success Trader.

#### **Success Trader**

Success Trader is an investment holding company established in Hong Kong with limited liability. It is a direct wholly-owned subsidiary of Happy Sun. It has no business activity save for being beneficially interested in the entire issued share capital of Success Trader (SZ).

#### **Success Trader (SZ)**

Success Trader (SZ) is a wholly foreign owned enterprise established in the PRC on 15 August 2006 with a registered capital of US\$6,200,000. It is a direct wholly-owned subsidiary of Success Trader. It has no business activity save for being beneficially interested in the entire issued share capital of Shenzhen Leli.

#### **Shenzhen Leli**

Shenzhen Leli is a limited liability company established in the PRC on 23 June 2006 with a registered capital of RMB34,006,000. Pursuant to the GLB Share Transfer Contract, Shenzhen Leli will acquire 30% interest in the registered capital of Guard Libang following the Gentleigh Completion. Currently, Shenzhen Leli has no business activity save for being beneficially interested in 70% equity interest in Guard Libang. Upon completion of the GLB Share Transfer Contract, Shenzhen Leli will be legally and beneficially interested in the entire registered capital of Guard Libang.

---

## LETTER FROM THE BOARD

---

### **Guard Libang**

Guard Libang is a limited liability company established in the PRC on 1 February 2003 with a registered capital of RMB68,580,000. Guard Libang is principally engaged in the provision of systems and verification technology for instant lottery games in China administered by the China Welfare Lottery Administration Center, being an Independent Third Party, is the authorized operator in operating and management of lotteries issuance of welfare lottery in the PRC. Such services have been provided by utilizing the proprietary 2D barcode anti-counterfeiting verification system developed by Guard Libang. In connection with such system, Guard Libang is also engaged in the development of related implementation devices based on RFID and wireless networking technologies and related logistics systems. Guard Libang has exclusive right to establish the State-wide instant lottery game networking system for the China Welfare Lottery Administration Center based on the proprietary 2D barcode anti-counterfeiting verification system developed by Guard Libang. Currently, Guard Libang has contracted to provide services to the operation of instant lottery games for 17 provincial and municipal Welfare Lottery Administration Centers. It does not involve in direct operation of lottery games business. According to the business licence of Guard Libang, its scope of business includes development in the technological know-how of lottery games. Guard Libang has obtained the necessary licences, which include the business licence, in relation to the operation of its business. Apart from such licences, Guard Libang is not required to obtain any licence or authorization from the relevant authority in the PRC to carry on its business. The current operation of Guard Libang has complied with all applicable laws and regulations of the PRC. Since the business operation of Guard Libang is in the PRC, the Gambling Ordinance (Chapter 148 of the Laws of Hong Kong) is not applicable to Guard Libang. On this basis, the business carried out by Guard Libang is not contrary to the guidelines set out in the press release of the Stock Exchange dated 11 March 2003.

### **INFORMATION ON CITYHORIZON**

Cityhorizon is a company incorporated in the British Virgin Islands and is an investment holding company. It is owned by Xiong Wei and Wang Xiangbo in equal proportions of 50%. Wang Xiangbo is a director of Guard Libang. The principal business of Cityhorizon is holding the entire issued share capital of Gentleigh.

### **INFORMATION ON SCIENTIFIC GAMES LUXEMBOURG AND SCIENTIFIC GAMES**

#### **Scientific Games Luxembourg**

Scientific Games Luxembourg is a limited liability company incorporated in Luxembourg under commercial register No. B 101421. It is an indirect wholly-owned subsidiary of Scientific Games. It is engaged in the acquisition of ownership interests in any form and the management of such ownership interests as well as financing.

---

## LETTER FROM THE BOARD

---

### **Scientific Games**

Scientific Games is a company incorporated in the State of Delaware, the United States on 2 July 1984. The shares of Scientific Games are currently listed on the NASDAQ. It is an integrated supplier of instant tickets, systems and services to lotteries worldwide, a supplier of fixed odds betting terminals and systems, amusement and skill with prize betting terminals, interactive sports betting terminals and systems, and wagering systems and services to pari-mutuel operators. It is also a licensed pari-mutuel gaming operator in Connecticut, Maine and the Netherlands and is a leading supplier of prepaid phone cards to telephone companies. Scientific Games' customers are in the United States and more than 60 other countries.

### **INFORMATION ON THE GENTLEIGH GROUP**

#### **Gentleigh**

Gentleigh is a company incorporated in the British Virgin Islands with limited liability. It is a direct wholly-owned subsidiary of Cityhorizon. It has no business activity save for being beneficially interested in the entire issued share capital of Pride Win.

#### **Pride Win**

Pride Win is a company incorporated in Hong Kong with limited liability. It is a direct wholly-owned subsidiary of Gentleigh. It has no business activity save for being beneficially interested in the entire issued share capital of Xianyida.

#### **Xianyida**

Xianyida is a wholly foreign owned enterprise established in the PRC on 22 June 2007 with a registered capital of RMB1,000,000. It is a direct wholly-owned subsidiary of Pride Win. It has no business activity save for being beneficially interested in the entire issued share capital of Yida Juncai.

#### **Yida Juncai**

Yida Juncai is a limited liability company established in the PRC on 11 July 2007 with a registered capital of RMB100,000. Yida Juncai is a direct wholly-owned subsidiary of Xianyida and an indirect wholly-owned subsidiary of Cityhorizon, which in turn is held by Xiong Wei and Wang Xiangbo. As at the Latest Practicable Date, Yida Juncai has no business activity except for being beneficially interested in 30% equity interest of Guard Libang. Following the Gentleigh Completion, Yida Juncai will become an indirect wholly-owned subsidiary of Genius Nation. Following the Happy Sun Completion, Yida Juncai will cease to hold any interest in Guard Libang.



---

## LETTER FROM THE BOARD

---

### LISTING RULES IMPLICATIONS

#### Gentleigh Share Transfer Contract

Given the Gentleigh Acquisition took place within 12 months from the 70% GLB Acquisition, the value of 70% GLB Acquisition is aggregated with that of the Gentleigh Acquisition for the purpose of Rule 14.07 of the Listing Rules. In addition, the Gentleigh Acquisition contemplates a transfer of 30% interest in Guard Libang from Cityhorizon to Shenzhen Leli (an indirect wholly-owned subsidiary of the Company). Cityhorizon and its beneficial owners are connected persons of the Company by virtue of their current indirect shareholding in Guard Libang, an indirect non-wholly-owned subsidiary of the Company. As such, the Gentleigh Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Certain percentage ratios in respect of the Gentleigh Acquisition calculated in accordance with Rule 14.07 of the Listing Rules have exceeded 2.5%. Accordingly, the Gentleigh Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### Happy Sun Sale and Purchase Agreement and the Subscription Agreement

The transactions contemplated under the Happy Sun Sale and Purchase Agreement and the Subscription Agreement constitute a discloseable transaction under Chapter 14 of the Listing Rules. Since the Happy Sun Sale and Purchase Agreement, the Subscription Agreement and the other ancillary agreement are conditional upon the series of transactions contemplated under the Gentleigh Share Transfer Contract, the Transactions are subject to the Independent Shareholders' approval. Xiong Wei and Wang Xiangbo and their respective associates are required to abstain from voting at the SGM in relation to the resolutions for approving the Transactions.

### FINANCIAL INFORMATION IN RELATION TO GUARD LIBANG

The audited total asset value of Guard Libang as at 31 December 2006 and 31 December 2005 was approximately RMB50 million (equivalent to approximately HK\$52 million) and RMB62.2 million (equivalent to approximately HK\$64.8 million) respectively.

The audited net loss of Guard Libang before and after tax for the year ended 31 December 2006 was approximately RMB3.1 million (equivalent to approximately HK\$3.2 million). The audited net loss of Guard Libang before and after taxation for the period ended 31 December 2005 was approximately RMB1.3 million (equivalent to approximately HK\$1.4 million).

The financial information in relation to Guard Libang as disclosed above was prepared in accordance with the PRC GAPP.

---

## LETTER FROM THE BOARD

---

As each of Happy Sun, Success Trader, Success Trader (SZ), Shenzhen Leli, Cityhorizon, Pride Win, Xianyida and Yida Juncai is an investment holding company and is not engaged in any substantial business activity, the book value of each of these companies should refer to the book value of Guard Libang.

### **REASONS FOR AND BENEFITS OF THE GENTLEIGH ACQUISITION AND THE HAPPY SUN DISPOSAL**

The Group is principally engaged in lottery system and games design business and the provision of financial services including brokering, securities margin financing, money lending, investment trading and holding, corporate finance and asset management.

The Company has been proactively identifying suitable investment opportunities to enhance the Group's revenue base and profitability. Through the 70% GLB Acquisition, the Group has been participating in the provision of system and machineries to the instant lottery games in the welfare lottery industry in China. Guard Libang is the sole system provider to the instant lottery games in the welfare lottery industry and its business covered 17 provinces and the Group plans to further expand its coverage in China. Guard Libang's revenue is generally based on a revenue sharing model. In 2006, instant lottery games in the welfare lottery in China generated ticket sales of approximately RMB500 million, representing an increase of 400% compared with the 2005. By creating a partnership with Scientific Games, through the Happy Sun Disposal and the Subscription Agreement, the Group will bring together Scientific Games' worldwide lottery expertise with the Group's knowledge of the lottery related market in China. The Directors expect that with (a) the free access to the library of games of Scientific Games; (b) the provision of know-how and consultancy services by Scientific Games in relation to, amongst other things, (i) the creation and planning of instant lottery games; (ii) the marketing and promotion of instant lottery games and tickets in China; (iii) the distribution of instant lottery tickets; and (iv) the operation support of instant ticket lottery; and (c) new working capital of RMB110,000,000, Guard Libang, as the sole system provider to the instant lottery games in the welfare lottery industry, will be able to deliver higher quality services, widen its comprehensive range of games for instant lottery tickets, and expand its geographical coverage in China for instant lottery tickets operation.

It is expected that a gain of approximately RMB62,000,000 will be recognized in relation to the Happy Sun Disposal. The expected gain on the Happy Sun Disposal is calculated by deducting the Scientific Games Consideration by 50% of the aggregate of the consideration paid by Genius Nation for the 70% GLB Acquisition and Gentleigh Consideration. The proceeds received by Genius Nation under the Happy Sun Disposal will be applied to pay the Gentleigh Consideration (i.e. RMB120,000,000) and the subscription price under the Subscription Agreement in the amount of RMB110,000,000. The difference between the Scientific Games Consideration and the aggregate of the Gentleigh Consideration and the subscription price payable by Genius Nation under the Subscription Agreement shall be financed by the Group's internal resources.

---

## LETTER FROM THE BOARD

---

The Directors (including the independent non-executive Directors) believe that the terms of the Gentleigh Share Transfer Contract and the Happy Sun Sale and Purchase Agreement and the Subscription Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

### **SGM**

The SGM will be convened and held to consider and, if thought fit, approve the Transactions.

The notice of the SGM is set out on pages 48 to 50 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you wish.

### **PROCEDURES BY WHICH SHAREHOLDERS MAY DEMAND A POLL AT THE SGM**

The following sets out the procedures by which the Shareholders may demand poll at the SGM.

According to bye-law 70 of the bye-laws of the Company, a resolution put to the vote of a general meeting shall be decided on a show of hands unless voting by way of poll is required by the Listing Rules or a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

- (i) the chairman of such meeting; or
- (ii) at least three Shareholders present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or

---

## LETTER FROM THE BOARD

---

- (iii) any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) any Shareholder or Shareholders present in person or by a duly authorised corporate representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or
- (v) if required by the Listing Rules, by the chairman of the meeting and/or any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent (5%) or more of the total voting rights at such meeting.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorized representative shall be deemed to be the same as a demand by a Shareholder in person.

### RECOMMENDATIONS

Based on the relevant information disclosed herein, the Directors believe that the terms of the Transactions are fair and reasonable and are in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Transactions.

### ADDITIONAL INFORMATION

Your attention is also drawn to the general information set out in the appendix to this circular.

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

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

*The following is the text of a letter of advice to the Independent Shareholders from the Independent Board Committee setting out their opinion for the purpose of incorporation into this circular.*



### **REXCAPITAL Financial Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 555)**

15 August 2007

*To the Independent Shareholders*

Dear Sir or Madam,

#### **CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION**

We refer to the circular dated 15 August 2007 (the “Circular”) to the shareholders of the Company of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed as members of the Independent Board Committee, which has been established to advise the Independent Shareholders in respect of the Transactions, details of which are set out in the letter from the Board contained in the Circular. The ordinary resolutions approving each of the Gentleigh Share Transfer Contract and the Happy Sun Sale and Purchase Agreement and the transactions thereunder will be taken on a poll as required under the Listing Rules.

Your attention is drawn to the letter from Veda Capital, containing its advice to us and the Independent Shareholders regarding the fairness and reasonableness of the terms of the Transactions as set out on pages 29 to 41 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 7 to 26 of the Circular.

As members of the Independent Board Committee, we have discussed with the management of the Company in relation to the Transactions, and the basis upon which the terms of the transactions have been determined. We have also taken into account the principal factors and reasons considered by Veda Capital in forming its opinion in relation to the Transactions, and have discussed with Veda Capital its opinion letter and its advice.

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

On the basis of the above, we consider, and agree with the view of Veda Capital, that the terms of the Transactions are fair and reasonable and the Transactions are in the interests of the Company and its shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve each of the Gentleigh Share Transfer Contract and the Happy Sun Sale and Purchase Agreement and the respective transactions thereunder.

Yours faithfully,  
Independent Board Committee of  
**REXCAPITAL Financial Holdings Limited**  
**Yuen Wai Ho      Chow Siu Ngor      Lee Ka Lun**

---

## LETTER FROM VEDA CAPITAL

---

*The following is the full text of a letter of advice from Veda Capital and is prepared for the purpose of incorporation into this circular.*

**VEDA | CAPITAL**  
**智略資本**

**Veda Capital Limited**

Suite 11-12, 13/F, Nam Fung Tower  
173 Des Voeux Road Central, Hong Kong

15 August 2007

*To the Independent Board Committee and the Independent Shareholders of  
REXCAPITAL Financial Holdings Limited*

Dear Sirs,

### **CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transactions, details of which are set out in the letter from the Board (the “Board Letter”) contained in the circular dated 15 August 2007 (the “Circular”) issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As stated in the Board Letter, on 18 July 2007, Genius Nation, Cityhorizon and the Cityhorizon Guarantors entered into the Gentleigh Share Transfer Contract pursuant to which Genius Nation has agreed to acquire, and Cityhorizon has agreed to sell, the entire interest in the share capital of Gentleigh for a consideration of US dollars equivalent of RMB120,000,000 in cash less the total amount of all liabilities of each member of the Gentleigh Group at Gentleigh Completion. Following the Gentleigh Completion, Shenzhen Leli, an indirect wholly-owned subsidiary of the Company will acquire, and Yida Juncai will sell, a 30% interest in the registered capital of Guard Libang pursuant to the GLB Share Transfer Contract.

---

## LETTER FROM VEDA CAPITAL

---

On 18 July 2007, the Company, Genius Nation, Scientific Games Luxembourg and Scientific Games entered into the Happy Sun Sale and Purchase Agreement pursuant to which Scientific Games Luxembourg has agreed to acquire, and Genius Nation has agreed to sell, a 50% interest in the share capital of Happy Sun in consideration of US dollars equivalent of RMB210,000,000. Happy Sun Completion is conditional upon, inter alia, the completion of the transfer of equity under the GLB Share Transfer Contract in accordance with its terms and Shenzhen Leli being legally and beneficially interested in the entire registered capital of Guard Libang in accordance with the applicable laws in the PRC.

On 18 July 2007, Genius Nation, Scientific Games Luxembourg and Happy Sun have also entered into the Subscription Agreement, pursuant to which Happy Sun will, following the Happy Sun Completion, allot and issue, and each of Genius Nation and Scientific Games Luxembourg will subscribe for, one Subscription Share. Pursuant to the terms of the Subscription Agreement, Genius Nation and Scientific Games Luxembourg have each agreed to contribute capital to Happy Sun in order to develop the business of Guard Libang. Following completion of the Subscription Agreement, Happy Sun will be held by Genius Nation and Scientific Games Luxembourg in equal proportions of 50%. The capital to be contributed by Genius Nation pursuant to the Subscription Agreement will be a cash payment of RMB110,000,000 to Happy Sun in consideration for the issue to Genius Nation of one Subscription Share. The capital to be contributed by Scientific Games Luxembourg on a non-exclusive basis pursuant to the Subscription Agreement will be the contribution of know-how and consulting services to Happy Sun (pursuant to the terms of the Consulting Services Agreement) in consideration for the issue to Scientific Games Luxembourg of one Subscription Share.

The Gentleigh Acquisition constitutes a connected transaction of the Company and is subject to the approval by the Independent Shareholders by way of poll at the SGM pursuant to the requirements under Chapter 14A of the Listing Rules. The transaction contemplated under the Happy Sun Sale and Purchase Agreement and the Subscription Agreement constitute a discloseable transaction under Chapter 14 of the Listing Rules. Since the Happy Sun Sale and Purchase Agreement and the Subscription Agreement are conditional upon the series of transactions contemplated under the Gentleigh Share Transfer Contract, the Transactions are subject to the approval of the Independent Shareholders by way of poll at the SGM.

The Independent Board Committee comprising three independent non-executive Directors, namely Mr. Yuen Wai Ho, Mr. Chow Siu Ngor and Mr. Lee Ka Lun, has been established to advise the Independent Shareholders as to whether the terms of the Transactions are fair and reasonable and whether they are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote, after taking into account our recommendation.



---

## LETTER FROM VEDA CAPITAL

---

### **BASIS OF OUR ADVICE**

In formulating our opinion and recommendation, we have relied on the information supplied and the opinion expressed by the Directors and the management of the Company. We have assumed that the information contained and representations made to us or referred to in the Circular are true, accurate and complete at the time they were made and continue to be so as at the date of the Circular. We consider that we have been provided sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion.

We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor have we doubted the truth, accuracy and completeness of the information and representations provided to us by the Company. We have not, however, conducted an independent verification of the information provided by the Directors and management of the Company nor have we carried out any independent investigation into the business and affairs of the Company or any of its respective subsidiaries or associates.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In assessing the Transactions and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

#### **Background and reasons for the Transactions**

The Group is principally engaged in lottery system and games design business and the provision of financial services including brokering, securities margin financing, money lending, investment trading and holding, corporate finance and asset management.

#### ***Information on Guard Libang***

Guard Libang is principally engaged in the provision of systems and verification technology for instant lottery games in China administered by the China Welfare Lottery Administration Center, which is the authorized operator in operating and management of lotteries issuance of welfare lottery in the PRC. Guard Libang does not involve in direct operation of lottery games business. According to the operating licence of Guard Libang, its scope of business includes development in the technological know-how of lottery games. Guard Libang has obtained the necessary licenses, which include the business license, in relation to the operation of its business. Apart from such licenses, Guard Libang is not required to obtain any license or authorization from the relevant authority in the PRC to

---

## LETTER FROM VEDA CAPITAL

---

carry on its business. As stated in the Board Letter, the current operation of Guard Libang has complied with all applicable laws and regulations of the PRC. Since the business operation of Guard Libang is in the PRC, the Gambling Ordinance (Chapter 148 of the Laws of Hong Kong) is not applicable to Guard Libang. On this basis, the business carried out by Guard Libang is not contrary to the guidelines set out in the press release of the Stock Exchange dated 11 March 2003.

As mentioned in the Board Letter, the Company has been proactively identifying suitable investment opportunities to enhance the Group's revenue base and profitability. Through the 70% GLB Acquisition, the Group has been participating in the provision of system and machineries to the instant lottery games in the welfare lottery industry in China. Guard Libang is the sole system provider to the instant lottery games in the welfare lottery industry and its business covered 17 provinces and the Group plans to further expand its coverage in China. Guard Libang's revenue is generally based on sharing a certain percentage in the sales generated from the instant lottery games network in the relevant provinces and municipalities in China. In 2006, instant lottery games in the welfare lottery in China generated ticket sales of approximately RMB500 million, representing an increase of 400% from that in 2005.

### *Information on Scientific Games*

The shares of Scientific Games are currently listed on the NASDAQ. It is an integrated supplier of instant tickets, systems and services to lotteries worldwide, a supplier of fixed odds betting terminals and systems, amusement and skill with prize betting terminals, interactive sports betting terminals and systems, and wagering systems and services to pari-mutuel operators. It is also a licensed pari-mutuel gaming operator in Connecticut, Maine and the Netherlands and is a leading supplier of prepaid phone cards to telephone companies. Scientific Games' customers are in the United States and more than 60 other countries.

By creating a partnership with Scientific Games, through the Happy Sun Disposal and the Subscription Agreement, the Directors believe that the Group will bring together Scientific Games' worldwide lottery expertise with the Group's knowledge of the lottery related market in China. The Directors expect that with:

- (a) the free access to the library of games of Scientific Games;
- (b) the provision of know-how and consultancy services by Scientific Games in relation to, amongst other things,
  - (i) the creation and planning of instant lottery games;
  - (ii) the marketing and promotion of instant lottery games and tickets in China;

---

## LETTER FROM VEDA CAPITAL

---

- (iii) the distribution of instant lottery tickets; and
  - (iv) the operation support of instant ticket lottery; and
- (c) new working capital of RMB110,000,000,

Guard Libang, as the sole system provider to the instant lottery games in the welfare lottery industry, will be able to deliver higher quality services, widen its comprehensive range of games for instant lottery tickets, and expand its geographical coverage in China for instant lottery tickets operation.

### **Conditions**

#### ***Gentleigh Share Transfer Contract***

Gentleigh Completion is conditional upon fulfillment or waiver by Genius Nation, as the case may be, of the conditions set out in the Gentleigh Share Transfer Contract (which is also summarized in the Board Letter). Genius Nation may in its absolute discretion at any time waive in writing any of the conditions set out in the Gentleigh Share Transfer Contract and such waiver may be made subject to such terms and conditions as are determined by Genius Nation. Genius Nation shall not be entitled to exercise such right of waiver in respect of the passing of an ordinary resolution by the Shareholders to approve the Gentleigh Share Transfer Contract and the transactions contemplated therein, if as a result of such waiver Genius Nation would be in breach of the Listing Rules.

In order to assess whether the Gentleigh Share Transfer Contract was entered into upon normal commercial terms, we have reviewed the Gentleigh Share Transfer Contract and compared the terms and conditions to those of the sale and purchase agreement for the 70% GLB Acquisition since (i) at the material time of entering into the sale and purchase agreement for the 70% GLB Acquisition, the vendor for the 70% GLB Acquisition was an Independent Third Party; and (ii) the underlying assets of both acquisitions are the same. Save as to the difference in valuation, we noted that there is no major difference in the terms of the Gentleigh Share Transfer Contract and those in the sale and purchase agreement for the 70% GLB Acquisition. We concur with the Directors that the conditions of the Gentleigh Share Transfer Contract are in normal and commercial terms and fair and reasonable to the Company and the Independent Shareholders.

---

## LETTER FROM VEDA CAPITAL

---

### *Happy Sun Sale and Purchase Agreement*

Happy Sun Completion is conditional upon fulfillment or waiver (by Genius Nation and Scientific Games Luxembourg) of the conditions as set out in the Happy Sun Sale and Purchase Agreement, which include but without limitation the following:

- (a) the completion of the transfer of equity under the GLB Share Transfer Contract in accordance with its terms and Shenzhen Leli being legally and beneficially interested in the entire registered capital of Guard Libang in accordance with the applicable laws in the PRC;
- (b) the passing of an ordinary resolution by the Shareholders to approve the Gentleigh Share Transfer Contract and the transactions contemplated therein; and
- (c) the passing of an ordinary resolution by the Shareholders to approve the Happy Sun Sale and Purchase Agreement and the transactions contemplated therein.

Genius Nation and Scientific Games Luxembourg may in their absolute discretion at any time agree in writing to waive any of the conditions set out in the Happy Sun Sale and Purchase Agreement and such waiver may be made subject to such terms and conditions as are determined by Genius Nation and Scientific Games Luxembourg. Genius Nation and Scientific Games Luxembourg shall not be entitled to exercise such right of waiver in respect of paragraphs (b) or (c) above if as a result of such waiver Genius Nation would be in breach of the Listing Rules. Condition (a) above is to govern that after the completion of the Happy Sun Sale and Purchase Agreement, the Happy Sun Group will be held by Genius Nation and Scientific Games Luxembourg in equal proportions of 50%. We concur with the Directors that the conditions of the Happy Sun Sale and Purchase Agreement are in normal commercial terms and fair and reasonable to the Company and the Independent Shareholders.

### **Considerations**

#### *Gentleigh Share Transfer Contract*

The Gentleigh Consideration has been agreed by the parties after arm's length negotiation. In arriving at the Gentleigh Consideration, the Directors have considered factors including, the prospect of Guard Libang by taking into account, among other things, the leading position of Guard Libang as it is currently the sole system provider to the Instant Games section of the welfare lottery industry in China and the business opportunities in the growing welfare lottery market in China.

---

## LETTER FROM VEDA CAPITAL

---

The Gentleigh Consideration shall be the US dollars equivalent of RMB120,000,000 in cash less the total amount of all liabilities of each member of the Gentleigh Group at Gentleigh Completion.

### *The GLB Debt*

According to the information provided by Cityhorizon, the GLB Debt is the only liability of the Gentleigh Group at the Latest Practicable Date. The Gentleigh Share Transfer Contract provides that each member of the Gentleigh Group is restricted from incurring any liabilities between the date of the Gentleigh Share Transfer Contract and the Gentleigh Completion. Therefore, the Company expects that the GLB Debt will be the only liability of the Gentleigh Group at Gentleigh Completion. Genius Nation will settle part of the Gentleigh Consideration by procuring Yida Juncai to repay the GLB Debt to Wuhan Huacai following the Gentleigh Completion.

### *Happy Sun Sale and Purchase Agreement*

The Scientific Games Consideration shall be the US dollars equivalent of RMB210,000,000. The Scientific Games Consideration has been agreed by the parties after arm's length negotiation. In arriving at the Scientific Games Consideration, the Directors have considered factors including, the leading position of Guard Libang as it is currently the sole system provider to the Instant Games section of the welfare lottery industry in China and the business opportunities in the growing welfare lottery market in China.

### *Financial information of Guard Libang*

The audited financial information of Guard Libang for the two years ended 31 December 2005 and 2006 and the unaudited financial information of Guard Libang for the five months ended 31 May 2007 were prepared in accordance with accounting principles generally accepted in the PRC are set out as follows:

	For the year ended 31 December 2005 (Audited) RMB'000	For the year ended 31 December 2006 (Audited) RMB'000	For the 5 months ended 31 May 2007 (Unaudited) RMB'000
Turnover	1,754	5,347	13,270
Profit/(loss) before tax	(1,287)	(3,123)	5,499
Net Profit/(loss) after tax	<u>(1,287)</u>	<u>(3,123)</u>	<u>5,499</u>

---

## LETTER FROM VEDA CAPITAL

---

As stated in the table above, turnover of Guard Libang for the year ended 31 December 2006 was approximately RMB5.35 million, representing approximately 3.05 times of the turnover for the year ended 31 December 2005 of approximately RMB1.75 million. For the 5 months ended 31 May 2007, the turnover for such period of approximately RMB13.27 million had already surpassed and representing approximately 2.48 times of the yearly revenue of approximately RMB5.35 million for the year ended 31 December 2006. Although Guard Libang had reported net loss for the two years ended 31 December 2005 and 2006, the unaudited management accounts of Guard Libang for the five months ended 31 May 2007 showed that Guard Libang was able to turn around to a net profit position of approximately RMB5.5 million for such period.

### *Comparisons of considerations*

	70% GLB Acquisition (RMB)	Subject interest (%)	Gentleigh Share Transfer Contract (RMB)	Subject interest (%)	Happy Sun Sale and Purchase Agreement (RMB)	Subject interest (%)
Consideration for Equivalent valuation for 100% interest	160,180,800	70	120,000,000	30	210,000,000	50
	228,829,714 <i>(Note 1)</i>	100	400,000,000 <i>(Note 2)</i>	100	420,000,000 <i>(Note 3)</i>	100
Equivalent valuation for 30% interest	68,648,914	30	n/a		n/a	
Percentage increase in valuation from previous valuation	n/a		74.80%		n/a	
Equivalent valuation for 50% interest	n/a		200,000,000	50	n/a	
Percentage increase in valuation from previous valuation	n/a		n/a		5.00%	

*Notes:*

- At the material time of entering into of the sale and purchase agreement for the 70% GLB Acquisition, the vendor for the 70% GLB Acquisition was an Independent Third Party and the terms of (including consideration) 70% GLB Acquisition was negotiated on arm's length basis. Assuming the balance of 30% interest of Guard Libang is at the same valuation basis as the 70% interest of Guard Libang under the agreement at the time of the 70% GLB Acquisition, the valuation of 100% interest of Guard Libang is calculated as RMB160,180,800/70%.
- Assuming the balance of 70% interest of Guard Libang is at the same valuation basis as the 30% interest of Guard Libang under the agreement at the time of entering into the Gentleigh Share Transfer Contract, the valuation of 100% interest of Guard Libang is calculated as RMB120,000,000/30%.
- Assuming the balance of 50% interest of Guard Libang is at the same valuation basis as the 50% interest of Guard Libang under the agreement at the time of entering into the Happy Sun Sale and Purchase Agreement, the valuation of 100% interest of Guard Libang is calculated as RMB210,000,000/50%.

---

## LETTER FROM VEDA CAPITAL

---

As illustrated in the above table, the valuation of 30% interest of Guard Libang has increased by approximately 74.80% under the Gentleigh Consideration of approximately RMB120 million from the time of 70% GLB Acquisition of approximately RMB69 million. The valuation of 50% interest of Guard Libang also increased by 5% from the Gentleigh Consideration of approximately RMB200 million to the Scientific Games Consideration of RMB210 million.

It is expected that a gain of approximately RMB62,000,000 will be recognized in relation to the Happy Sun Disposal. The expected gain on the Happy Sun Disposal is calculated by deducting the Scientific Games Consideration by 50% of the aggregate of the consideration paid by Genius Nation for the 70% GLB Acquisition and Gentleigh Consideration.

Based on the above, we consider that the Scientific Games Consideration is fair and reasonable.

Although the Gentleigh Consideration represented a premium of 74.8% over the valuation of 30% interest of Guard Libang at the time of 70% GLB Acquisition, having considered that:

- (i) the Scientific Games Consideration represents a further premium of 5% over the same portion of interest in Guard Libang, which implies that the valuation of Guard Libang is on an upward trend;
- (ii) the leading position of Guard Libang has been maintained as it is currently the sole system provider to the Instant Games section of the welfare lottery industry in China and the business opportunities in the growing welfare lottery market in China;
- (iii) Guard Libang has an increasing earning potential since it was able to turn around to a net profit position of approximately RMB5.5 million for the five months ended 31 May 2007 from the loss position for the two years ended 31 December 2005 and 2006;
- (iv) the Happy Sun Sale and Purchase Agreement is conditional upon (amongst other things as set out the section headed “Happy Sun Sale and Purchase Agreement”) the completion of the transfer of equity under the GLB Share Transfer Contract so that Guard Libang will be able to enjoy the benefit to be brought along with Scientific Games being a new shareholder of Guard Libang as illustrated in the section headed “Subscription Agreement and Consulting Services Agreement” below; and
- (v) the expected gain to be recognized in relation to the Happy Sun Disposal,

we consider that the Gentleigh Consideration is fair and reasonable.

---

## LETTER FROM VEDA CAPITAL

---

### *Subscription Agreement and Consulting Services Agreement*

Pursuant to the terms of the Subscription Agreement, Genius Nation and Scientific Games Luxembourg have each agreed to contribute capital to Happy Sun in order to develop the business of Guard Libang for the issue of one Subscription Share to each of Genius Nation and Scientific Games Luxembourg. The capital to be contributed by Genius Nation pursuant to the Subscription Agreement will be a cash payment of RMB110,000,000 to Happy Sun, which will be required by Guard Libang for working capital purposes following the Happy Sun Completion. The capital to be contributed by Scientific Games Luxembourg on a non-exclusive basis will be the contribution of know-how and consulting services to Happy Sun (pursuant to the terms of the Consulting Services Agreement).

The know-how to be provided by Scientific Games Luxembourg pursuant to the Consulting Services Agreement includes the technology, technical information, know-how and experience that the Scientific Games group has in promoting lottery games including in relation to game planning, game development, game distribution, retailer liaison, game analysis and access to the games library of the Scientific Games group (the “Know-how”).

The consulting services to be provided by Scientific Games Luxembourg pursuant to the Consulting Services Agreement includes the provision of advice and assistance in relation to using the Know-how to (i) create and plan lottery games; (ii) market and promote lottery games and tickets in the PRC at the provincial and municipal level; (iii) merchandise and distribute of lottery tickets; and (iv) operate, market and manage instant ticket lotteries generally (the “Consulting Services”).

Pursuant to the terms of the Consulting Services Agreement, Scientific Games Luxembourg will provide the Consulting Services to the Happy Sun Group principally through the appointment of a Chief Marketing Officer to Happy Sun and by training employees of the Happy Sun Group. In providing the Consulting Services to the Happy Sun Group, Scientific Games Luxembourg will utilize, and provide Happy Sun with access to, the Know-how.

According to the information provided by Scientific Games, its approach to the lottery market is to provide its instant ticket cooperative services know-how (“CSP Solution”) to its clients for a percentage of sales in return. Since it does not know the level of sales that will be generated from the relevant know-how in advance, it has no way of quantifying the value of the service. However, Scientific Games can provide certain examples of the significant impact of the implementation of the CSP Solution has had on the sales revenue generated by its customers. For example, Scientific Games won a contract to implement its CSP Solution to an operator of the national instant ticket contract in a European country. Immediately after the implementation of the CSP Solution in the third quarter of 2004, such European



---

## LETTER FROM VEDA CAPITAL

---

operator was selling instant tickets in the amount of approximately 14.6 million Euros per quarter. Scientific Games, through the implementation of the same know-how being provided to the Happy Sun Group, was able to increase the instant ticket sales of such European operator by over 14 times to approximately 2.1 billion Euros per quarter for the first quarter in 2007. Given the similarities in the nature of the know-how to be supplied to Guard Libang and supplied to the European operator and better demographics distribution in the PRC than in that European country, the Directors believe that the success done to the European operator is likely to be duplicated in Guard Libang. With reference to the effective historical performance of Scientific Games, we concur with the Directors that it is reasonable to suggest that the value of the Know-how is not less than RMB110,000,000, being the amount of cash contributed by Genius Nation for its equivalent share in Happy Sun.

As mentioned under the section headed “Reasons for and Benefits of the Gentleigh Acquisition and the Happy Sun Disposal” in the Board Letter, the Directors believe that there is potential for growth in the lottery market in the PRC which will lead to an increase in demand for new games. Scientific Games is an established integrated supplier of instant tickets, systems and services to lotteries worldwide. The Directors further believe that the contribution of the Know-how by Scientific Games Luxembourg, and, in particular, access to the games library of the Scientific Games group, will be a key component of the further development of the business of Guard Libang and will strengthen the Group’s position in the instant lottery games market in China and reduce research and development expenses of Guard Libang. The value of the Know-how and Consulting Services is being assessed by reference to Scientific Games’ track record on working with other companies in the lottery game sector.

Based on the above, we share the view of the Directors that the subscription price under the Subscription Agreement, together with the Happy Sun Consideration, are fair and reasonable and in the interest of the Independent Shareholders as a whole.

### **Financial effects on the Group**

After the completion of the Happy Sun Sale and Purchase Agreement, the Happy Sun Group will be held by Genius Nation and Scientific Games Luxembourg in equal proportions of 50%. As such, from the accounting perspective, the Happy Sun Group will become a jointly controlled company of Genius Nation and Scientific Games Luxembourg and each of the members of the Happy Sun Group will no longer be a subsidiary of the Company whereas before the completion of the Gentleigh Share Transfer Contract, the effective interest of the Company in Guard Libang is 70%.

---

## LETTER FROM VEDA CAPITAL

---

### *Earnings*

Having considered the turn around profit performance for the five months ended 31 May 2007 (including the significant increase in turnover for the period ended 31 May 2007), the earnings potential of Guard Libang and successful implementation track record of Scientific Games, we are of the view that the Transactions would strengthen the income base of the Group, which is in the interests of the Company and the Independent Shareholders as a whole.

### *Net assets value*

As at 31 December 2006, the audited consolidated net asset value of the Group attributable to the Shareholders was approximately HK\$811 million. Since the Transactions will be satisfied by internal cash resources of the Group, there would be no impact on the Group's liabilities and there would not be any material effect on the net asset value of the Group.

### *Net cash flow*

At Happy Sun Completion, Scientific Games Luxembourg will pay the Scientific Games Consideration of RMB210,000,000 to Genius Nation, following which:

- (i) Genius Nation will pay RMB110,000,000 in cash to Happy Sun as consideration for subscribing for one Subscription Share under the Subscription Agreement, and Scientific Games Luxembourg will contribute the Know-how and the Consulting Services to Happy Sun as consideration for subscribing for one Subscription Share under the Subscription Agreement; and
- (ii) Genius Nation will pay Cityhorizon the Gentleigh Consideration of RMB120,000,000 under the Gentleigh Share Transfer Contract.

The difference of RMB20,000,000 between the Scientific Games Consideration and the aggregate of the Gentleigh Consideration and the subscription price payable by Genius Nation under the Subscription Agreement shall be financed by the Group's internal cash resources. Thus, upon completion of the Transactions, the bank balances and cash of the Group will decrease by RMB20,000,000. As at 31 December 2006, the Group had cash and bank balance of approximately HK\$165 million. As confirmed by the Company, there would not be material adverse impact on the Group's working capital position.

---

## LETTER FROM VEDA CAPITAL

---

Having considered the business prospects and earnings potential of the Guard Libang and the enhancement in the Group's earnings potential, we consider that the decrease in working capital of the Group arisen from the Transactions to be acceptable in so far as the Company and the Independent Shareholders are concerned.

### CONCLUSION AND RECOMMENDATION

Having considered the principal factors and reasons as stated above, we are of the opinion that the terms of the Transactions were entered into upon normal commercial terms, in the ordinary and usual course of business and the terms of the Transactions are fair and reasonable so far as the Independent Shareholders are concerned and they are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions in relation to the Transactions to be proposed at the SGM.

Yours faithfully,

For and on behalf of

**Veda Capital Limited**

**Hans Wong**

**Julisa Fong**

*Managing Director*

*Director*

**RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

**DISCLOSURE OF INTERESTS****Directors and chief executive**

- (a) As at the Latest Practicable Date, the interest and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); or are required pursuant to section 352 of the SFO to be entered in the register referred to therein; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code of Securities Transaction by Directors of Listed Companies:

***Long position in the Shares***

Name of Director	Number of Shares held	Nature of interests	Approximate percentage of issued share capital
Chan How Chung, Victor ("Mr. Chan")	1,098,805,635 <i>Note</i>	Interest of a controlled corporation	18.11%

*Note:*

These shares are held by Kingly Profits Corporation, of which 380,902,945 Shares are held as beneficial owner and 717,902,690 Shares are held as other interests. Kingly Profits Corporation is indirectly wholly-owned by Mr. Chan. Mr. Chan is also taken to be interested in 717,902,690 Shares by virtue of his 100% contributable shareholding interest in TingKong-RexCapital Holdings Limited. TingKong-RexCapital Holdings Limited is a contributory of TKR Finance Limited (in liquidation), which had a security interest over such Shares. The interest disclosed herein is the same as the interest of TingKong-RexCapital Holdings Limited as disclosed in the section under "Substantial shareholders" in this Appendix.

Save as disclosed above, as at the Latest Practicable Date, none of the directors and the chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest and short position which he/she was taken or deemed to have under such provisions of the SFO); or are required pursuant to section 352 of the SFO to be entered in the register referred to therein; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

- (b) As at the Latest Practicable Date, none of the Directors, had any interest in any assets which have been, since 31 December 2006 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Group.

### **Substantial shareholders**

#### ***Interests in the Company***

So far as is known to the Directors, as at the Latest Practicable Date, each of the following persons, other than a director or chief executive of the Company, had an interest and/or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group.

Name of Shareholder	Nature of interests	Number of Shares held	Approximate percentage of issued share capital
Kingly Profits Corporation	Beneficial and other interest	1,098,805,635 <i>(Note 1)</i>	18.11%
Gandhara Advisors Asia Ltd a/c Gandhara Master Fund Ltd	Investment Manager	524,875,000	8.65%
TKR Finance Limited (in liquidation)	Security interest	735,852,690	12.13%
TingKong-RexCapital Holdings Limited	Interest in controlled corporation	717,902,690 <i>(Note 2)</i>	11.83%
CITIC Media Group Limited	Interest in controlled corporation	500,000,000	8.24%

*Notes:*

1. These Shares were held by Kingly Profits Corporation, The interest disclosed herein was the same as the interest of Mr. Chan as disclosed in the section under “Disclosure of Interests – Directors and chief executive” in this Appendix.
2. TingKong-RexCapital Holdings Limited is a contributory of TKR Finance Limited (in liquidation), which had a security interest over such Shares. TingKong-RexCapital Holdings Limited was owned as to 51.63% by REXCAPITAL Partners Incorporated and as to 48.37% by Mr. Chan. REXCAPITAL Partners Incorporated was owned as to 100% by Mr. Chan. The interest disclosed herein was the same as the interest of Mr. Chan as disclosed in the section under “Disclosure of Interests – Directors and chief executive” in this Appendix.

*Interests in non wholly-owned subsidiaries*

Name of Shareholder	Name of subsidiary	Approximate percentage of interest in such subsidiary
好客投資管理諮詢(深圳) 有限公司	深圳市思樂數據技術有限公司	20%
北京驛達駿彩科技有限公司	北京戈德利邦科技有限公司	30%
國旅聯合股份有限公司	深圳市金帆軟件技術有限公司	20.5%
徐曉生	深圳市金帆軟件技術有限公司	16%
中信文化傳媒集團有限公司	御泰投資管理(南通)有限公司	10%

Save as disclosed above and so far as is known to the Directors, as at the Latest Practicable Date, no other person has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

**COMPETING INTERESTS**

Pursuant to Rule 8.10(2) of the Listing Rules, details of the interests held by the Directors in business which is considered to compete or are likely to compete, either directly or indirectly, with the business of the Group, are disclosed as follows:

Name of company	Competing business
D & M Finance Limited (“D&M”)	Money lending
RPI Finance Limited (“RPI”)	Money lending
Drake & Morgan Limited (“Drake & Morgan”)	Securities dealing

Mr. Chan How Chung, Victor is a director and deemed to be the substantial shareholder of RPI and Drake & Morgan. He is a director of D&M. The terms and conditions of the financing loans of each of D&M and RPI are market driven and agreed at arm's length between the borrowers and the financiers. The client base of Drake & Morgan is different from that of the Group and the business transactions are carried out at arm's length and at the prevailing market prices. When making decisions on the above competing business, Mr. Chan in the performance of his duty as a director of the Company, has acted and will continue to act in the best commercial interest of the Group.

### **EXPERT STATEMENTS**

This circular includes statement(s) made by the following experts:

<b>Name</b>	<b>Qualification</b>
Veda Capital Limited	a licensed corporation to carry out type 6 regulated activities under the SFO and is the independent financial adviser to the Independent Board Committee and Independent Shareholders on the Transactions

The above expert has given and has not withdrawn its written consent to the issue of this circular with its statement(s) included in the form and context in which it is included.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any interest in any assets which have been, since 31 December 2006 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

### **MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, the date to which the latest published consolidated audited accounts of the Group had been made up.



**LITIGATION**

As at the Latest Practicable Date, the Directors were not aware of any litigation or claim of material importance pending or threatened against any member of the Group.

**SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or proposed directors of the Company had any existing or proposed service contract with any member of the Group (excluding contracts expiring or terminable by the employer within a year without payment of any compensation (other than statutory compensation)).

**MISCELLANEOUS**

- (a) The English language text of this document shall prevail over the Chinese language text.
- (b) The Secretary of the Company is Ms. Ng Yuen Yee, *ACS, ACIS*.
- (c) The qualified accountant of the Company appointed pursuant to Rule 3.24 of the Listing Rules is Mr. Woo Ming Wah, a certified public accountant.
- (d) The Company's branch share registrars and transfer office in Hong Kong is Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Suite 3401, 34th Floor, COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong for a period of 14 days (excluding Saturdays) from the date of this circular:

- (a) Consulting Services Agreement;
- (b) Gentleigh Share Transfer Contract;
- (c) GLB Share Transfer Contract;
- (d) Happy Sun Sale and Purchase Agreement;
- (e) Shareholders Agreement; and
- (f) Subscription Agreement.

---

## NOTICE OF SGM

---



# REXCAPITAL Financial Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 555)**

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “Special General Meeting”) of REXCAPITAL Financial Holdings Limited (the “Company”) will be held at 34/F., COSCO Tower, Grand Millennium Plaza, 183 Queen’s Road Central, Hong Kong at 10:00 a.m. on Friday, 7 September 2007 for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions:

### **ORDINARY RESOLUTIONS**

1. **“THAT** the sale and purchase agreement dated 18 July 2007 entered into among Genius Nation Limited, a wholly-owned subsidiary of the Company, Cityhorizon International Limited and Xiong Wei and Wang Xiangbo (the “Gentleigh Share Transfer Contract”) (details of which are set out in the circular dated 15 August 2007 despatched by the Company to its shareholders, a copy of the Gentleigh Share Transfer Contract has been produced at the meeting marked “A”, and signed by the chairman of the meeting for identification purposes) in relation to the acquisition of the entire issued share capital of Gentleigh International Limited by Genius Nation Limited from Cityhorizon International Limited and the transactions contemplated therein be and are hereby approved, confirmed and ratified, and the directors of the Company be and are hereby authorized to do all such further acts and things and execute further documents and take all steps which may be in their opinion necessary, desirable or expedient to implement and/or give effect to the terms of the Gentleigh Share Transfer Contract and the transactions contemplated thereunder.”
2. **“THAT** the sale and purchase agreement dated 18 July 2007 entered into among the Company, Genius Nation Limited, Scientific Games Luxembourg Holdings SARL and Scientific Games Corporation (the “Happy Sun Sale and Purchase Agreement”) (details of which are set out in the circular dated 15 August 2007 despatched by the Company to its shareholders, a copy of the Happy Sun Sale and Purchase Agreement

---

## NOTICE OF SGM

---

has been produced at the meeting marked “B”, and signed by the chairman of the meeting for identification purposes) in relation to the disposal of the 50% interest in the issued share capital of Happy Sun Technologies Ltd by Genius Nation Limited to Scientific Games Luxembourg Holdings SARL and the transactions contemplated therein be and are hereby approved, confirmed and ratified, and the directors of the Company be and are hereby authorized to do all such further acts and things and execute further documents and take all steps which may be in their opinion necessary, desirable or expedient to implement and/or give effect to the terms of the Happy Sun Sale and Purchase Agreement and the transactions contemplated thereunder.”

By order of the board of  
**REXCAPITAL Financial Holdings Limited**  
**Chan How Chung, Victor**  
*Executive Director*

Hong Kong, 15 August 2007

*Notes:*

1. Any member of the Company (the “Member”) entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. Vote may be given either personally or by a duly authorized corporate representative or by proxy. A Member who is the holder of two or more shares of the Company (the “Shares”) may appoint more than one proxy to attend on the same occasion provided that, if more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed. A proxy need not be a Member. In addition, a proxy or proxies representing either an individual Member or a Member which is a corporate, shall be entitled to exercise the same powers on behalf of the Member which he or they represent as such Member could exercise, including, without limiting the generality of foregoing, but subject to the right to vote individually on a show of hands.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing or, if the appointer is corporation, either under seal or under the hand of an officer or attorney duly authorized.
3. A form of proxy for the Meeting is enclosed. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority shall be deposited at the Company’s share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude of a Member from attending and voting in person at the meeting or poll concerned.

---

## NOTICE OF SGM

---

4. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution unless it states that it is valid for all meetings whatsoever until revoked with the exception that any instrument may be used at any adjournment of the meeting for which it was originally intended and on a poll demanded at a meeting or adjourned meeting provided that in all these cases the meeting was originally held within 12 months from such date.
5. The instrument appointing a proxy to vote shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit.
6. A vote given in accordance with the terms of an instrument of proxy or power of attorney or by the duly authorized corporate representative of a corporation shall be valid notwithstanding the previous death or insanity of the principal or the revocation of the proxy or power of the attorney or other authority under which the proxy was executed or transfer of the Share in respect of which the proxy is given provided that no intimation in writing of the death, insanity, revocation or transfer has been received at the office or such other place as was specified for the deposit of instrument of proxy or by the chairman of the meeting at least 2 hours before the commencement of the meeting or adjourned meeting at which the instrument of proxy is used.