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## **REXCAPITAL International Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

### **MAJOR TRANSACTION DISPOSAL OF AN INTEREST IN A SUBSIDIARY**

#### **THE SALE AND PURCHASE AGREEMENT**

On 29 October 2003, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with the Purchaser, an Independent Third Party, regarding the disposal of an 87.5% interest in REXCAPITAL Infrastructure.

Pursuant to the Sale and Purchase Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares, representing the entire interest of the Vendor in REXCAPITAL Infrastructure, for an aggregate consideration of HK\$350 million. The Sale Shares represent 87.5% of the entire issued share capital of REXCAPITAL Infrastructure. Completion is subject to the satisfaction of certain conditions, which are set out below in the sub-section headed "Conditions" in this announcement.

The consideration of HK\$350 million will be paid by the Purchaser to the Vendor as to 40% in cash (HK\$140 million) upon Completion; as to 30% in cash (HK\$105 million) on the first Business Day immediately following four months from the date of Completion; and as to the remaining balance in cash (HK\$105 million) on the first Business Day immediately following eight months from the date of Completion. The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement were arrived at after arm's length negotiation between the parties involved with reference to an independent valuation. It is the present intention of the Company that the net proceeds of the Disposal amounting to approximately HK\$349.5 million will be applied as to (i) approximately HK\$200 million for expanding the Group's existing businesses in strategic investments and capital market activities; (ii) approximately HK\$100 million for the commencement of the Group's business in a wide range of financing services such as project financing and structured financing; and (iii) the remaining balance of approximately HK\$49.5 million as the Group's additional general working capital.

The Disposal constitutes a major transaction for the Company under the Listing Rules and is subject to, inter alia, the approval of the Shareholders at a special general meeting. A circular containing further information on the Disposal together with a notice of special general meeting will be sent to the Shareholders as soon as practicable.

## **DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES**

Upon Completion, the amount due from the Purchaser arising from the Disposal of HK\$210 million will exceed 25% of the Group's latest published audited consolidated net asset value as at 31 March 2003, the Company therefore has the obligation to disclose such information pursuant to the requirements under paragraph 3.2.1 of Practice Note 19 of the Listing Rules.

Save as disclosed above, there is no other disclosure required to be made by the Company pursuant to Practice Note 19 of the Listing Rules.

### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 30 October 2003 pending the issue of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 3 November 2003.

## **I. THE SALE AND PURCHASE AGREEMENT**

### **Date**

29 October 2003

### **Parties**

Vendor: REXCAPITAL Technology Limited, a company incorporated in the British Virgin Islands, which is the registered and beneficial owner of the Sale Shares and is an indirectly wholly-owned subsidiary of the Company

Purchaser: Sky China Holdings Limited, a company incorporated in the British Virgin Islands and is beneficially wholly owned by an Independent Third Party

### **Disposal of equity interest**

Pursuant to the Sale and Purchase Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares, representing the entire interest of the Vendor in REXCAPITAL Infrastructure. The Sale Shares represent 87.5% of the entire issued share capital of REXCAPITAL Infrastructure, whereas the remaining 12.5% interest is owned by Union Max, an Independent Third Party.

### **Consideration**

The total consideration in respect of the Disposal payable by the Purchaser to the Vendor is HK\$350 million in cash.

The terms of the Sale and Purchase Agreement including the consideration were determined after an arm's length negotiation with reference to a valuation of the entire issued share capital of REXCAPITAL Infrastructure conducted by Grant Sherman Appraisal Limited, an independent valuer. According to such valuation, the entire issued share capital of REXCAPITAL Infrastructure is valued at HK\$400 million as at 30 September 2003. The consideration of HK\$350 million for the Sale Shares is equivalent to the fair market value of the Sale Shares under such valuation.

### **Payment terms**

The consideration of HK\$350 million for the Sale Shares shall be payable to the Vendor or its nominee(s) and settled as follows:

- (a) 40% of the consideration (HK\$140 million) shall be paid by the Purchaser to the Vendor upon Completion;
- (b) 30% of the consideration (HK\$105 million) shall be paid by the Purchaser to the Vendor on the first Business Day immediately following four months from the date of Completion; and
- (c) the balance of the consideration (HK\$105 million) shall be paid by the Purchaser to the Vendor on the first Business Day immediately following eight months from the date of Completion.

Pursuant to the Sale and Purchase Agreement, the Vendor and the Purchaser will enter into a share charge whereby the Sale Shares will be charged to the Vendor by the Purchaser as a continuing security for the due and punctual performance by the Purchaser of its obligations under the Sale and Purchase Agreement including the due payment of the consideration for the Sale Shares to the Vendor. The share charge will subsist until full settlement of the consideration.

Under the share charge, the Purchaser will unconditionally and irrevocably charge to the Vendor by way of first legal charge all of its present and future right title and interest in and to the Sale Shares together with, inter alia, all further shares, securities and rights, and all dividends or other benefits accruing, paid, offered or deriving therefrom at any time to or in respect of the Sale Shares as a continuing security for the due and punctual payment of the outstanding monies obligations and liabilities under the Sale and Purchase Agreement and the due and punctual performance by the Purchaser of its obligations under the Sale and Purchase Agreement.

The Vendor shall be entitled to declare all or any part of this security immediately enforceable at any time after the Purchaser fails to pay on the due date or otherwise upon demand the whole or any outstanding monies obligations and liabilities under the Sale and Purchase Agreement in accordance with the terms of the Sale and Purchase Agreement. Upon or at any time after this security has become enforceable, the Vendor may, without further notice or authority:—

- (a) register the rights and interests in relation to the Sale Shares under the share charge in its name or that of its nominee or any third party (to the extent not already done so);

- (b) sell or otherwise dispose of the rights and interests in relation to the Sale Shares under the share charge or any part thereof; and/or
- (c) sell or otherwise dispose of all or any of the Vendor's rights to the rights and interests in relation to the Sale Shares under the share charge.

The Purchaser is entitled to, upon Completion, exercise and enjoy all the rights as a shareholder over the Sale Shares, including any voting rights thereof and to receive any dividends derived therefrom. The Vendor can only exercise its rights under the share charge when the Purchaser defaults in its payment obligations under the Sale and Purchase Agreement. Appropriate announcement will be made by the Company if the Purchaser defaults in its payment obligations under the Sale and Purchase Agreement.

### **Conditions**

Completion is conditional upon, among others, the following conditions being fulfilled:

- (a) the passing of a resolution by the Shareholders at a special general meeting of the Company approving the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (b) the obtaining by the Vendor of all relevant authorisation, consents or approvals of government or regulatory authorities required of the Vendor for Completion, if any; and
- (c) the Purchaser or its appointed representatives carrying out a due diligence review on the REXCAPITAL Infrastructure Group which shall be completed before the Long-Stop Date and being satisfied with the results of such due diligence review.

The Purchaser (but not the Vendor) shall be entitled (so far as it is permitted by law so to do) at its absolute discretion to waive the condition referred to in (c) above. The Vendor shall use its best endeavours so far as lies within its powers to procure that such conditions referred to in (a) and (b) above are fulfilled or satisfied on or before the Long-Stop Date.

In the event that any of the conditions above has not been fulfilled or satisfied (or waived by the Purchaser) by the Long-Stop Date, all rights, obligations and liabilities of the Vendor and the Purchaser in respect of the sale and purchase of the Sale Shares shall cease and determine and neither the Vendor nor the Purchaser shall have any claim against the other in connection with the Sale and Purchase Agreement.

### **Completion**

Completion shall take place on the third Business Day after the fulfilment of the conditions or waiver thereof, as the case may be, as set out under the Sale and Purchase Agreement, or such other date as the parties thereto may agree in writing, but in any event no later than the Long-Stop Date (i.e. 31 January 2004).

## **II. INFORMATION ON REXCAPITAL INFRASTRUCTURE**

REXCAPITAL Infrastructure is a company incorporated in the British Virgin Islands on 17 April 2000 with limited liability and is, as at the date of the Sale and Purchase Agreement, beneficially owned as to 87.5% by the Vendor and as to 12.5% by Union Max, which is an Independent Third Party. REXCAPITAL Infrastructure is an investment holding company and its subsidiaries are principally engaged in the provision of telecommunications and technology-related services in the PRC.

For the two financial years ended 31 March 2002 and 31 March 2003, REXCAPITAL Infrastructure Group did not record any turnover, while it recorded unaudited net loss of approximately HK\$306 million and unaudited net loss of approximately HK\$0.4 million respectively. As at 31 March 2002 and 31 March 2003, its unaudited net liabilities amounted to approximately HK\$541 million and HK\$541 million respectively. As at 30 September 2003, its unaudited net assets amounted to approximately HK\$395 million.

## **III. REASONS FOR THE SALE AND PURCHASE AGREEMENT**

The Company is principally engaged in investment holding. The subsidiaries of the Company are principally engaged in strategic investments and capital market activities in Asia and the provision of telecommunications and technology-related services in Hong Kong and the PRC.

As stated in the Company's annual report for the financial year ended 31 March 2003, the Directors considered that the telecommunications and technology-related market continued to be very tough and the global and local economic atmosphere was still on the low side and the continued deflation in the economy had further aggravated investment and spending in telecommunications infrastructure and information technology in every industry.

In early 2003, the Group planned, if the market conditions of the telecommunications and technology-related business improved, to form strategic alliance with investors who were also optimistic about the future of that business to jointly exploit its optical fibre resources. Apart from that plan, the Group has also been actively exploring all possible alternatives to best utilise its optical fibre resources. After careful consideration, the Directors have come to the conclusion that under the current environment, it would be difficult for the Group, as a foreign investor, to participate in the PRC telecommunications business.

Upon Completion, the Group will cease to provide telecommunications and technology-related services which is used to be carried out by the REXCAPITAL Infrastructure Group, but will continue to engage in the strategic investments and capital market activities and will commence to engage in financing services. The Directors believe that the Disposal represents a good opportunity that enables the Group (i) to realise its investment in the telecommunications industry at a reasonable price; and (ii) to focus the Group's resources on businesses, which the Directors believe that better returns would be created for the Group. In sum, the Directors (including the independent non-executive Directors) consider that the Disposal is in the interests of the Company and the Shareholders as a whole.

#### **IV. USE OF PROCEEDS**

The Directors estimate that the net proceeds of the Disposal amounts to approximately HK\$349.5 million. It is the present intention of the Company that such net proceeds will be applied as to (i) approximately HK\$200 million for expanding the Group's existing businesses in strategic investments and capital market activities; (ii) approximately HK\$100 million for commencement of the Group's business in a wide range of financing services such as project financing and structured financing; and (iii) the remaining balance of approximately HK\$49.5 million as the Group's additional general working capital. The Group is not currently involved in any negotiation or does not have any concrete plan in expanding the Group's existing businesses in strategic investments and capital market activities.

#### **V. DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES**

Upon Completion, the amount due from the Purchaser arising from the Disposal of HK\$210 million will exceed 25% of the Group's latest published audited consolidated net asset value as at 31 March 2003, the Company therefore has the obligation to disclose such information pursuant to the requirements under paragraph 3.2.1 of Practice Note 19 of the Listing Rules.

Save as disclosed above, there is no other disclosure required to be made by the Company pursuant to Practice Note 19 of the Listing Rules.

#### **VI. GENERAL**

The Disposal constitutes a major transaction for the Company under the Listing Rules and is subject to, inter alia, the approval of the Shareholders at a special general meeting. A circular containing further information on the Disposal together with a notice of special general meeting will be sent to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 30 October 2003 pending the issue of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 3 November 2003.

#### **VII. DEFINITIONS**

“Business Day”	a day (other than Saturday) on which banks in Hong Kong are generally open for business
“Company”	REXCAPITAL International Holdings Limited, a company incorporated in Bermuda with limited liability
“Completion”	completion of the Sale and Purchase Agreement
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser for an aggregate consideration of HK\$350 million pursuant to the Sale and Purchase Agreement

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a person or a company which is independent of and not connected with any of the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules)
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long-Stop Date”	31 January 2004 (or such other date as the parties to the Sale and Purchase Agreement may agree in writing), being the long-stop date of the Sale and Purchase Agreement
“PRC”	People’s Republic of China (and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Purchaser”	Sky China Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially wholly owned by an Independent Third Party
“REXCAPITAL Infrastructure”	REXCAPITAL Infrastructure Limited, a company which was incorporated in the British Virgin Islands on 17 April 2000 with limited liability and is beneficially owned as to 87.5% by the Vendor and as to 12.5% by Union Max as at the date of the Sale and Purchase Agreement
“REXCAPITAL Infrastructure Group”	REXCAPITAL Infrastructure and its subsidiaries
“Sale and Purchase Agreement”	the conditional sale and purchase agreement entered into between the Vendor and the Purchaser in relation to the Disposal dated 29 October 2003
“Sale Shares”	875 fully paid ordinary shares of US\$1.00 each in the capital of REXCAPITAL Infrastructure, representing 87.5% of its entire issued share capital as at the date of the Sale and Purchase Agreement
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Union Max”	Union Max Limited, which is an Independent Third Party and the beneficial owner of 12.5% interest in the issued share capital of REXCAPITAL Infrastructure

“Vendor”

REXCAPITAL Technology Limited, a company incorporated in the British Virgin Islands, which is an indirectly wholly-owned subsidiary of the Company and the registered and beneficial owner of the Sale Shares

By order of the board  
**REXCAPITAL International Holdings Limited**  
**Chan How Chung, Victor**  
*Chairman*

Hong Kong, 31 October 2003

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