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REX Global Entertainment Holdings Limited

御濠娛樂控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 164)

DISCLOSEABLE TRANSACTION DEEMED DISPOSAL OF 20% INTEREST IN A SUBSIDIARY AND RESUMPTION OF TRADING

THE DEEMED DISPOSAL

The Board is pleased to announce that on 24 May 2016, China Baoli, a direct wholly-owned subsidiary of the Company, China Youth Travel and the Target Company entered into the Framework Agreement, pursuant to which China Baoli and China Youth Travel wish to cooperate with each other to develop Yota smartphone and related business in the PRC. The cooperation will be implemented through the allotment of new shares by the Target Company or any of its subsidiaries to China Youth Travel.

Subject to the terms and conditions of the Framework Agreement, the Target Company will or will procure any of its subsidiaries to, allot and issue up to 20% of the enlarged issued share capital of the Target Company or its subsidiary (as the case may be) to China Youth Travel at the Consideration. Immediately upon Completion, the Target Company or its subsidiary (as the case may be) will be held as to 80% by China Baoli and 20% by China Youth Travel.

Accordingly, upon Completion, China Baoli's interest in the Target Company (or its subsidiary) (as the case may be) will be reduced from 100% to 80%, which will constitute a deemed disposal of interests in the Target Company (or its subsidiary) (as the case may be) by the Company under the Listing Rules. Immediately upon Completion, the Target Company (or its subsidiary) (as the case may be) will remain as a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Framework Agreement is more than 5% and all applicable percentage ratios are less than 25%, the Deemed Disposal constitutes a discloseable transaction for the Company, which is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under the Listing Rules.

Shareholders and potential investors should note that the Deemed Disposal contemplated under the Framework Agreement is subject to satisfaction of certain conditions precedent and it may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 24 May 2016, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 26 May 2016.

INTRODUCTION

The Board is pleased to announce that on 24 May 2016, China Baoli, a direct wholly-owned subsidiary of the Company, China Youth Travel and the Target Company entered into the Framework Agreement, pursuant to which China Baoli and China Youth Travel wish to cooperate with each other to develop Yota smartphone and related business in the PRC. The cooperation will be implemented through the allotment of new shares by the Target Company or any of its subsidiaries to China Youth Travel.

Subject to the terms and conditions of the Framework Agreement, the Target Company will, or will procure any of its subsidiaries to, allot and issue up to 20% of the enlarged issued share capital of the Target Company or its subsidiary (as the case may be) to China Youth Travel at the Consideration.

THE FRAMEWORK AGREEMENT

Date

24 May 2016

Parties

- (i) China Baoli Technologies Investment Limited;
- (ii) China Youth Travel Industry (HK) Limited; and
- (iii) Advance Star Investments Limited, as target company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, China Youth Travel and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

The Deemed Disposal

Subject to the terms and conditions of the Framework Agreement, the Target Company will, or procure any of its subsidiaries to, allot and issue up to 20% of the enlarged issued share capital of the Target Company or its subsidiary (as the case may be) to China Youth Travel at the Consideration.

Consideration

The Consideration shall be paid in cash by China Youth Travel to the Target Company within 3 years after the date of the Framework Agreement in installments depending on the business needs, product production and orders of the Target Group after the commercial launch of the YotaPhone3 has commenced. The Consideration paid by China Youth Travel will be used to develop Yota smartphone and related business. The Consideration was determined based on arm's length negotiations between the parties to the Framework Agreement on normal commercial terms with reference to the prospect of the Target Group in the sale and development of Yota smartphone and related business in the coming three years, as well as the total investment amount of no more than RMB3,000,000,000 (the "**Total Investment Amount**") to be committed by China Baoli and China Youth Travel through their respective

investments in the Target Group in respect of the development of Yota smartphone and related business on a pro-rata basis according to the then shareholding interest of China Youth Travel in the Target Company (or its subsidiary) (as the case may be).

Conditions Precedent

Completion will take place subject to the fulfilment of the following conditions precedent pursuant to the Framework Agreement:

- a) the Target Company or its subsidiary having increased its authorized share capital or registered capital (as the case may be);
- b) the Company having made all necessary disclosures in relation to the Framework Agreement and the transactions contemplated thereunder in accordance with the Listing Rules and other applicable requirements; and
- c) all necessary approvals, consents and notifications having been obtained by China Baoli and China Youth Travel in respect of the transactions contemplated under the Framework Agreement in accordance with the applicable laws and regulations.

Completion

Completion shall take place on a date no later than 30 September 2016, failing which the Framework Agreement shall immediately be terminated and thereafter no party has any claims against or liabilities or obligations to the other party.

Immediately upon Completion, the Target Company (or its subsidiary) (as the case may be) will be held as to 80% by China Baoli and 20% by China Youth Travel. After Completion, the Target Company (or its subsidiary) (as the case may be) will remain as a subsidiary of the Company.

Undertaking by China Baoli

China Baoli has undertaken to China Youth Travel that it will maintain its 80% interest in the Target Company (or its subsidiary) (as the case may be) by way of capital or asset injection wherever appropriate in an amount equal to 80% of the Total Investment Amount, which will be used to develop Yota smartphone and related business.

INFORMATION ON CHINA BAOLI AND THE TARGET COMPANY

China Baoli is incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company. It is an investment holding company, which directly holds the entire issued share capital of the Target Company and two other companies incorporated in the BVI.

The Target Company was incorporated in the BVI on 3 July 2015 with limited liability and a direct wholly-owned subsidiary of China Baoli, which in turn, is an indirect wholly-owned subsidiary of the Company. The Target Company is an investment holding company, which holds the entire issued share capital of another investment holding company incorporated in Hong Kong on 31 March 2015, which in turn, holds the entire equity interests in an investment holding company established in the PRC on 11 May 2016 which will be planned to engage in the manufacture, marketing, research and development of Yota smartphone business in the PRC.

FINANCIAL INFORMATION OF THE TARGET GROUP

Since the date of incorporation, each member of the Target Group has not commenced any operation nor owned any material assets. Based on the unaudited consolidated financial statements of the Target Company prepared in accordance with the Hong Kong Financial Reporting Standards, the Target Company recorded loss before and after taxation of approximately HK\$1.5 million for the period from 3 July 2015 (i.e. the date of incorporation of the Target Company) to 31 March 2016. As at 31 March 2016, the Target Company had unaudited net liabilities of approximately HK\$1.5 million.

INFORMATION ON CHINA YOUTH TRAVEL

China Youth Travel is directly owned by the Communist Youth League Central State Holding Co., which is a company with strong background, network, resources and financial support. It has investment in a wide range of sectors, including logistics, education, healthcare, gold trading and internet banking, etc.

REASONS FOR AND BENEFIT OF THE DEEMED DISPOSAL

The Group is principally engaged in the entertainment business which includes a cruise ship management business and gamma ray irradiation service. The Company intends to continue with the entertainment business, and the Group has also been actively looking for new investments and business opportunities in order to diversify its existing business with a view to achieving better growth potential and enhancing Shareholders' return in the long run.

By leveraging on China Youth Travel's existing network and connections in the PRC, the Board believes that the cooperation with China Youth Travel in developing the Yota smartphone and related business will be beneficial to the Group. Accordingly, China Baoli entered into the Framework Agreement with China Youth Travel with a view to bringing in additional source of capital and networking for the development of the Yota smartphone and related business.

The Directors consider that the Deemed Disposal would strengthen the capital resources of the Target Group and broaden its shareholders' base. The Directors consider that the terms of the Framework Agreement are fair and reasonable and the Deemed Disposal is in the interests of the Company and the Shareholders as a whole.

After Completion, the sale proceeds from the Deemed Disposal will be used as general working capital of the Target Group.

THE DEEMED DISPOSAL AND THE FINANCIAL IMPACT

As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company. The financial results and financial positions of the Target Group are consolidated in the consolidated financial statements of the Company. Immediately upon Completion, the Company's interest in the Target Company (or its subsidiary) (as the case may be) will be reduced from 100% to 80%, which will constitute a deemed disposal of its interests in the Target Company (or its subsidiary) (as the case may be) under the Listing Rules, but the Target Company (or its subsidiary) (as the case may be) will remain as a subsidiary of the Company. Accordingly, the financial results and financial positions of the Target Group will still be consolidated with the financial statements of the Company after Completion. As the effect of the Deemed Disposal will not result in loss of the Company's control over the Target Company, the Deemed Disposal will be accounted for as an equity transaction and will not result in the recognition of any gain or loss in profit or loss.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Framework Agreement is more than 5% and all applicable percentage ratios are less than 25%, the Deemed Disposal constitutes a discloseable transaction for the Company, which is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under the Listing Rules.

Shareholders and potential investors should note that the Deemed Disposal contemplated under the Framework Agreement is subject to satisfaction of certain conditions precedent and it may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 24 May 2016, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 26 May 2016.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“China Baoli”	China Baoli Technologies Investment Limited, a company incorporated in the BVI with limited liability and is a direct wholly-owned subsidiary of the Company

“China Youth Travel”	中國青旅實業(香港)有限公司 (China Youth Travel Industry (HK) Limited)*, a company incorporated in Hong Kong with limited liability
“Company”	REX Global Entertainment Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the transactions contemplated under the Framework Agreement
“Consideration”	the consideration for the Deemed Disposal under the Framework Agreement, being no more than RMB600,000,000
“Deemed Disposal”	the deemed disposal of 20% interest in the Target Company (or its subsidiary) to China Youth Travel by China Baoli pursuant to the Framework Agreement, being the reduction of the Group’s interest in the Target Company (or its subsidiary) by 20% upon Completion
“Directors”	the directors of the Company
“Framework Agreement”	the framework cooperative agreement dated 24 May 2016 entered into among China Baoli, the Target Company and China Youth Travel in respect of the Deemed Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, for the purpose of this announcement, which excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Advance Star Investments Limited, a company incorporated in BVI with limited liability and is an indirect wholly-owned subsidiary of the Company
“Target Group”	the Target Company and its subsidiaries
“%”	per cent

By order of the Board
REX Global Entertainment Holdings Limited
Yeung Chun Wai, Anthony
Executive Director

Hong Kong, 25 May 2016

As at the date of this announcement, the executive Directors of the Company are Mr. Yeung Chun Wai, Anthony, Ms. Chu Wei Ning, Mr. Chen Domingo and Mr. Wong King Shiu, Daniel; and the independent non-executive Directors of the Company are Mr. Wong Hoi Kuen, Mr. Chan Chi Yuen and Mr. Lee Chi Ming.

* *For identification purposes only*