

**REXCAPITAL FINANCIAL HOLDINGS LTD:
WHOLLY OWNED SUBSIDIARY SUED FOR MORE THAN \$HK2 MILLION**

The Commissioner of Inland Revenue of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) has issued legal proceedings in the HKSAR, claiming \$HK2,073,508 from REXCAPITAL Finance Ltd.

REXCAPITAL Finance Ltd is a wholly owned subsidiary of [REXCAPITAL Financial Holdings Ltd](#) (Code: 555, Main Board, The Stock Exchange of Hongkong Ltd).

This is the first time that any member company of the REXCAPITAL Group of Companies has been taken to task by The Commissioner of Inland Revenue of Hongkong.

Because of the nature of the business of the REXCAPITAL Group of Companies, being engaged, as it is, in financial operations, such as moneylending, stock-market operations, including offering securities margin facilities to clients, corporate finance and asset management, its activities are closely monitored and controlled by certain HKSAR Government branches.

Proof of this assertion may be gleaned by the fact that, on January 12, 2004, REXCAPITAL Financial Holdings Ltd came into a Conditional Sales and Purchase Agreement with REXCAPITAL Group Ltd in respect of the disposal of the entire Issued and Fully Paid-Up Share Capital of REXCAPITAL Financial Group Ltd.

The consideration was about \$HK229 million.

But the sale required the approval of The Securities and Futures Commission (SFC), pursuant to The Securities and Futures Ordinance, Chapter 571 of the Laws of the HKSAR.

In a statement, issued jointly by REXCAPITAL Financial Holdings Ltd and REXCAPITAL International Holdings Ltd, it was stated, inter alia:

'The SFC has indicated that such approval (for the sale of the REXCAPITAL Financial Group Ltd) will be granted upon fulfillment of certain conditions and provision of certain information. REXCAPITAL International (Holdings Ltd) has made a submission to the SFC seeking clarification on some of the conditions imposed by the SFC. As additional time is required to fulfill such conditions and provide such information and liaise with the SFC in respect of the obtaining of such approval, REXCAPITAL Group Limited (a wholly-owned subsidiary of REXCAPITAL International) and REXCAPITAL Financial have mutually agreed and entered into a ninth supplemental agreement dated 29 December 2004 pursuant to which the long stop date of the Sale and Purchase Agreement has been further extended from 31 December 2004 to 31 January 2005 (the "Further Extension").'

This is the ninth such announcement in respect of the above prospective sale of REXCAPITAL Financial Group Ltd.

Such is the power of this branch of the Government of the HKSAR.

The fact that REXCAPITAL Financial Holdings Ltd, the publicly listed company, is desirous of selling one of its

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