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REXLot Holdings Limited

御泰中彩控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 555)

SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the interim results announcement dated 31 August 2018 (the “**Interim Results Announcement**”), the interim report published on 27 September 2018 (the “**Interim Report**”) for the six months ended 30 June 2018 of REXLot Holdings Limited (the “**Company**”) and the supplemental announcement dated 14 November 2018 (the “**Supplemental Announcement**”). Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as those defined in the Interim Results Announcement, the Interim Report and the Supplemental Announcement.

The Company provides the following supplemental information in respect of the Interim Results Announcement and the Interim Report.

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

As at 30 June 2018, HK\$350,000,000 was due to the Group from a company connected with a Director (see Note 17 of the Interim Results Announcement and the Interim Report).

This amount has been withheld by the Purchaser (as defined in the Disposal Circulars) pursuant to the terms of the Sale and Purchase Agreement (as defined in the September Disposal Circular) for the purpose of satisfying the tax obligations of the Seller (as defined in the Disposal Circulars).

The terms of the Sale and Purchase Agreement did not specify the date on which the Purchaser should refund the withheld amount because it was uncertain at the time of entering into the Sale and Purchase Agreement when the tax authority would review the amount of tax payable. The Company has been advised by its PRC legal advisers that in the normal course of events, the tax authority has the power to review the amount of tax payable after 3 to 5 years from the completion of the Disposal.

The Disposal was completed in February 2017. In July 2018, the tax authority demanded from the Group an additional tax payment of approximately RMB5,366,000. The Group is disputing this tax payment. It is uncertain whether this is the only additional tax payment that the tax authority is demanding or if there will be other tax demands in the future.

Notwithstanding the above, the Company has been negotiating with the Purchaser on the time for the refund of the withheld amount. The parties have agreed that the Purchaser will refund the withheld amount one year after the current dispute with the tax authority is resolved, provided that no other tax issues arise during the said one year period.

INVESTING ACTIVITIES RECORDED IN THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The Group recorded a net cash flow of approximately HK\$806,306,000 in investing activities for the six months ended 30 June 2018. The breakdown of the cash flow from investing activities during the reporting period is set out below.

	<i>HK\$'000</i> (Unaudited)
Placing of fixed deposits	(806,981)
Purchase and disposal of equipment (net amount)	52
Sale of unlisted investment fund	614
Advance from joint venture	9
Net cash used in investing activities	<hr style="border: 1px solid black;"/> (806,306) <hr style="border: 3px double black;"/>

The unlisted investment fund was offered by a bank in the PRC. The Group received interest income from the investment fund prior to the sale.

The Group’s joint venture advanced approximately HK\$9,000 during the reporting period due to the closure of the joint venture’s bank account. The joint venture paid remaining balance in the account to the joint venture partners in equal shares. This advance does not constitute a connected transaction or notifiable transaction of the Company.

UTILITY AND OTHER DEPOSITS

The Group recorded approximately HK\$1,698,818,000 in utility and other deposits as at 30 June 2018.

The deposits were paid for potential acquisitions, potential joint venture projects and the Group's lottery operations (such as rental deposits and deposits for lottery tickets). The deposits are refundable. For each deposit paid for the potential acquisitions/joint venture projects, the Group obtained a confirmation from the counterparty setting out the project nature, the deposit amount and the repayment terms. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, none of the counterparties to these projects are connected parties.

The Group paid the deposits for potential acquisitions/joint venture projects between 2014 and the first half of 2018 to conduct due diligence review for potential acquisitions/joint ventures in various sectors of the lottery industry. However, due to the continuing uncertainty in the online lottery industry, the PRC Government's policies on channel distribution and the general worsening business environment in the PRC in the past few years, the Group has decided not to proceed with the potential projects save for the potential project in computer gaming.

The Group is in discussion with the counterparties on the repayment timetable for these deposits. The deposits of approximately HK\$567,231,000 paid for the welfare lottery and sports lottery businesses are expected to be refunded in the first half of 2019. The Company will make a further announcement after the receipt of the refunds. As for the deposits of approximately HK\$862,942,000 paid for internet lottery, the Company and the counterparties are in negotiations on the terms of repayment. The Company will make a further announcement on the progress of the negotiations.

The Company expects to make a decision on whether to proceed with the project in computer gaming within the coming few months. The due diligence work for the project has almost been completed. The Company is waiting for the counterparty to provide a few outstanding due diligence documents. The transaction will constitute a notifiable transaction if it materializes. If the Group decides not to proceed with this computer gaming project, the deposit of HK\$262,500,000 will be refunded to the Group.

The Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board

Woo Ming Wah

Company Secretary

Hong Kong, 18 January 2019

As at the date of this announcement, the Board comprises two executive directors namely Mr. Chan How Chung, Victor and Mr. Boo Chun Lon, one non-executive director namely Mr. Yuen Wai Ho and three independent non-executive directors namely Mr. Chow Siu Ngor, Mr. Wong Hoi Kuen and Mr. Hung Hing Man.