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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)

## DISCLOSABLE TRANSACTION PROPOSED DISPOSAL

On 15 March 2019, the Seller (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Purchaser in relation to the Disposal at an aggregate consideration of RMB55 million.

As certain applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a disclosable transaction of the Company. As such, the Sale and Purchase Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**Completion of the Disposal is subject to the fulfilment of the conditions precedent set out in the section headed “Conditions Precedent” in this announcement, which may or may not be fulfilled. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the securities of the Company.**

## BACKGROUND

Reference is made to the Announcements in relation to, among others, the potential disposal of one of the Group’s scratch card businesses and the non-legally binding letter of intent in relation to such potential disposal.

The Board is pleased to announce that on 15 March 2019, the Seller (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Purchaser in relation to the Disposal at an aggregate cash consideration of RMB55 million, in accordance with the terms and subject to the conditions of the Sale and Purchase Agreement.

The transaction contemplated by the said letter of intent has been structured under the Sale and Purchase Agreement as a disposal of 50% of the total issued share capital of Disposal Target by the Seller (as opposed to a disposal of 100% of the Operating Subsidiary by the Intended Seller as defined in the Announcements).

## **SALE AND PURCHASE AGREEMENT**

The principal terms of the Sale and Purchase Agreement are set out as below:

### **Date**

15 March 2019

### **Parties**

- (i) the Seller, a wholly-owned subsidiary of the Company
- (ii) the Purchaser

### **Assets to be disposed of**

The Seller agreed to sell, and the Purchaser agreed to purchase the Sale Shares, representing 50% of the issued share capital of the Disposal Target as at the date of this announcement.

## **Consideration**

The Consideration of RMB55 million shall be paid by the Purchaser to the Seller by way of depositing the funds into a PRC bank account designated by the Seller and in the following manner:

- (i) a deposit of RMB5 million payable on or before 25 March 2019;
- (ii) RMB15 million payable on the Completion Date or no later than 30 April 2019;
- (iii) RMB5 million payable on 30 June 2019;
- (iv) RMB15 million payable on 30 September 2019; and
- (v) RMB15 million payable on 31 December 2019.

The deposit under item (i) above shall be refunded to the Purchaser if Completion does not take place due to the Seller's default, but shall not be refunded to the Purchaser if Completion does not take place due to the Purchaser's default. If Completion does not take place as the conditions precedent set out in the Sale and Purchase Agreement cannot be satisfied, the said deposit shall be refunded to the Purchaser within three (3) business days.

The Consideration was determined after arm's length negotiations between the Purchaser and the Seller after taking into account, among other things, the net asset value and the profitability of the Disposal Target, and the long term prospect of scratch card products in the PRC lottery industry.

## **Conditions Precedent**

The sale and purchase of the Sale Shares shall be conditional upon the satisfaction (or waiver, if applicable) of each of the following conditions precedent:

- (a) the JV Shareholder not having exercised its right of first refusal and right of co-sale under the Shareholders' Agreement;
- (b) if required, the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to the Disposal) having been approved by the Shareholders in accordance with the relevant requirements of the Listing Rules;
- (c) the Seller having accepted and assisted, within five (5) business days after the payment of the deposit by the Purchaser, the persons to be nominated by the Purchaser to hold positions as legal representatives and other relevant positions in the Operating Subsidiary, in each case in accordance with the Shareholders' Agreement; and
- (d) the Purchaser having executed an undertaking pursuant to the Shareholders' Agreement.

The conditions set out in paragraphs (a), (c) and (d) above may be waived by the Purchaser and the Seller and the condition set out in paragraph (b) above cannot be waived by either Party.

## **Completion**

Subject to the terms and conditions of the Sale and Purchase Agreement, Completion shall take place on the Completion Date.

Completion shall take place no later than 30 April 2019 or such other date as the Parties may agree in writing.

## **INFORMATION RELATING TO THE DISPOSAL TARGET GROUP**

The business of the Disposal Target Group is carried out mainly by the Operating Subsidiary, which operates a scratch card business in the Welfare lottery market in the PRC.

The consolidated financial information of the Disposal Target Group for each of the two financial years ended 31 December 2017 (audited) and 2018 (unaudited) are set out below:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2018</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Balance as at 31 December	<u>161,207</u>	<u>172,220</u>
Amount due from a joint venture	<u>2,283</u>	<u>2,393</u>
Amount due to joint ventures	<u>81,683</u>	<u>66,552</u>
The Group's share of the result of the Disposal Target Group in aggregate, its aggregated assets and liabilities are as follows:		
Group's effective interest	50%	50%
Revenue	113,603	113,998
Loss from continuing operations	(10,814)	(12,509)
Other comprehensive income/(expense)	(11,212)	18,416
Total comprehensive income/(expense)	(22,026)	5,907
Group share of losses of the Disposal Target Group	(5,407)	(6,254)
Group share of other comprehensive income/(expense) of the Disposal Target Group	(5,606)	9,208
Non-current assets	51,243	117,725
Current assets	290,088	261,871
Current liabilities	18,917	35,156
Equity	322,414	344,440
Group's share of joint ventures' equity	<u>161,207</u>	<u>172,220</u>

## FINANCIAL EFFECTS OF THE DISPOSAL

It is expected that the Group will record a loss of approximately HK\$7 million from the Disposal, the detailed calculation of which are set out as follows:

	<i>HK\$'000</i>
Cash Consideration (RMB55 million)	64,329
50% on the net asset of the Disposal Target Group to be disposed as at 31 December 2018 ( <i>unaudited</i> )	(81,807)
Expenses in connection with the Disposal (legal fee and others)	(2,000)
Cumulative exchange difference in respect of the net assets reclassified from exchange translation reserve to profit or loss upon the Disposal	15,209
Tax provision for the Disposal	<u>(3,044)</u>
Loss on the Disposal	<u><u>(7,313)</u></u>

The abovementioned financial effects are shown for illustrative purpose only and the actual gain or loss as a result of the Disposal to be recorded by the Company is subject to audit and will be assessed after Completion.

The Disposal Target Group has been treated as joint venture of the Company under Hong Kong Financial Reporting Standards. Therefore the Group has used equity accounting method to account for the Disposal Target Group. The results of the Disposal Target Group was not consolidated into the Group's financial results. Immediately after Completion, the Group will cease to hold any interests in the Disposal Target Group.

The sale proceeds from the Disposal, net of professional fees and relevant expenses, are expected to be approximately HK\$59 million, which is expected to be applied by the Company for general working capital.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AND PURCHASE AGREEMENT**

Scratch cards market in the PRC has been facing challenges of the weakening of consumer demand and intensifying market competition in these years, and the sales of Welfare scratch card products have been recording continuous decline for several years. Given the lackluster market, performance of the Disposal Target Group has been inevitably affected. Despite the challenging operating environment, the Group has decided to strategically restructure its business in underperforming segments in the market and taking steps to streamline the operating structure of various business units. The Disposal is part of the Group's strategic plan in this aspect. The Group believes that the Disposal, if consummated, would not have any significant impact on overall business operations of the Group and should be able to improve the financial position of the Group.

In light of the foregoing, the Directors consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **INFORMATION RELATING TO THE GROUP**

The Group is principally engaged in lottery system and games development business and distribution and marketing of lottery products in the PRC.

The Board believes that the Disposal should be able to improve the financial position of the Group and would not have significant impact on overall business operations of the Company. The Company will continue to have operations in scratch card printing and distribution after the Disposal.

## **INFORMATION RELATING TO THE PURCHASER**

The Purchaser is principally engaged in corporate management and information technology business.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

## LISTING RULES IMPLICATIONS

As certain applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a disclosable transaction of the Company. As such, the Sale and Purchase Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempted from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

**Completion of the Disposal is subject to the fulfilment of the conditions precedent set out in the section headed "Conditions Precedent" in this announcement, which may or may not be fulfilled. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the securities of the Company.**

## DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

"Announcements"	the announcements of the Company dated 9 May 2018 and 29 July 2018;
"Board"	the board of Directors;
"Company"	REXLot Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited;
"Completion"	the completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement;



“Completion Date”	the fifth business day after the conditions precedent set out in the Sale and Purchase Agreement have been satisfied (or waived, if applicable), or such other date as the Parties may agree in writing;
“Consideration”	the aggregate sum of RMB55 million, being the consideration for the sale and purchase of the Sale Shares under the Sale and Purchase Agreement;
“Director(s)”	director(s) of the Company;
“Disposal”	the disposal of the Sale Shares by the Seller, in accordance with the terms and subject to the conditions of the Sale and Purchase Agreement;
“Disposal Target”	Happy Sun Technologies Ltd., a company incorporated in the British Virgin Island with limited liability;
“Disposal Target Group”	(1) the Disposal Target; (2) Success Trader Technologies Limited; (3) 誠業利邦科技發展 (深圳) 有限公司(Success Trader Technologies (Shenzhen) Limited*); (4) 深圳樂利科技發展有限公司(Shenzhen Leli Technologies Development Co., Ltd.*); and (5) the Operating Subsidiary;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“JV Shareholder”	the other shareholder of the Disposal Target holding 50% of all the issued share capital of the Disposal Target as at the date of this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

“Operating Subsidiary”	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 and an indirect wholly-owned subsidiary of the Disposal Target as at the date of this announcement;
“Party(ies)”	the Seller and/or the Purchaser;
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Purchaser”	申圓通企業管理有限公司 (Shen Yuan Tong Corporate Management Company, Ltd.*), a company established in the PRC with limited liability;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 15 March 2019 entered into between the Purchaser and the Seller in relation to the Disposal;
“Sale Shares”	a total of 2 ordinary shares in the Disposal Target, representing 50% of all of the issued share capital of the Disposal Target as at the date of this announcement;
“Seller”	Genius Nation Limited, a company incorporated in the British Virgin Islands with limited liability, being a wholly-owned subsidiary of the Company;
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company;
“Shareholder(s)”	the holder(s) of the Shares(s);

“Shareholders’ Agreement”	the shareholders’ agreement dated 18 July 2007 entered into among, among others, the Seller, the JV Shareholder and the Disposal Target in relation to the Disposal Target;
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules; and
“%”	per cent.

By Order of the Board  
**Woo Ming Wah**  
*Company Secretary*

Hong Kong, 15 March 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 and Mr. Wong Hoi Kuen and Mr. Hung Hing Man.*

\* *The English translations of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*