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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)

**(1) SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO
DISCLOSEABLE TRANSACTION – PROPOSED DISPOSAL;
AND
(2) POSSIBLE EXTENSION OF COMPLETION DATE AND
FIRST INSTALMENT PAYMENT DATE**

Reference is made to (i) the announcement of the Company dated 24 July 2007 relating to, among others, the Shareholders' Agreement dated 18 July 2007 entered into between, among others, the Seller, the JV Shareholder and Happy Sun Technologies Ltd. (the "**Disposal Target**"); (ii) the announcement of the Company dated 29 July 2018 relating to the non-legally binding LOI relating to the potential disposal of one of the Group's scratch card businesses; and (iii) the announcement of the Company dated 15 March 2019 relating to the Disposal ("**March 2019 Announcement**", and the aforementioned announcements are hereinafter collectively referred to as, the "**Announcements**"). Unless otherwise stated, capitalized terms used herein shall have the same meanings as those used in the Announcements.

The Board wishes to supplement the following information in relation to the LOI and the Disposal:

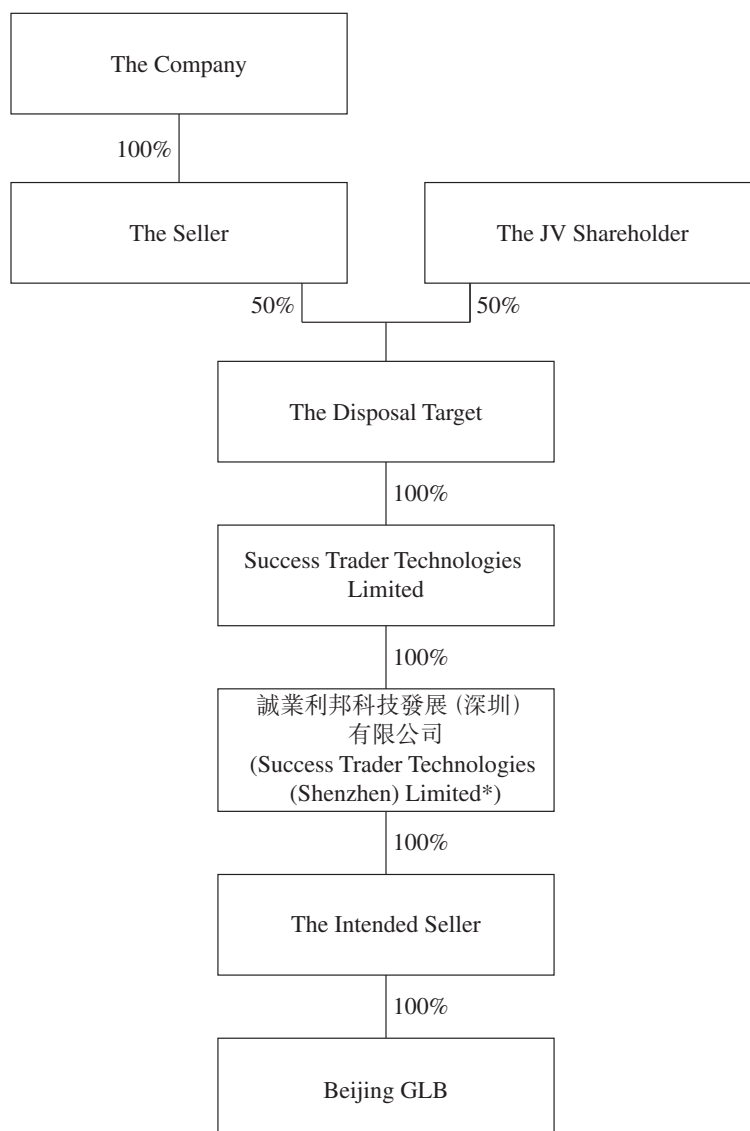
THE LOI

The intended seller of the target shares under the LOI was 深圳樂利科技發展有限公司 (Shenzhen Leli Technologies Development Co., Ltd.*) (the “**Intended Seller**”) and the target company under the LOI was 北京戈德利邦科技有限公司 (Beijing Guard Libang Technology Co., Ltd.*) (“**Beijing GLB**”), the Intended Seller and Beijing GLB are members of the Disposal Target Group.

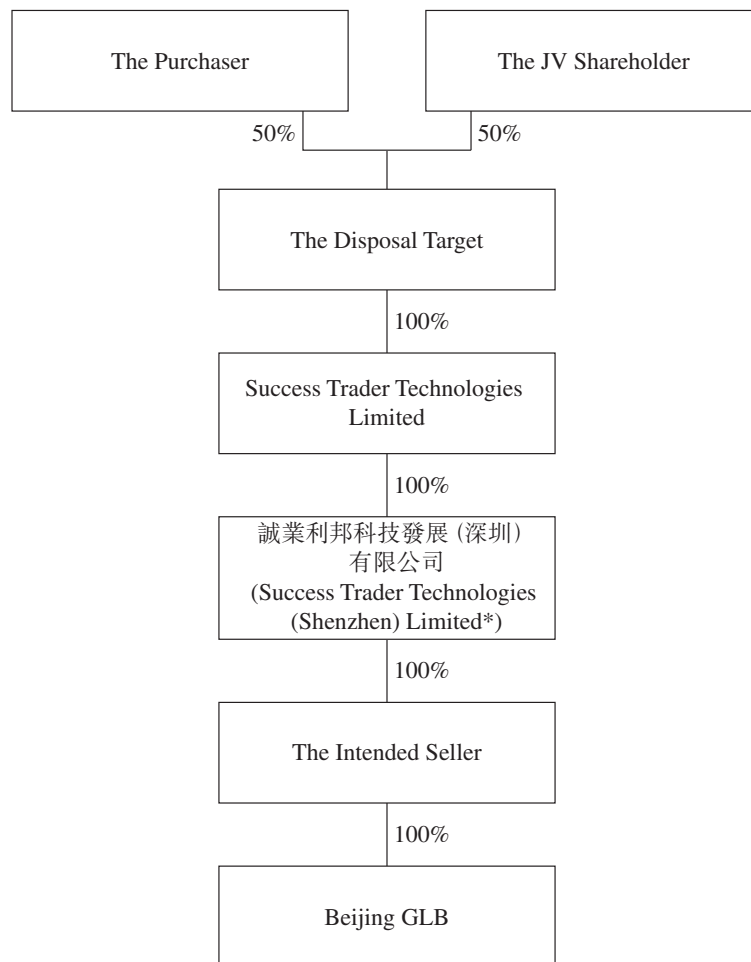
Under the terms of the LOI, the parties contemplated a RMB cash payment at closing by the Intended Purchaser to the Intended Seller of an aggregate amount equal to RMB105 million for the sale of 100% of the equity interests in Beijing GLB.

THE SALE AND PURCHASE AGREEMENT AND THE DISPOSAL CONTEMPLATED THEREUNDER

Prior to Completion and as at the date of this announcement, the Disposal Target Group is 50/50 owned by Genius Nation Limited (the “**Seller**”), a wholly-owned subsidiary of the Company, and Scientific Games China Holdings Limited (the “**JV Shareholder**”). The corporate structure of the Disposal Target and the Disposal Target Group is as follows:



At Completion, the corporate structure of the Disposal Target and the Disposal Target Group will become:



Basis of Determining the Consideration

The Consideration of RMB55 million represented roughly half of the total consideration of RMB105 million previously contemplated under the LOI for the disposal of 100% of equity interests of Beijing GLB. After the Completion of the Disposal, the Company will not retain any interest in the Disposal Target.

Consideration

The Purchaser is under contractual obligation to pay the Consideration on time. In the event that the Purchaser fails to pay the Consideration on time, such act shall constitute breach of the Sale and Purchase Agreement and the Seller has the right to recover all losses incurred as a result of such breach from the Purchaser. If the Disposal fails to complete, any legal representative and other relevant positions appointed in the Operating Subsidiary pursuant to the Sale and Purchase Agreement will be removed.

Legal Representative

Under the Shareholders' Agreement, the designated and registered legal representative of the relevant PRC company shall be the chairman of that company's board, provided that the legal representative of the company shall not be permitted to bind the company without the prior authorization of that company's board of directors.

Conditions Precedent

Under the Sale and Purchase Agreement, Completion shall fall on the 5th business day after the conditions precedent have been satisfied or waived (as the case may be). A reasonable time should be given to the JV Shareholder for considering whether or not to exercise its right of first refusal and right of co-sale under the Shareholders' Agreement. Hence, when negotiating on the terms of the Sale and Purchase Agreement, the Seller and the Purchaser contemplated that Completion would likely be no later than 30 April 2019. The Company anticipated that by Completion the Purchaser would have paid a total of RMB20 million, being more than 36% of the total Consideration, to the Company pursuant to the terms of the Sale and Purchase Agreement. The Disposal Target Group has recorded a loss since 2015 alongside the decrease in sales of the Welfare lottery scratch cards in recent years. The Company considered that the ability to receive RMB20 million and cutting share of loss of the Disposal Target Group from the Disposal by the Completion Date would be beneficial to the Company and are in the interests of the Company and its shareholders as a whole. Please refer to the section headed "Possible Extension of Completion Date and First Instalment Payment Date" for further details.

SUPPLEMENTAL INFORMATION REGARDING THE DISPOSAL TARGET GROUP AND THE PURCHASER

The Disposal Target Group

Save for Beijing GLB, which is engaged in the provision of systems and equipment for scratch card validation in the Welfare lottery market in the PRC, each member of the Disposal Target Group are engaged in investment holding in the PRC.

In the financial information of the Disposal Target Group for each of the two financial years ended 31 December 2017 and 2018 disclosed in section “Information Relating to the Disposal Target Group” in the March 2019 Announcement (the “**Financial Statement**”), the words “joint venture” mean the Disposal Target Group. Further, the “amount due from/to joint ventures” means the amount due by the Group from/to the members of the Disposal Target Group, these are unsecured, interest free, and no fix term of repayment/settlement. After Completion, any interests in the Disposal Target Group, including the amount due from the Disposal Target Group and amount due to the Disposal Target Group shall be removed and/or waived (as the case may be). The gain or loss of the Disposal Target Group shall no longer be shared in the Group’s accounts. Since the Financial Statement was extracted from the Company’s 2017 annual report, the inclusion of “amount due from a joint venture” and the “amount due to joint ventures” in the March 2019 Announcement were merely just to be in line with the disclosure of the financial information of the Disposal Target Group in the Company’s 2017 annual report.

A summary of the financial information of the Group's interest in the Disposal Target Group for the two financial years ended 31 December 2017 and 2018 are set out as follows:

| | For the year ended | |
|---|---------------------------|-----------------|
| | 31 December | |
| | 2018 | 2017 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Group's share of the Disposal Target Group equity | <u>161,207</u> | <u>172,220</u> |
| Amount due from the Disposal Target Group | <u>2,283</u> | <u>2,393</u> |
| Amount due to the Disposal Target Group | <u>81,683</u> | <u>66,552</u> |
| Group's share of the losses of the Disposal Target Group | (5,407) | (6,254) |
| Group's share of other comprehensive income/(expense) of the Disposal Target Group | (5,606) | 9,208 |
| Group's effective shareholding interest in the Disposal Target Group | <u>50%</u> | <u>50%</u> |

A summary of the consolidated financial information of the Disposal Target Group are as follows:

| | For the year ended | |
|--|---------------------------|-----------------|
| | 31 December | |
| | 2018 | 2017 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Revenue | 113,603 | 113,998 |
| Loss from operations (discontinued) | (10,814) | (12,509) |
| Other comprehensive income/(expense) ^{Note} | (11,212) | 18,416 |
| Total comprehensive income/(expense) ^{Note} | (22,026) | 5,907 |
| | | |
| Non-current assets | 51,243 | 117,725 |
| Current assets | 290,088 | 261,871 |
| Current liabilities | 18,917 | 35,156 |
| Equity | <u>322,414</u> | <u>344,440</u> |

Note: The “other comprehensive income/(expenses)” represent gains and losses arising from translating the financial statements of the Disposal Target Group. The “total comprehensive income/(expenses)” represents losses from operations and of other comprehensive income/expenses incurred by the Disposal Target Group.

The Purchaser

As far as the Directors are aware and having made all reasonable enquiries, the ultimate beneficial owner of the Purchaser is 林曉 (Lin Xiao*), who is an independent third party of the Company.

FINANCIAL EFFECTS OF THE DISPOSAL

The Group acquired 100% and subsequently disposed of 50% of the interests in the Disposal Target Group in July 2006 and November 2007, respectively. As a result of the disposal of the aforementioned 50% interests in the Disposal Target Group, the Disposal Target Group was accounted for as a joint venture of the Company.

The Consideration will be applied by the Group for general working capital and daily operating use.

The 50% net asset of the Disposal Target Group as at 31 December 2018 amounted to HK\$81,807,000 which was used to calculate the loss on Disposal. The loss on Disposal was calculated by adding the 50% of net assets of Disposal Target Group i.e. HK\$161,207,000 with the amount due from the Disposal Target Group i.e. HK\$2,283,000 less the amount due to the Disposal Target Group i.e. HK\$81,683,000.

The detailed calculation on the expected loss on the Disposal is set out as follows:

| | <i>HK\$'000</i> |
|--|-----------------------|
| Cash consideration (RMB55 million) | 64,329 |
| Group's share of the Disposal Target Group's equity to be disposed as at 31 December 2018 (<i>unaudited</i>) | (161,207) |
| Amount due from the Disposal Target Group | (2,283) |
| Amount due to the Disposal Target Group | <u>81,683</u> |
| | (81,807) |
| Expenses in connection with the Disposal (legal fee & 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.

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

The payment arrangement and the conditions precedent under the Sale and Purchase Agreement were negotiated based on arm's length negotiation amongst the Seller and the Purchaser.

The Disposal Target Group was principally engaged in the scratch card validation business in the Welfare lottery market in the PRC. The Disposal Target Group has recorded a loss since 2015 alongside the decrease in sales of the Welfare lottery scratch cards in recent years. Taking into account the unsatisfactory financial performance of the Disposal Target Group in recent years and the challenging operating environment of the Welfare scratch card validation business, the Board has formulated a strategic plan for the Group to dispose this underperforming business (i.e. the Welfare scratch card validation business) and focus on the Group's other business segments.

After the Disposal, the Group's lottery business remains to be broadly divided into the System and Games Development Business ("SGDB") and Distribution and Marketing Business ("DMB"). The Group's SGDB operations include the delivery of lottery products and services in the non-traditional Welfare Computer Tickets Games market, the scratch card printing operations through the Group's cooperative venture with Shijiazhuang Offset Printing House and the manufacturing and sales of computer ticket games/single match games terminals, and other lottery services to provincial Sports Lottery Centres across the PRC. The Group's DMB operations include the distribution and sales of scratch cards through the recognized sales distribution channels in the PRC and the operation of single match games business through the physical retail platform. The Group has also been running the Sports video lottery operations in support of Hainan Province's tourism development since 2015. The Board considers that the Disposal would not affect the aforesaid business operations of the Group as the Disposal would allow the Group to deploy resources more effectively on the remaining business sectors and enhance the Group's competitiveness as a whole.

As part of the Group's strategic plan, the Board considers that it is in the interests of the Company and its Shareholders as a whole to dispose of the Disposal Target Group at a one-off loss expected to be approximately HK\$7 million. Through the Disposal, the Directors believe that the Group would be able to reduce its loss in the Welfare scratch card validation business segment and strengthen the overall financial position of the Group despite the challenging operating environment in the lottery industry in the PRC.

The Company does not expect to have any continuous business with the Disposal Target Group after the Disposal.

POSSIBLE EXTENSION OF COMPLETION DATE AND FIRST INSTALMENT PAYMENT DATE

Pursuant to the Sale and Purchase Agreement, Completion Date shall fall on the 5th business day after the conditions precedent set out in the Sale and Purchase Agreement have been satisfied (or waived, if applicable), and in any event Completion shall take place no later than 30 April 2019 or such other date as the Parties may agree in writing. Further, RMB15 million of the Consideration shall be payable on the Completion Date or no later than 30 April 2019 (the "**First Instalment Payment Date**").

Pursuant to the terms of the Sale and Purchase Agreement, in the event that (i) all of the conditions precedents have not been fulfilled (or waived, if applicable) by the stipulated Completion; (ii) the Purchaser is unable to pay the Consideration in accordance with the terms of the Sale and Purchase Agreement; or (iii) the Disposal is unable to complete due to the fault of any party to the Sale and Purchase Agreement, the non-defaulting party may by notice in writing immediately terminate the Sale and Purchase Agreement.

As more time is required for the fulfilment of the conditions precedent set out in the Sale and Purchase Agreement, the Purchaser and the Seller are negotiating on extending the Completion Date and the First Instalment Payment Date. Subject to agreement, the revised Completion Date is expected to be extended to 31 May 2019 pending the signing of a supplemental agreement by the Purchaser and the Seller. Further announcement(s) and update(s) will be made in this respect as and when appropriate.

SUSPENSION OF TRADING

At the request of the Company, the trading in shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2019 and shall remain suspended until further notice.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

By Order of the Board
Woo Ming Wah
Company Secretary

Hong Kong, 30 April 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.

* *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.*