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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;**
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THE PROPOSED RIGHTS ISSUE;**
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SHARES BY A STRATEGIC INVESTOR
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THE BONDS BY KEEN START;**
- AND**
- (6) OVERSEAS REGULATORY ANNOUNCEMENT**

Reference is made to the announcements of REXLot Holdings Limited (the “**Company**”) dated 19 November 2017 (the “**Announcement**”) and 6 December 2017. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

(1) SUPPLEMENTAL INFORMATION

The Company wishes to provide the following supplemental information.

The purpose of the Proposed Fund Raising Plans

The objective of the Proposed Fund Raising Plans is to provide an overall solution to the financing of the Group. Through the Proposed Fund Raising Plans, the Company shall be able to raise sufficient offshore funds to settle the Group's current offshore liabilities, including particularly the Shareholder's Loan.

As of 30 June 2017, the Group had offshore financial resources (which includes the proceeds from Disposal) amounting to approximately HK\$857,414,000 and total current offshore liabilities of approximately HK\$1.1 billion. The breakdown of the current offshore liabilities is set out in the table below.

Table 1 – The Group's current offshore liabilities as at 30 June 2017

	Amount <i>(HK\$'000)</i>
Aggregate outstanding principal amount of 2017 Bonds	100,907
Aggregate outstanding principal amount of 2019 Bonds	551,402
Shareholder's Loan and interest accrued up to 30 June 2017	410,662
Bonds interest accrued up to 30 June 2017	9,452
Other liabilities	<u>3,815</u>
Total	<u><u>1,076,238</u></u>

It is important for the Company to formulate a strategy to repay all of the Group's current offshore liabilities. The amounts under the 2017 Bonds and 2019 Bonds have been outstanding since 28 April 2017 and are currently due to be repaid to the Bondholders. The Shareholder's Loan will become payable on demand after the completion of the Proposed Fund Raising Plans (or the termination of either the Rights Issue pursuant to the terms of the Underwriting Agreement or the CB Subscription pursuant to the terms of the CB Subscription Agreement).

Upon completion of the Proposed Fund Raising Plans, the Company intends to firstly repay the Bonds, and then repay the other liabilities (set out in the table above) and the Shareholder's Loan. The repayments will be made by applying the Company's offshore financial resources and the estimated net proceeds from the Proposed Fund Raising Plans.

The completion of the Rights Issue and the CB Subscription are not inter-conditional with each other.

The Group's cash position as at 30 June 2017 and projected cash position after the completion of the Proposed Fund Raising Plans

The Group's cash position as at 30 June 2017 and projected cash position after the completion of the Proposed Fund Raising Plans are summarised below.

Table 2 – Cash position as at 30 June 2017 and projected cash position after completion of the Proposed Fund Raising Plans

	Onshore financial resources Amount (HK\$ million)	Offshore financial resources Amount (HK\$ million)	Total Amount (HK\$ million)
Cash position as of 30 June 2017	869	857	1,726
Estimated net proceeds from the Proposed Fund Raising Plans	-	415	415
Estimated receipt of net receivables and payables from July 2017 to March 2018	200	-	200
Estimated administration expenses from July 2017 to March 2018	(100)	(70)	(170)
Projected cash position after completion of the Proposed Fund Raising Plans	<u>969</u>	<u>1,202</u>	<u>2,171</u>

For the purposes of Table 2, the Company has assumed that the Rights Issue and the CB Subscription will be completed by the end of March 2018. The cash position after completion of the Proposed Fund Raising Plans was projected based on the past general working capital requirements and expenses of the Company. For the financial year ended 31 December 2016, the Company (excluding the Disposal Group, as defined in the Company's circular dated 30 September 2016) incurred administration expenses of approximately HK\$288 million, of which approximately HK\$133 million was incurred in respect of the onshore operation and administration, and approximately HK\$93 million in respect of general working capital and administration for offshore office after excluding material non-cash items. The Company expects the general working capital and administration expenses for the period from July 2017 to March 2018 will follow similar patterns with small adjustments for inflation. The Company has also taken into account the expected receipt of net receivables and payables from July 2017 to March 2018 in preparing the projected cash position.

The Company estimates the operation and administration expenses incurred from July to November 2017 was approximately HK\$110 million based on the operation and administration expenses incurred during the first half of 2017 (i.e. approximately HK\$131 million). The actual amount of expenses incurred during the period is being audited.

Based on the current information available to the Company, the Company confirms that there has not been any material change to the cash position since 30 June 2017 to date apart from the normal operating income and expenses incurred after 30 June 2017.

The intended use of the Group's existing financial resources and the estimated net proceeds from the Proposed Fund Raising Plans

Offshore financial resources

After completion of the Proposed Fund Raising Plans, the offshore cash balance will be approximately HK\$1.2 billion after deducting the administration expenses which are expected to be incurred from July 2017 to March 2018. The intended use of the offshore cash balance will be as follows.

Table 3 – Intended use of the Group's existing offshore financial resources and the estimated net proceeds from the Proposed Fund Raising Plans

	Amount <i>(HK\$ million)</i>
Redemption of outstanding Bonds after completion of the Proposed Fund Raising Plans (currently expected to be early April 2018)	
Outstanding principal	652
Interest accrued up to 1 April 2018	37
Repayment of Shareholder's Loan after repayment of the Bonds (currently expected to be mid-April 2018)	
Outstanding principal and interest accrued up to 30 June 2017	411
Interest accrued up to 15 April 2018	<u>5</u>
Total	<u><u>1,105</u></u>

The Company will reserve the remaining offshore funds of approximately HK\$97 million for general working capital and administrative expenses of the offshore office.

Onshore financial resources

The Company does not intend to utilise its existing onshore funds to settle the offshore liabilities. Based on the advice of its PRC legal advisers and the Company's past experience in remitting RMB funds, the Board considers that it would be unduly burdensome and not commercially practicable to do so.

The Company has been advised by its PRC legal advisers that the remittance of RMB funds offshore is subject to foreign exchange control and banking practices in the PRC. Out of the four established methods for remitting funds offshore (namely through foreign trade, making offshore investments, providing onshore guarantees for offshore loans and making dividend payments), making dividend payments is the only applicable method for the Company to remit RMB funds offshore in the present circumstances. However, the PRC legal advisers advised that since early 2016, such foreign exchange control policies have been tightened and the remittance process of dividend payments may take an extensive and uncertain period of time. RMB funds remitted offshore by way of dividend payments are also subject to 10% profits tax and capital reserve deductions.

Based on the Company's experience in remitting RMB funds offshore, the process is time consuming and costly. For instance, in April 2016, the Group's joint venture declared dividends of RMB26 million to the Group and the Group applied to the relevant PRC bank to remit the dividend payments offshore. After deducting profits tax, capital reserves and banking fees, in the aggregate amount of approximately RMB5.3 million, the Group only managed to remit approximately RMB20.7 million offshore. Furthermore, the entire process took approximately 7 months. The Company expects that it would be more time consuming and costly to remit sufficient RMB funds offshore to satisfy the Company's current offshore liabilities. Given the uncertainties as to timing and the deductions the Group would be required to make under the relevant PRC laws, it would be unduly burdensome and not commercially practicable to use the Group's RMB funds to repay its current offshore liabilities.

Further, it is in the interest of the Company to maintain substantial onshore financial resources in the PRC. The Group's onshore financial resources are reserved for the Group's existing lottery related business operations in the PRC and development opportunities when paperless lottery is formalised in the PRC. It is expected that paperless lottery will operate under a different, transparent and well regulated model when it is relaunched in the future. Whilst the PRC authorities have yet to announce the schedule for formalising paperless lottery regulations in the PRC, the Company considers that paperless lottery will present long term growth opportunities when it resumes. Given the Company's experience and market position in the lottery business, the Company believes that sufficient onshore financial resources must be maintained, because once the announcement for paperless lottery regulations is made, it is in the Company's best interest to react without delay in order to maximise the value of the new opportunities.

The details of the intended use of the Group's onshore financial resources are set out in the table below.

Table 4 – Intended use of the Group's onshore financial resources

	Amount <i>(HK\$ million)</i>
Expenses for the financial year ended 31 December 2018	
Salary and employment benefit	60
Business development and marketing for existing business	30
Rental	10
Others (include travelling expenses, bank charges, audit fees, utility fees, etc.)	40
Amounts reserved for development of the paperless lottery platforms	
Research and development for web-based platform	90
Research and development for mobile-based platform	80
Marketing and promotion	120
Other new distribution channels	130
Potential investment opportunities to diversify the Group's business	400
Total	<u>960</u>

The Company has reserved approximately HK\$420 million of its onshore financial resources for developing paperless lottery platforms. This consists of HK\$90 million to develop a web-based platform, HK\$80 million to develop a mobile-based platform, HK\$120 million for marketing and promotion, and HK\$130 million to develop new distribution channels.

The funds reserved for the research and development will be used to develop new web-based and mobile-based platforms in accordance with relevant laws, regulations and directives (the “**Lottery Regulations**”). The lottery platforms will need to be developed or modified to comply with the revised Lottery Regulations once they are released in a speedy manner in order to maintain the Company’s competitive edge in the Chinese lottery market. The funds will be used to hire employees for research and development, purchase system hardware and engage external software consultants if necessary. The amount reserved for development is based on the Company’s previous experience in online business with adjustments on general costs increase and inflation (such as the increase of salaries of information technology and research staff).

The HK\$120 million reserved for marketing and promotion will be used to promote the relaunch of paperless lottery in China. The Company expects the promotional campaign to include lucky draws, engaging experts and key opinion leaders to participate in lottery forums, formulating incentive schemes and advertising on other social network platforms to the extent permitted by law and related regulations. The amount reserved is based on the selling cost and expenses incurred by the Group’s online business prior to the suspension of internet lottery with adjustments to reflect the larger scope of the intended promotional campaign, general costs increase and inflation.

The Company has reserved HK\$130 million to develop other paperless channels to distribute lottery tickets. The Company intends to cooperate with social network websites and other entities with a large number of members, so that members to their loyalty programmes may use loyalty points to purchase lottery tickets. The amount reserved is based on the Group’s previous investment in setting up lottery distribution channels since 2008.

The Company has reserved approximately HK\$400 million for other investment opportunities to diversify its business in the PRC. The funds reserved will allow the Company to seize investment opportunities in a timely manner as and when such opportunities arise. The Company has tentative plans to diversify its business into the computer gaming business and has reserved HK\$200 million for this purpose. The amount reserved is based on the recent market examples for acquiring companies with similar businesses. The Company is also actively searching for investment opportunities in the entertainment business and has reserved HK\$200 million for potential investments. The Company has not entered into any agreements in relation to the potential investments referred to in this paragraph.

Based on the above, the Board considers that: (1) it is not in the interest of the Company to remit the RMB funds offshore in order to settle the Group's offshore liabilities; and (2) it is in the interest of the Company and Shareholders as a whole to proceed with the Rights Issue notwithstanding its potential dilution impact, if any.

Update on the use of proceeds from the Disposal

The Company also takes this opportunity to provide an update on the receipt and use of the proceeds from the Disposal.

Net proceeds from the Disposal

The net proceeds from the Disposal is approximately HK\$1,925,000,000. The Purchaser (as defined in the Company's circular dated 30 September 2016) has withheld HK\$350,000,000 pursuant to the Sale and Purchase Agreement (as defined in the Company's circular dated 30 September 2016). The Purchaser will apply this amount to tax payments if the PRC tax authority makes additional demands. Insofar as the Company is aware, the PRC tax authority has not made any additional demands. The Company is advised by its PRC legal advisers that in the normal course of events, the PRC tax authority has power to review the amount of tax payable after 3 to 5 years of the completion of the Disposal. The Purchaser will refund any excess amount that has not been applied to pay additional tax payments to the Group. The Company is negotiating with the Purchaser as to when the amount will be refunded and expects to receive payment next year.

In September 2016, the Group received a net amount of approximately HK\$617,000,000 as deposits for the Disposal. This amount was applied to settle part of the consideration for the Disposal upon Completion (as defined in the Company's circular dated 30 September 2016) of the Disposal. The Group received the second tranche of the net proceeds from the Disposal of HK\$600,000,000 in February 2017. As explained in the Company's announcement dated 27 April 2017 and subsequent announcements, the Company was unable to utilise the HK\$600,000,000 to redeem the outstanding Bonds given that the funds had been subject to the bank's clearance procedures. The bank confirmed to the Company in November 2017 that the internal procedures had been completed and the funds had been cleared.

The remainder of the net proceeds from the Disposal, of approximately HK\$358,000,000, was paid by the Purchaser to Mega Market Assets Limited directly upon Completion to settle the Mega Market Loan (as defined in the Company's circular dated 30 September 2016) on behalf of the Company. The Mega Market Loan was an interest-free unsecured loan provided by Mega Market Assets Limited to the Company to finance the Company's repayment obligations for the partial redemption of the then outstanding Bonds.

The breakdown of the net proceeds from the Disposal is summarised in the table below.

Table 5 – Net proceeds from the Disposal

	Amount <i>(HK\$ million)</i>
Amount withheld by the Purchaser for tax purposes	350
Net payment received in September 2016	617
Payment received in February 2017	600
Repayment of Mega Market Loan upon Completion	<u>358</u>
Total	<u><u>1,925</u></u>

Use of net proceeds from the Disposal and the Mega Market Loan

To date, approximately HK\$975,000,000 of the net proceeds from the Disposal received by the Company and the Mega Market Loan have been used for the partial redemption of the then outstanding Bonds and interest payments as part of the consent solicitation exercises carried out by the Company. The details are set out in the table below.

Table 6 – Use of net proceeds from the Disposal and the Mega Market Loan

	Amount <i>(HK\$ million)</i>
Net proceeds from the Disposal received by the Company plus the Mega Market Loan	1,575
Partial redemption of Bonds and interest payment in September 2016	(310)
Partial redemption of Bonds and interest payment in March 2017 <i>Note</i>	<u>(665)</u>
Unutilised amount of net proceeds received	<u><u>600</u></u>

Note: In March 2017, the Company paid approximately HK\$900,000,000 to partially redeem the then outstanding Bonds and interest, of which approximately HK\$235,000,000 was paid using other funds of the Company.

The Company intends to apply the unutilised amount of the net proceeds from the Disposal to redeem the outstanding Bonds in around early April 2018. The outstanding Bonds will continue to incur default interest up to the date of payment.

The Company so far has not applied the unutilised net proceeds from the Disposal to redeem the outstanding Bonds. Whilst the Group has had sufficient offshore funds to redeem the outstanding Bonds since November 2017, the redemption will utilise a substantial portion of the Group's offshore funds, leaving only approximately HK\$180 million of offshore funds (assuming redemption took place on 30 November 2017). The remaining funds would have been insufficient to settle the remaining current offshore liabilities that were due for repayment, including the Shareholder's Loan of approximately HK\$411 million, and the general working capital of the offshore office. The Board therefore considers that it will be prudent to redeem the outstanding Bonds after the Company has raised sufficient offshore funds before any of the Group's current offshore liabilities are paid.

(2) REVISED EXPECTED TIMETABLE FOR THE PROPOSED RIGHTS ISSUE

The Company has been proactively taking steps to finalise the information to be contained in the Rights Issue Documents and to address the comments or queries that the Stock Exchange has raised. With a view to providing further information in relation to the Proposed Fund Raising Plans in the Rights Issue Documents, the Company requires additional time to collect and collate certain information. The Company will despatch the Rights Issue Documents as soon as practicable. As a result, the Company announces that the expected timetable for the Rights Issue has been revised as follows:

2018

Last day of dealing in Shares

on a cum-rights basis Friday, 9 February

First day of dealing in Shares

on an ex-rights basis Monday, 12 February

Latest time for lodging transfer documents

of Shares in order to be qualified

for the Rights Issue. 4:30 p.m. on Tuesday, 13 February

Register of members of the Company

closes for determining entitlements

under Rights Issue (both days inclusive). Wednesday, 14 February to
Thursday, 22 February

Record Date for determining entitlements

under Rights Issue Thursday, 22 February

Register of members of the Company reopens Friday, 23 February

Despatch of Rights Issue Documents Friday, 23 February

First day of dealing in nil-paid Rights Shares. Tuesday, 27 February

Latest time for splitting nil-paid Rights Shares. 4:30 p.m. on Friday, 2 March

Last day of dealing in nil-paid Rights Shares Wednesday, 7 March

Latest time for acceptance of
and payment for Rights Shares and
application and payment
for excess Rights Shares 4:00 p.m. on Monday, 12 March

Latest time for the Rights Issue to
become unconditional 4:00 p.m. on Tuesday, 13 March

Announcement of the results of
the Rights Issue to be posted
on the Stock Exchange's website and
the Company's website on or before Monday, 19 March

Refund cheques for wholly and
partially unsuccessful excess
applications to be posted on or around Tuesday, 20 March

Share certificates for fully-paid
Rights Shares to be posted Tuesday, 20 March

Dealing of Rights Shares in fully-paid
form commences. 9:00 a.m. on Wednesday, 21 March

Note: All times and dates in this announcement refer to Hong Kong local times and dates. Shareholders should note that the dates or deadlines specified in the expected timetable of the Rights Issue as set out above are indicative only and may be varied by agreement between the Company and the Underwriters. In the event that any special circumstances arise, the Board may extend, or make adjustment to, the timetable if it considers appropriate. Any such extension or adjustment to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

(3) THE UNDERWRITING AGREEMENT

On 29 January 2018 (after trading hours), the Company and the Underwriters entered into a side letter to the Underwriting Agreement to vary such terms as may be necessary to make the Underwriting Agreement consistent with the revised timetable as set out in this announcement.

Save as disclosed above, all other terms and conditions of the Underwriting Agreement shall remain unchanged.

(4) UPDATES ON POTENTIAL SUBSCRIPTION OF SHARES BY A STRATEGIC INVESTOR UNDER GENERAL MANDATE

As disclosed in the Announcement, the Company was considering the proposed introduction of a reputable strategic investor, which is a leading PRC-based institutional investment group, by issue of Shares (representing approximately 5% of the total issued Shares as enlarged by the proposed Rights Issue) to it. The subscription price will be determined by making reference to the theoretical ex-rights price of the Shares. The Company has been actively communicating with the strategic investor on the latest progress of the proposed Rights Issue in order to finalise the detailed terms and documentations of such subscription of Shares. The Company also understands that the strategic investor may consider to put the subscription of Shares on hold if the subscription terms are not finalised and the subscription is not concluded shortly after the publication of Company's annual results announcement in March 2018.

Such issue of Shares, if materialised, is expected to be made by the Company pursuant to the general mandate granted to the Directors pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting of the Company convened and held on 29 June 2017. Further announcement(s) in relation to the potential subscription of Shares will be made by the Company as and when appropriate.

(5) UPDATES ON THE PROPOSED PURCHASE OF THE BONDS BY KEEN START

As disclosed in the Announcement, Keen Start has revised the settlement date for the purchase of the Bonds to be on a date falling on the 5th Business Day after the day on which an announcement (or, if more than one announcement is made, the latest announcement) is made by the Company on the finalisation of the subscription of Shares by a strategic investor. Accordingly, and also taking into account the blackout period pursuant to Appendix 10 to the Listing Rules (which is applicable to Keen Start since it is wholly-owned by a director of the Company) which has commenced due to the announcement of the Company's annual results in or around the end of March 2018, the Company has been informed and confirmed by Keen Start that its intention to proceed with the purchase of the Bonds after the applicable blackout period and the publication of all the inside information (if any) with respect to the Company. In light of the above, the Company understands from Keen Start that the settlement date would be fixed: (i) after the publication of the announcement on the finalisation of the subscription of Shares by a strategic investor, or (ii) in mid-April 2018 if eventually the Company is not able to conclude the Shares subscription with the strategic investor in early April 2018.

Completion of the Proposed Fund Raising Plans is conditional upon satisfaction of certain conditions precedent under each of the relevant transaction documents and therefore may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company and if they are in any doubt about their position, they should consult their professional advisers.

By Order of the Board
Ng Yuen Yee
Company Secretary

Hong Kong, 29 January 2018

As at the date of this announcement, the Board comprises two executive directors namely Mr. Chan How Chung, Victor and Mr. Boo Chun Lon and three independent non-executive directors namely Mr. Yuen Wai Ho, Mr. Chow Siu Ngor and Mr. Lee Ka Lun.