

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

# **REXLot Holdings Limited**

**御泰中彩控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 555)**

## **CLARIFICATION ANNOUNCEMENT**

Reference is made to the results announcement of REXLot Holdings Limited (the “**Company**”) dated 29 March 2018 (the “**Results Announcement**”). Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as those defined in the Results Announcement.

### **FURTHER INFORMATION IN RELATION TO IMPAIRMENT LOSS ON GOODWILL**

As disclosed in the Results Announcement, the Company recognized full impairment loss on goodwill of approximately HK\$301,283,000 for the year ended 31 December 2017 in respect of three business units: (i) approximately HK\$185,505,000 for the business unit engaged in lottery machine production; (ii) approximately HK\$108,826,000 for the business unit engaged in scratch cards printing; and (iii) approximately HK\$6,952,000 for the business unit engaged in the provision of Sports video lottery terminals and related services.

According to Hong Kong Accounting Standard 36, an impairment loss is the amount by which the carrying amount of a business unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use.

## **1. Impairment in relation to lottery machine production business unit**

The overall operating environment of the market for lottery machine production has been worsening since 2016. For the financial year ended 31 December 2017, the performance of this business unit was unsatisfactory due to the continuous slowdown in equipment replacement cycle, keen market competition and strong pricing pressure. This business unit recorded a decline in total number of units sold, average unit price and profit margins during the year under review.

The Company engaged an independent valuer to prepare a valuation of this business unit. The independent valuer determined the recoverable amount by calculating the value in use of this business unit based on the budget prepared and approved by the management, applying the discounted cash flow valuation method. It applied a pre-tax discount rate of 17.8% per annum and the terminal value growth rate of 3%.

For the purposes of the valuation, the management prepared financial budgets for 2018 to 2023 based on (i) the market conditions and performance of this business unit in 2017 and (ii) the expected market trend. Due to the difficult operating environment in 2017, the projected cash flow forecasted to be generated from this business unit was lower than that forecasted in previous years and this in turn affected the recoverable amount of this business unit. The Company recognized full impairment loss on goodwill of approximately HK\$185,505,000.

## **2. Impairment in relation to scratch cards printing business unit**

The national Welfare Scratch Cards sales dropped for the third year in a row in 2017. The year-on-year decrease in national Welfare Scratch Cards sales further widened from 8.4% in 2016 to 15.3% in 2017. National Welfare Scratch Cards sales in 2017 had decreased by approximately RMB3.65 billion compared to that in 2015. The performance of the Group's scratch cards printing business unit was affected by the unsatisfactory performance of the national Welfare Scratch Cards market.

In the impairment review on goodwill attributable to this business unit, the Company engaged an independent valuer to prepare a valuation of this business unit. The independent valuer calculated the value in use of this business unit based on the budget prepared and approved by the management, applying the discounted cash flow method. It applied a pre-tax discount rate of 22.24% per annum.

The management prepared a financial budget for this business unit for nine years, up to 2026 as the Group has the printing contract which is valid until 2026. As a result of the further deterioration of the scratch cards market in 2017, the projected cashflow forecasted to be generated from this business unit was lower than that forecasted in previous years. This led to a decrease in the recoverable amount. The Company recognized full impairment loss on goodwill of approximately HK\$108,826,000 of this business unit.

### **3. Impairment in relation to Sports video lottery business unit**

The Sports video lottery business unit commenced business in 2015, and is engaged in the provision of Sports video lottery terminals and related services.

The performance of this business unit did not grow as expected during the financial year ended 31 December 2017 and recorded a loss. This was due to the unfavourable operating environment of the PRC lottery market, the slowdown of the Sports video lottery market and the increase in operating costs.

The Company considered these factors in the impairment review of the goodwill attributable to this business unit and forecasted that its performance would continue to be unsatisfactory in the coming years. The Company considered that it is appropriate to recognize full impairment loss on goodwill of approximately HK\$6,952,000 of this business unit.

## CLARIFICATION IN RELATION TO TAXATION CHARGE

The Company refers to page 14 of the Results Announcement and clarifies that the PRC income tax on disposal of subsidiaries charged to the consolidated income statement was approximately HK\$215,200,000 for the financial year ended 31 December 2017 and the PRC income tax charged to the consolidated income statement was approximately HK\$4,000.

The amount of taxation charged to the consolidated income statement is set out below.

	<b>2017</b>	2016
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Current tax:		
Hong Kong profits tax	–	765
PRC income tax on disposal of subsidiaries	<b>215,200</b>	–
PRC income tax	<b>4</b>	32,804
Under/over-provision in respect of previous years, net	<u><b>(5,234)</b></u>	<u>(1,707)</u>
	<u><b>209,970</b></u>	<u>31,862</u>
Deferred tax:		
Deferred taxation relating to the origination and reversal of temporary differences	<u><b>478</b></u>	<u>(1,964)</u>
	<u><b>478</b></u>	<u>(1,964)</u>
Taxation charge	<u><b>210,448</b></u>	<u>29,898</u>

By Order of the Board  
**Ng Yuen Yee**  
*Company Secretary*

Hong Kong, 20 April 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.*