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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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

FINANCIAL RESULTS

The board of directors (the “Board”) of REXLot Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company, its subsidiaries and jointly controlled entities (together the “Group”) for the year ended 31 December 2008 together with the comparative figures for the corresponding period in 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000 (Restated)
Turnover	3	1,173,000	412,661
Cost of sales/services rendered		(606,641)	(166,649)
Other income		6,085	5,561
Other (losses)/gains, net	3	(19,301)	23,029
Bad debts (written off)/recovery, net (Allowance for)/reversal of allowance for impairment of bad and doubtful debts, net		(194)	2,208
Gain on disposal of partial interests in subsidiaries		(44,995)	16,840
Selling and distribution expenses		–	63,998
Administrative expenses		(35,961)	(32,132)
		(128,535)	(103,000)
Operating profit		343,458	222,516
Finance costs		(1,243)	(2,506)
Profit before taxation	5	342,215	220,010
Taxation	6	(51,414)	(26,369)
Profit for the year		290,801	193,641

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> (Restated)
Attributable to:			
Equity holders of the Company		267,641	136,688
Minority interests		23,160	56,953
		<u>290,801</u>	<u>193,641</u>
Earnings per share	8		
– Basic		<u>3.68 cents</u>	<u>2.19 cents</u>
– Diluted		<u>3.66 cents</u>	<u>2.17 cents</u>

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		136,968	89,445
Prepaid lease payments on land use rights		36,878	4,910
Investment properties		962	49,034
Goodwill		1,479,022	595,357
Intangible assets		116,882	95,638
Deposits for acquisition of leasehold land use rights		3,129	–
Statutory deposits		632	2,178
Deferred tax assets		1,535	2,111
Investment deposits	9	126,000	168,620
Total non-current assets		1,902,008	1,007,293
Current assets			
Inventories		79,675	51,615
Trade receivables	10	708,905	492,243
Prepayments, deposits and other receivables		401,556	332,311
Financial assets at fair value through profit or loss		9,311	30,072
Current tax refundable		2,705	2,698
Cash and bank balances		244,043	689,342
Total current assets		1,446,195	1,598,281
Total assets		3,348,203	2,605,574
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		73,962	71,380
Reserves		2,904,321	2,242,586
		2,978,283	2,313,966
Minority interests		82,272	127,437
Total equity		3,060,555	2,441,403

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> (Restated)
LIABILITIES			
Non-current liabilities			
Bank borrowings		11,807	12,675
Deferred tax liabilities		47,476	17,408
		<hr/>	<hr/>
Total non-current liabilities		59,283	30,083
Current liabilities			
Trade payables	11	153,880	104,048
Other payables and accruals		55,019	21,498
Bank borrowings		2,351	1,381
Current tax liabilities		17,115	7,161
		<hr/>	<hr/>
Total current liabilities		228,365	134,088
		<hr/>	<hr/>
Total liabilities		287,648	164,171
		<hr/>	<hr/>
Total equity and liabilities		3,348,203	2,605,574
		<hr/> <hr/>	<hr/> <hr/>
Net current assets		1,217,830	1,464,193
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Total assets less current liabilities		3,119,838	2,471,486
		<hr/> <hr/>	<hr/> <hr/>

NOTES:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain new and revised HKFRS and interpretations that are first effective or available for early adoption for the current accounting period of the Group.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above new or revised HKFRS has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been made.

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been early adopted in these financial statements as follows:

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives ⁴
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁵
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁶
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners ³
HK(IFRIC)-Int 18	Transfer of Assets from Customers ⁷

- 1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
- 2 Effective for annual periods beginning on or after 1 January 2009
- 3 Effective for annual periods beginning on or after 1 July 2009
- 4 Effective for annual periods ending on or after 30 June 2009
- 5 Effective for annual periods beginning on or after 1 July 2008
- 6 Effective for annual periods beginning on or after 1 October 2008
- 7 Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. HKAS 1 (Revised) will prohibit the presentation of items of income and expenses ('non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). The directors of the Company (the "Directors") anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER

Turnover represents commission income and handling fee income, interest income and income from provision of lottery machines and related services.

An analysis of the Group's turnover is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> (Restated)
Turnover		
Commission income and handling fee income	5,515	20,812
Interest income from:		
– Banks	145	1,570
– Margin clients	5,433	7,388
– Loan receivables	11,393	9,481
Income from provision of lottery machines and related services	1,150,514	373,410
	1,173,000	412,661
Other (losses)/gains, net		
Net losses on disposal of financial assets at fair value through profit or loss	(4,002)	(151)
Fair value (losses)/gains on financial assets fair value through profit or loss	(14,973)	1,673
Fair value gains on investment properties	–	21,967
Exchange losses	(326)	(460)
	(19,301)	23,029

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is organised into the following three major operating divisions:

- i) Lottery business
- ii) Financial services
- iii) Money lending

In accordance with the Group's internal financial and operating activities, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments.

The segment results for the year ended 31 December 2008 and the segment assets and liabilities as at 31 December 2008 are as follows:

	As at and for the year ended 31 December 2008			
	Lottery business HK\$'000	Financial services HK\$'000	Money lending HK\$'000	Total HK\$'000
Turnover	<u>1,150,514</u>	<u>11,093</u>	<u>11,393</u>	<u>1,173,000</u>
Segment results	424,407	(42,396)	(31,330)	350,681
Net unallocated expenses				<u>(8,466)</u>
Profit before taxation				342,215
Taxation				<u>(51,414)</u>
Profit for the year				<u>290,801</u>
Assets				
Segment assets	2,815,434	42,661	208,730	3,066,825
Unallocated assets				<u>281,378</u>
Total assets				<u>3,348,203</u>
Liabilities				
Segment liabilities	251,158	24,310	45	275,513
Unallocated liabilities				<u>12,135</u>
Total liabilities				<u>287,648</u>

The segment results for the year ended 31 December 2007 and the segment assets and liabilities as at 31 December 2007 are as follows:

	As at and for the year ended 31 December 2007			
	Lottery business <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i> (Restated)
Turnover	<u>373,410</u>	<u>29,770</u>	<u>9,481</u>	<u>412,661</u>
Segment results	243,380	795	11,864	256,039
Net unallocated expenses				(36,029)
Profit before taxation				220,010
Taxation				(26,369)
Profit for the year				<u>193,641</u>
Assets				
Segment assets	1,692,892	104,264	316,092	2,113,248
Unallocated assets				492,326
Total assets				<u>2,605,574</u>
Liabilities				
Segment liabilities	109,661	52,175	–	161,836
Unallocated liabilities				2,335
Total liabilities				<u>164,171</u>

Geographical segments

The Group's business segments operate in two main geographical areas.

As at and for the year ended 31 December 2008				
	Segment results and profit/(loss) before taxation	Total assets	Total liabilities	Capital expenditure
	Turnover HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	22,486	(82,192)	533,712	36,500
The PRC	1,150,514	424,407	2,814,491	251,148
	<u>1,173,000</u>	<u>342,215</u>	<u>3,348,203</u>	<u>287,648</u>
	<u><u>1,173,000</u></u>	<u><u>342,215</u></u>	<u><u>3,348,203</u></u>	<u><u>287,648</u></u>

As at and for the year ended 31 December 2007				
	Segment results and profit/(loss) before taxation	Total assets	Total liabilities	Capital expenditure
	Turnover HK\$'000 (Restated)	HK\$'000	HK\$'000	HK\$'000 (Restated)
Hong Kong	39,251	(23,352)	913,787	54,501
The PRC	373,410	243,362	1,691,787	109,670
	<u>412,661</u>	<u>220,010</u>	<u>2,605,574</u>	<u>164,171</u>
	<u><u>412,661</u></u>	<u><u>220,010</u></u>	<u><u>2,605,574</u></u>	<u><u>164,171</u></u>

5. PROFIT BEFORE TAXATION

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group's profit before taxation is stated after charging the following:		
Auditor's remuneration	1,500	1,730
Commission expenses	2,078	9,978
Research and development costs	900	3,921
Loss on disposal of property, plant and equipment	3,160	–
Depreciation and amortisation expenses		
Property, plant and equipment	28,855	17,054
Prepaid lease payments on land use rights	758	178
Intangible assets	1,430	2,009
Operating lease rentals in respect of office premises and warehouse	11,174	6,751
Staff costs		
Salaries, allowances and benefits in kind	52,820	41,119
Bonuses	1,316	–
MPF contributions	292	234
PRC retirement insurance contributions	1,824	736
Employee share option benefits	1,768	19,057

6. TAXATION

No provision for Hong Kong profits tax is made in the financial statements as the Group has no estimated assessable profits for the year (2007: 17.5%).

One of the jointly controlled entities of the Group's lottery business in the PRC, Beijing Guard Libang Technology Co Ltd, is eligible for application of tax holiday and concession which are in the form of three years tax exemption from the year 2003 to 2005 and followed by a 50% reduction of the applicable tax rate in the following three years commencing from 2006. The applicable income tax rate for this jointly controlled entity in the current year is 7.5% (2007: 7.5%).

The applicable income tax rates for the remaining subsidiaries of the Group's lottery business in current year are ranging from 15% to 25% (2007: 15% to 33%) as their tax holiday and concession periods, if any, were expired.

The amount of taxation charged to the consolidated income statement represents:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current tax:		
– Hong Kong profits tax	–	276
– PRC income tax	22,299	14,917
– Overprovision in respect of previous year	(425)	–
	21,874	15,193
Deferred tax:		
Deferred taxation relating to the origination and reversal of temporary differences	29,448	11,176
Attributable to changes in tax rates	92	–
Taxation charge	51,414	26,369

7. DIVIDEND

The Board does not recommend the payment of a dividend in respect of the year ended 31 December 2008 (2007: Nil).

8. EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of shares in issue during the year.

	2008	2007
Profit attributable to equity holders of the Company (in thousand HK\$)	267,641	136,688
Weighted average number of ordinary shares in issue (in thousand)	7,282,833	6,231,200
Basic earnings per share	3.68 cents	2.19 cents

(b) **Diluted earnings per share**

The diluted earnings per share is calculated by dividing the profit for the year and on the weighted average number of ordinary shares, being the weighted average number of ordinary shares in issue during the year as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all share options outstanding during the year.

	2008	2007
Profit for the year, used in the basic and diluted earnings per share calculation (in thousand HK\$)	267,641	136,688
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (in thousand)	7,282,833	6,231,200
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all share options outstanding during the year (in thousand)	39,022	82,671
	7,321,855	6,313,871
Diluted earnings per share	3.66 cents	2.17 cents

9. INVESTMENT DEPOSITS

The investment deposits represent the amounts paid for acquisition of additional interests in subsidiaries and are therefore classified as non-current assets.

10. TRADE RECEIVABLES

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Margin client receivables, net	3,091	9,342
Other client receivables, net	675	1,510
Broker receivables	945	17,378
Amounts due from clearing houses	2,152	–
Loan receivables, net	196,370	283,219
Loan interest receivables, net	8,008	12,211
Trade receivables – lottery business	497,664	168,583
	708,905	492,243

Margin client receivables are repayable on demand, bear interest at prevailing markets rates and are secured by clients' securities listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with market value of approximately HK\$12,895,000 as at 31 December 2008 (2007: HK\$66,274,000). No ageing analysis is disclosed for margin client receivables as, in the opinion of the Directors, the ageing analysis does not give additional value in view of the nature of business of securities margin financing and broking.

The settlement terms of other client receivables, broker receivables and amounts due from clearing houses are one to two days after the trade date or are repayable on demand. The age of these balances is within 30 days.

The Directors consider that the carrying amounts of trade receivables approximate to their fair values. The Group generally grants credit periods of 90 to 120 days to its trade receivables.

The ageing analysis of loan receivables, loan interest receivables, net and trade receivables-lottery business is as follows:

	As at 31 December 2008		
	Loan receivables and loan interest receivables, net HK\$'000	Trade receivables- lottery business HK\$'000	Total HK\$'000
Three months or less	99,454	470,865	570,319
One year or less but over three months	101,221	18,556	119,777
Over one year	3,703	8,243	11,946
	<u>204,378</u>	<u>497,664</u>	<u>702,042</u>

	As at 31 December 2007		
	Loan receivables and loan interest receivables, net HK\$'000	Trade receivables- lottery business HK\$'000	Total HK\$'000
Three months or less	234,461	144,444	378,905
One year or less but over three months	60,969	24,139	85,108
	<u>295,430</u>	<u>168,583</u>	<u>464,013</u>

11. TRADE PAYABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Margin client payables	5,341	4,365
Other client payables	15,174	44,879
Trade payables – lottery business	133,365	54,804
	<hr/>	<hr/>
	153,880	104,048
	<hr/> <hr/>	<hr/> <hr/>

Margin client payables and other client payables are repayable on demand and bear interest at prevailing market rates.

No ageing analysis is disclosed for margin client payables and other client payables as, in the opinion of the Directors, the ageing analysis does not give additional value in view of the nature of business of securities margin financing and broking.

Trade payables are expected to be settled within one year or are repayable on demand.

The Directors consider that the carrying amounts of trade payables approximate to their fair values.

The ageing analysis of the Group's trade payables – lottery business is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Three months or less	130,690	42,509
One year or less but over three months	2,675	12,295
	<hr/>	<hr/>
	133,365	54,804
	<hr/> <hr/>	<hr/> <hr/>

12. COMPARATIVE FIGURES

Comparative information has been restated to achieve a consistent presentation as a result of the adoption of new/revised HKFRS and the presentation of sale proceeds and related cost of sales for sales of investments held for trading to reflect the nature of sales of financial assets in a more appropriate manner, the details of which are set out below.

In prior year, sale proceeds of investments held for trading were presented in the consolidated income statement within turnover and the related cost of sales were presented on the face to the income statements.

In the current year, the Group changed its presentation of turnover and cost of sales, as in the opinion of Directors, it is more appropriate to present the gain/loss on investments held for trading disposed of during the year on a net basis so as to provide more relevant information in respect of the Group's operations and to conform with market practices.

The effects of this change in presentation have been accounted for retrospectively with comparative figures restated. The specific line items affected are as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Decrease in turnover	10,193	21,991
Decrease in cost of trading of listed securities	14,195	22,142
Net losses on disposal of financial assets at fair value through profit or loss	4,002	151

The above changes do not have any impact on the results and financial position of the Group in respect of the current and prior years.

In addition, for the purpose of these financial statements, the presentation of income statement has been changed to the format of classification of expenses by function for the year ended 31 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Lottery Business

During the year under review, the Group's lottery business primarily comprised System and Games Development Business ("SGDB") and Distribution and Marketing Business ("DMB").

Turnover of the lottery business for the year increased substantially by 208% to HK\$1,150,514,000 (2007: HK\$373,410,000), accounting for 98% of the total turnover. Profit before taxation arising from this segment recorded a significant growth of 74% to HK\$424,407,000 (2007: HK\$243,380,000).

China Lottery Market

The China Lottery market comprises two lotteries, namely, the China Welfare Lottery and the China Sports Lottery.

Total Lottery sales in China amounted to RMB106 billion in 2008 (2007: RMB100 billion), up 6% year-on-year. During the year, sales of the China Lottery market registered an increase of 20% year-on-year ex-Video Lottery Terminals ("VLT")/Keno sales, whose sales dropped due to the implementation of the Chinese Government's new policies in early 2008.

China's total Welfare Lottery sales was approximately RMB60.4 billion, accounting for 57% of the total lottery sales in China. Welfare Computer Ticket Games ("CTG") was 84% (RMB51 billion), Welfare Scratch Cards was 13% (RMB8 billion) and VLT/Keno took 3% (RMB2 billion). In 2008, China's total Sports Lottery sales was approximately RMB45.6 billion, accounting for 43% of the total lottery sales in China. Sports CTG was 77% (RMB35.3 billion) and Sports Scratch Cards took 23% (RMB10.3 billion). The Group's lottery business covers both the Welfare and Sports Lotteries, except VLT/Keno.

System and Games Development Business

The Group's SGDB covers both CTG and Scratch Cards and the Group is providing such services to both the Welfare Lottery and Sports Lottery.

Welfare CTG Business

Our Group's Welfare CTG business is principally conducted through Shenzhen Sinodata Technology Co Ltd ("Sinodata"), a 84.75%-owned subsidiary of our Group. Sinodata is the leading equipment supplier for the Welfare CTG market in China. It provides service to 16 provinces in China. Our Welfare CTG business under Sinodata continued to perform on track with stable growth. The Welfare CTG market had recovered from the slow-down due to the snowstorms and the earthquakes in the first half of 2008. For the year, Welfare CTG registered a healthy growth of approximately 10% when compared to 2007. The Group has successfully maintained its leading market share of over 50% in China.

Welfare Instant Lottery Business

Our Group's Welfare Instant Lottery tickets validation business is conducted through our 50%-owned Beijing Guard Libang Technology Co Ltd ("Guard Libang"), which is the exclusive system and equipment supplier of Welfare Scratch Cards validation and system implementation in China. Guard Libang is a 50:50 joint venture with Scientific Games Corporation, the world's leading instant lottery system and validation company. The Group's Welfare Scratch Cards network covered the entire Mainland China by the end of 2008 (2007: 22 provinces).

In 2008, Welfare Scratch Cards sales in China increased by 166% year-on-year. Given its popularity and enormous potential, Welfare Scratch Cards sales is expected to continue to see a strong growth in China. The Group was actively involved in this segment of business by providing system, games and validation of instant lottery tickets through its proprietary security and validation system using 2D barcode.

Capitalising on the Group's leading position in the China Welfare Lottery market and especially, its exclusive Instant Lottery Tickets validation business, our Group has successfully participated in the China Welfare Scratch Cards printing business since November 2008.

The Group's printing operation with Shijiazhuang Offset Printing House (石家庄市膠印廠) is set up under a cooperation contract for a period of 15 years. The Group's printing facilities is located at Shijiazhuang, the Provincial Capital of Hebei Province. Shijiazhuang Offset Printing House is the first printer for Welfare Lottery in China since the inception of the Lottery in the 1980s and is one of the three entities authorized to print for the Welfare Scratch Cards programme. Through the cooperation, the Group will be contributing to the Disaster Relief Lottery for the rehabilitation of Wenchuan County, Sichuan Province after the earthquakes.

At present, the existing printing facilities have a printing capacity of around 1 billion standard tickets per annum and our Group is in the process of upgrading and increasing the capacity of the plant by bringing in additional advanced printing press into China. Once the upgrading of the plant is completed the total capacity of the plant is expected to increase to around 4 billion tickets per annum. We expect to complete the upgrade in 2009.

Sports CTG Business

The Group's Sports CTG business involved the development and production of CTG machines and related consultancy services to the Provincial Sports Lottery Centers across China. Up to the end of 2008, our Group had manufactured and sold Sports CTG machines and provided services to 14 provinces in China.

Distribution and Marketing Business

Establishing a professional and productive distribution channel is paramount to the continuing development and growth of the China Lottery market. It has always been one of the key objectives of our Group to help contribute in the development of a systematic distribution channel in China.

Our Group's DMB business was commenced in late 2008 and since then our Group has focused on the cooperative model for the distribution of lottery tickets as oppose to the direct sales model. Under the cooperative model, we focus on working with entities and organizations that already have had a widely diversified and recognized retail network. The Group is proud to have China Post, PetroChina, Sinopec, China Resources, other major supermarket and convenient store chains as our distribution channel partners for the distribution of lottery tickets in China. These cooperations bring to bear the fusion of professional lottery management and experience and access to the extensive distribution network spanning across China at prime locations with high traffic and minimum ongoing operating cost. In this way, we expect these channels can help create more sales for the lottery products in particular, scratch cards as such sales are normally the result of impulse buying.

Even though the DMB business segment for our Group was only commenced in September 2008, we have successfully rolled out over 18,000 Point-of-Sales ("POS") by the end of 2008, against our original target of 15,000 POS. Furthermore, during the period after the commencement of our DMB business we have secured cooperative service agreements with 18 provinces in China. In this way, we have successfully achieved critical mass both in terms of the number of POS and the penetration into various major established distribution channels in China. We have achieved such results in less than a year of operation.

Initially, we started with the distribution of Sports Instant Lottery tickets. In 2009, we do plan to extend the range of lottery product offers to the public by first including Welfare Instant Lottery products at our POS. We intend to distribute a wide range of lottery products like Welfare CTG subsequently. We plan to sign up more distribution channels and we maintain our plan to roll out a total of over 40,000 additional POS by the end of 2009.

Outlook of our Lottery Business

We believe that lottery sales is an effective way to raise funds to help the increasing number of people in need. China's total lottery sales in the third and fourth quarters of 2008 and the first quarter of 2009 have all shown a substantial and continuing growth trend notwithstanding the financial tsunami which struck the world in the latter half of 2008. This re-demonstrates the resilient nature of lottery industry in China.

As a major participant in the industry, the Group is confident that both the Welfare and Sports Lotteries in China will continue to make significant contributions for the good causes which benefit the general public in China. The Group will also continue its efforts in the furthering of such good causes in China through the careful and diligent execution of its planned strategies.

System and Games Development Business

Looking ahead, we expect Welfare CTG to maintain a healthy growth momentum. In addition, we believe that Scratch Cards will continue to be a strong growth driver for lottery sales in China. The increase in price points of scratch cards and the launching of theme based instant lottery tickets tied to the key events in China and lotteries dedicated to specific good causes will continue to be another key impetus to the growth of scratch cards sales in China. Such key events may include themes like the 60th Founding Anniversary of China and the 2010 World Expo in Shanghai.

Our strategic partnership with Scientific Games Corporation will be instrumental in enabling us to bring its expertise and technology know-how to the booming Scratch Cards market in China.

Our entry to the printing business for the Welfare Lottery in China is a landmark step towards the development of the Group as the leading integrated lottery service provider for China. Welfare Scratch Cards printing has great synergies to our current two business lines – SGDB as well as DMB – as the Group can benefit from both the increasing sales of new games developed by us and our extensive network of distribution channels. The Group believes that the printing business segment will form an important part of its overall strategy in the China Lottery market.

Distribution and Marketing Business

DMB remains as one of our prime focuses. Our strategy in DMB is to focus on channel sales development which we believe is where the growth will be in the future. The key to the success of such strategy is to develop close ties and partnerships with leading distribution channels in China. 2009 will likely be a year where our Group continues to excel in the DMB business and be able to attract additional channel partners to further fortify our leading position.

The distribution network has great synergies to our SGDB as the Group can benefit from both increasing the sales of new games developed by it and its game and system development capabilities can serve as our key competitive edge in winning channel partners in that the Group can develop new games to fit their channels.

The Group's plan for DMB will be funded by our internal resources. Given the healthy on-going operating cashflow generated from our business and a practically ungeared balance sheet, we believe that we have adequate working capital to complete the roll out.

Financial Business

In 2008, worldwide equity markets slid as the global financial turmoil exerted adverse impact on broader economy. In the second half of 2008, undermined by the turmoil, worries over an economic slowdown intensified. Global and local markets suffered from worsening economic outlook and investor sentiment. As at the end of 2008, major equity markets had tumbled between 31.3% to 66% from their end-2007 levels. In Hong Kong, the HSI tumbled 48.3%, posting the biggest drop since 1974. Average daily turnover during December 2008 was HK\$43.1 billion, 63.9% lower than HK\$119.5 billion in January 2008. Due to the unfavourable economic and investment environment, turnover of the Group's financial services decreased by 63% to HK\$11,093,000 (2007: HK\$29,770,000) and recorded segment loss of HK\$42,396,000 for the year (2007 (restated): profit of HK\$795,000).

During the year, the Group has adopted conservative strategy for its investment trading and holding business due to volatility in local stock market and was not engaged in trading of high risk derivative financial instruments such as equity or currency accumulators.

Interest income from money lending business for the year increased by 20% to HK\$11,393,000 (2007: HK\$9,481,000). We have reviewed and taken actions to restructure the debt portfolio which resulted to a provision and written off of debts amounted to HK\$45,189,000. The money lending business recorded a loss of HK\$31,330,000 (2007: profit of HK\$11,864,000). The Group will continue to adopt conservative financing policy on the loan lending and to take active measures to control the risk exposure.

In 2008, the Group has been taken every cautious in dealing with our investment holdings and minimizing effect on financial services caused by the financial tsunami. Although various stimulus plans and rescue measures have been announced by governments worldwide, it remains uncertain how soon the economy will recover and financial markets are likely to remain volatile. The Group has taken active measures to reduce its risk exposure to the financial market and scale down the operations of our financial services business in order to reduce our exposures to the weakening global financial environment and to further strengthen the Company's financial position. In light of the severe challenges that the financial business faced in 2008, we intend to dispose of the Group's non-core business which would enable the Group to reduce its risk to the financial market and redirect the resources so released to the lottery business which is much less correlated to the current economic cycle and financial turmoil.

Prospect

During the year under review, the Group's Lottery Business continued to excel and make substantial progress in territorial coverage, games categories offered and revenue generation.

We are optimistic on our business outlook of 2009. In addition to SGDB and DMB, we will proactively explore new opportunities in lottery related areas as well as support and participate in new initiatives in the market, with an aim to create new revenue streams and enhance profitability.

Of course, it goes without saying that the Group would not have been anywhere close to where we are now without the support and guidance of our business partners and our loyal shareholders. We believe that dividend payment is part of our ongoing commitment to enhancing shareholder value. As a goal, we intend to start paying dividend in 2009, but this could vary depending upon the outlook for earnings growth, capital expenditure requirements, cashflow from operations as well as potential acquisition opportunities.

Given the robust market growth and the resilient nature of lottery industry in China, we are confident that our business will continue to excel and we will maintain our position as the leading integrated lottery service provider for China.

FINANCIAL REVIEW

Result

For the year ended 31 December 2008, the Group recorded a turnover of HK\$1,173,000,000 (2007 (restated): HK\$412,661,000), representing an increase of 184% over that of the last year. The increase was mainly attributable to the Group's lottery business in China which achieved a turnover of HK\$1,150,514,000 (2007: HK\$373,410,000).

Profit attributable to equity holders for the year was HK\$267,641,000 (2007: HK\$136,688,000). The earnings per share was 3.68 cents (2007: 2.19 cents). Fully diluted earnings per share was 3.66 cents (2007: 2.17 cents).

Liquidity, Financial Resources and Funding

At 31 December 2008, the Group's total equity amounted to HK\$3,060,555,000 as compared to HK\$2,441,403,000 at the end of the previous year.

At 31 December 2008, the Group had cash reserves of approximately HK\$244,043,000 (2007: HK\$689,342,000), which included approximately HK\$18,419,000 (2007: HK\$31,539,000) of clients' funds that were kept in designated segregated bank accounts.

The gearing ratio as at 31 December 2008 was 0.46% (2007: 0.58%). The gearing ratio was derived by dividing the aggregate of bank borrowings by the amount of shareholders' equity. The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 633% (2007: 1,192%).

The Group had outstanding bank borrowings as at 31 December 2008 of HK\$14,158,000 (2007: HK\$14,056,000). The bank borrowings were denominated in Renminbi and Hong Kong dollars and interest bearing at prevailing commercial lending rates. The Group's land and building and listed investments belonging to clients were pledged to secure these bank borrowings. We expect that all these borrowings will be repaid by internal generated funds.

Taking into account the financial resources available to the Group including internally generated funds and available banking facilities, the Group has sufficient working capital to meet its present requirements.

Pledge of Assets

At 31 December 2008, the Group's land and building, which were classified as investment properties in 2007, and listed investment belonging to clients, with total market value of approximately HK\$47,727,000 and HK\$2,857,000 respectively (2007: HK\$49,034,000 and nil respectively) were pledged to banks to secure the bank borrowings granted to the Group.

Share Capital

During the year, the Company issued 254,000,000 new shares of HK\$0.01 each at a price of HK\$1.4173 per share pursuant to a conditional share sale and purchase agreement dated 31 December 2007. Details of the transaction are set out in the circular of the Company dated 5 June 2008.

20,000,000 new shares of HK\$0.01 each were issued and allotted during the year upon exercise of share options granted by the Company.

15,825,000 shares of HK\$0.01 each were repurchased by the Company during the year.

Save as disclosed above, there was no change in the Company's capital structure during the year ended 31 December 2008.

Exposure to Fluctuation in Exchange Rate Risk and Interest Rate Risk

The Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollar or Renminbi. The Group did not enter into any foreign exchange forward contracts to hedge against exchange rates fluctuations. Foreign exchange risk arising from the normal course of operations is considered to be minimal and the management will closely monitor the fluctuation in the currency and take appropriate actions when condition arises.

In terms of the interest rate risk exposures, the Group does not have any significant interest rate risk as both the borrowings of the Group and the interest rates currently remain at low levels.

Material Acquisitions and Disposals of Subsidiaries

On 13 April 2008, Huge Top Enterprises Inc. ("Huge Top"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with 廣州市彩通信息技術有限公司(translated as Guangzhou Caitong Information Technology Co. Ltd.), 深圳市華和光電信息有限公司(translated as Shenzhen Huahe Guangdian Information Co. Ltd.), 姜立斌(Jiang Libin) and 吳育雄(Wu Yuxiong) under which Huge Top has agreed to acquire 90% of the registered capital in 廣州市樂得瑞科技有限公司(translated as Guangzhou Latech Technology Co Ltd) ("Guangzhou Latech") at the consideration of RMB80,600,000. Guangzhou Latech is involved in the development and production of Sports Lottery machines, related operation software system and networks (including the provision of incidental consultancy services) for the Sports Lottery industry in China. Details of the acquisition are set out in the Company's circular dated 14 May 2008. The Group has taken over management of Guangzhou Latech in May 2008 pursuant to the said share transfer agreement.

On 24 December 2007, Huge Top entered into a share purchase agreement with, among others, Giga Step Limited ("Giga Step") under which Huge Top has agreed to acquire the entire issued share capital of Jertford Development Ltd ("Jertford") and the shareholder's loan due from Jertford to Giga Step. Jertford shall upon completion be indirectly interested in 26% of the registered capital of Shenzhen Kingsail Software Tech Co Ltd ("Kingsail"). The consideration payable for the acquisition was HK\$75,000,000 which was to be settled in cash. Details of the acquisition are set out in the Company's announcement dated 28 December 2007. The transaction has been completed in April 2008. Upon completion of this acquisition, the Group, together with its then existing interests in Kingsail, holds 84% in the registered capital of Kingsail indirectly.

On 31 December 2007, Multi Glory Limited (“Multi Glory”), a wholly-owned subsidiary of the Company, entered into a share purchase agreement with, among others, Billion Invest Limited (“Billion Invest”) under which Multi Glory has agreed to acquire the entire issued share capital of Top Manage Group Limited (“Top Manage”) and the shareholder’s loan due from Top Manage to Billion Invest. Top Manage was indirectly interested in 20% of the registered capital of Sinodata. The consideration payable for the acquisition was HK\$600,000,000, which was to be satisfied as to HK\$240,000,000 by payment in cash and as to HK\$360,000,000 by the issue of 254,000,000 ordinary shares by the Company to Billion Invest (or its nominee) at a price of approximately HK\$1.4173 per share. Details of the acquisition are set out in the Company’s circular dated 5 June 2008. The transaction has been completed in June 2008. Upon completion of this acquisition, the Group, together with its then existing interests in Sinodata, holds 84.75% in the registered capital of Sinodata indirectly.

Apart from the above, the Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2008.

Human Resources

As at 31 December 2008, the Group had 1,221 employees.

The Group remunerated its employee mainly based on the individual’s performance and experience. Apart from the basic remuneration, discretionary bonus and share options may be granted to eligible employees by reference to the Group’s performance as well as individual performance.

The Group will continue to emphasise on staff training and total quality management to better prepare its staff for the upcoming changes and challenges in the market and industry.

CHANGE OF COMPANY NAME

As announced by the Company on 22 December 2008, the Board proposed that the name of the Company be changed from “REXCAPITAL Financial Holdings Limited” to “REXLot Holdings Limited” and the adoption of the Chinese name “御泰中彩控股有限公司” as secondary name of the Company to replace the Chinese name “御泰金融控股有限公司” (which was adopted for identification purpose only) (the “Change of Company Name”). The special resolution relating to the Change of Company Name was duly passed by the shareholders of the Company at the special general meeting held on 30 January 2009. Upon the approval by the Registrar of Companies in Bermuda on the Change of Company Name having been obtained, the Change of Company Name has become effective on 30 January 2009. The stock short names for trading in the shares of the Company on the Stock Exchange have been changed from “REX FINANCIAL H” to “REXLOT HOLDINGS” in English and from “御泰金融” to “御泰中彩控股” in Chinese with effect from 9 March 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, throughout the year, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except that Code Provision A.4.1 requires that non-executive directors should be appointed for a specific term, subject to re-election. Currently the independent non-executive Directors are not appointed for a specific term, but are subject to retirement by rotation at the Company’s annual general meeting as specified in the bye-laws of the Company.

Further information is set out in the Corporate Governance Report contained in the 2008 annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the year, the Company repurchased a total of 15,825,000 ordinary shares on the Stock Exchange at an aggregate consideration of HK\$2,548,100 pursuant to the general mandate granted by the shareholders at the annual general meeting held on 18 June 2008. Details of the repurchases of shares were as follows:

Month/Year	Total number of ordinary shares repurchased	Repurchase consideration per share		Aggregate consideration (expenses excluded) HK\$
		Highest HK\$	Lowest HK\$	
October 2008	<u>15,825,000</u>	0.181	0.139	<u>2,548,100</u>

All the repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. The above repurchases were effected with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2008, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding dealing in securities by the Directors. Having made specific enquiry, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year.

AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the financial statements for the year ended 31 December 2008.

PUBLICATION OF THE ANNUAL RESULT ANNOUNCEMENT AND ANNUAL REPORT

The annual result announcement of the Group for the year ended 31 December 2008 is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://finance.thestandard.com.hk/en/0555rex1ot>) respectively. The 2008 annual report and notice of the annual general meeting of the Company will be despatched to the shareholders and made available on the above websites on or before 30 April 2009.

By order of the Board
Chan How Chung, Victor
Executive Director

Hong Kong, 17 April 2009

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.