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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

FINANCIAL RESULTS

The board of directors (the “Board”) of REXLot Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company, its subsidiaries and jointly controlled entities (together the “Group”) for the six months ended 30 June 2009 together with the unaudited comparative figures for the corresponding period in 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
			(Restated)
Turnover	4	500,353	357,100
Cost of sales/service rendered		(291,263)	(127,759)
Other income		3,814	2,799
Other gains/(losses), net		786	(13,947)
Selling and distribution expenses		(29,656)	(15,726)
Administrative expenses		(68,640)	(49,768)
Operating profit		115,394	152,699
Finance costs		(226)	(563)
Profit before taxation	5	115,168	152,136
Taxation	6	(7,794)	(4,644)
Profit for the period		107,374	147,492

		Six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
			(Restated)
Attributable to:			
Equity holders of the Company		123,156	134,718
Minority interests		(15,782)	12,774
		<u>107,374</u>	<u>147,492</u>
Dividend	7	<u>0.18 cent</u>	<u>–</u>
Earnings per share			
Basic	8(a)	<u>1.66 cents</u>	<u>1.88 cents</u>
Diluted	8(b)	<u>1.65 cents</u>	<u>1.87 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2009 (Unaudited) <i>HK\$'000</i>	At 31 December 2008 (Audited) <i>HK\$'000</i>
<i>Notes</i>			
ASSETS			
Non-current assets			
Property, plant and equipment		146,454	136,968
Prepaid lease payments on land use rights		36,878	36,878
Investment properties		962	962
Goodwill		1,590,343	1,479,022
Intangible assets		125,957	116,882
Deposits for acquisition of leasehold land use rights		3,129	3,129
Statutory deposits		636	632
Deferred tax assets		1,535	1,535
Investment deposits		206,000	126,000
Total non-current assets		2,111,894	1,902,008
Current assets			
Inventories		193,919	79,675
Trade receivables	9	371,962	708,905
Prepayments, deposits and other receivables		579,784	401,556
Financial assets at fair value through profit or loss		11,640	9,311
Current tax refundable		2,972	2,705
Cash and bank balances	10	232,273	244,043
Total current assets		1,392,550	1,446,195
Total assets		3,504,444	3,348,203

		At 30 June 2009 (Unaudited) <i>HK\$'000</i>	At 31 December 2008 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	<i>12</i>	75,041	73,962
Reserves		3,058,816	2,904,321
		3,133,857	2,978,283
Minority interests		75,001	82,272
Total equity		3,208,858	3,060,555
LIABILITIES			
Non-current liabilities			
Bank borrowings		11,086	11,807
Deferred tax liabilities		49,804	47,476
Total non-current liabilities		60,890	59,283
Current liabilities			
Trade payables	<i>11</i>	141,739	153,880
Other payables and accruals		57,382	55,019
Bank borrowings		12,727	2,351
Current tax liabilities		22,848	17,115
Total current liabilities		234,696	228,365
Total liabilities		295,586	287,648
Total equity and liabilities		3,504,444	3,348,203
Net current assets		1,157,854	1,217,830
Total assets less current liabilities		3,269,748	3,119,838

Notes:

1. Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. Principal accounting policies

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to paragraph 80 of HKAS 39

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 “Segment Reporting”, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the reportable segments determined in accordance with HKAS 14.

The adoption of the other new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

3. Segment information

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. HKFRS 8 replaces the requirement under HKAS 14 to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of HKFRS 8 does not have any effect on the Group’s results of operations or financial position. The Group determines that in accordance with HKFRS 8, there are two reportable segments which are lottery and financial business.

Business segments

For the six months ended 30 June 2009

	Lottery business		Financial business		Total	
	2009 (Unaudited) <i>HK\$'000</i>	2008 (Unaudited) <i>HK\$'000</i>	2009 (Unaudited) <i>HK\$'000</i>	2008 (Unaudited) <i>HK\$'000</i> (Restated)	2009 (Unaudited) <i>HK\$'000</i>	2008 (Unaudited) <i>HK\$'000</i> (Restated)
Turnover	<u>487,980</u>	<u>336,509</u>	<u>12,373</u>	<u>20,591</u>	<u>500,353</u>	<u>357,100</u>
Segment results						
Profit/(loss)	<u>128,272</u>	<u>167,472</u>	<u>(7,018)</u>	<u>(12,825)</u>	<u>121,254</u>	<u>154,647</u>
Net unallocated expenses					<u>(6,086)</u>	<u>(2,511)</u>
Profit before taxation					<u>115,168</u>	<u>152,136</u>
Taxation					<u>(7,794)</u>	<u>(4,644)</u>
Profit for the period					<u><u>107,374</u></u>	<u><u>147,492</u></u>

4. Turnover

Turnover represents the aggregate of income from provision of lottery machines and related services, commission income and interest income.

	Six months ended 30 June	
	2009 (Unaudited) <i>HK\$'000</i>	2008 (Unaudited) <i>HK\$'000</i> (Restated)
Lottery Income		
Income from provision of lottery machines and related services	<u>487,980</u>	<u>336,509</u>
Financial Income		
Commission income	<u>2,479</u>	<u>3,642</u>
Interest income	<u>9,894</u>	<u>16,949</u>
	<u><u>500,353</u></u>	<u><u>357,100</u></u>

5. Profit before taxation

The Group's profit before taxation is stated after charging the following:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation and amortisation on:		
– Property, plant and equipment	19,232	18,474
– Intangible assets	762	150
Operating lease rentals in respect of office premises and warehouse	<u>8,882</u>	<u>4,154</u>

6. Taxation

No provision for Hong Kong profits tax is made as the Group has no estimated assessable profits for the six months ended 30 June 2009 (2008: Nil). Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rate of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
– Hong Kong profits tax	–	–
– PRC income tax	<u>7,794</u>	<u>4,644</u>

7. Dividend

The Board has declared an interim dividend of 0.18 HK cent per share for the six months ended 30 June 2009 (2008: Nil) payable to shareholders of the Company whose names appear on the Company's register of members on 20 October 2009.

8. Earnings per share

The calculation of basic and diluted earnings per share for the six months ended 30 June 2009 are based on the profit attributable to equity holders of the Company of approximately HK\$123,156,000 (2008: approximately HK\$134,718,000).

- (a) The basic earnings per share is based on the weighted average number of approximately 7,423,996,000 (2008: approximately 7,156,571,000) ordinary shares in issue during the six months ended 30 June 2009.
- (b) The diluted earnings per share is based on approximately 7,465,992,000 (2008: approximately 7,187,187,000) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average number of approximately 41,996,000 (2008: approximately 30,616,000) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

9. Trade receivables

	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Margin client receivables, net	1,726	3,091
Other client receivables, net	560	675
Broker receivables	2,809	945
Amounts due from clearing houses	10,957	2,152
Loan receivables, net	–	196,370
Loan interest receivables, net	–	8,008
Trade receivables – lottery business	<u>355,910</u>	<u>497,664</u>
	<u>371,962</u>	<u>708,905</u>

Margin client receivables are repayable on demand, bear interest at prevailing market rates and are secured by clients' securities listed on The Stock Exchange of Hong Kong Limited with market value of approximately HK\$12,864,000 as at 30 June 2009 (31 December 2008: approximately HK\$12,895,000). No aging analysis is disclosed for margin client receivables as, in the opinion of the directors of the Company (the "Directors"), the aging 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 Group generally grants credit periods of 120 days to its trade debtors.

The aging analysis of loan receivables, loan interest receivables and trade receivables – lottery business as at 30 June 2009 is as follows:

	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Three months or less	324,318	570,319
One year or less but over three months	31,028	119,777
Over one year	<u>564</u>	<u>11,946</u>
	<u>355,910</u>	<u>702,042</u>

10. Cash and bank balances

	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Cash at banks		
– general accounts	208,567	224,894
– segregated accounts	21,512	18,419
Cash in hand	<u>2,194</u>	<u>730</u>
	<u>232,273</u>	<u>244,043</u>

11. Trade payables

	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Margin client payables	6,000	5,341
Other client payables	32,162	15,174
Trade payables – lottery business	<u>103,577</u>	<u>133,365</u>
	<u>141,739</u>	<u>153,880</u>

Margin client payables and other client payables are repayable on demand and bear interest at prevailing market rates. No aging analysis is disclosed for margin client payables and other client payables as, in the opinion of the Directors, the aging analysis does not give additional value in view of the nature of business of securities margin financing and broking.

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

The aging analysis of trade payables – lottery business as at 30 June 2009 is as follows:

	At 30 June 2009 (Unaudited) HK\$'000	At 31 December 2008 (Audited) HK\$'000
Three months or less	76,207	130,690
One year or less but over three months	<u>27,370</u>	<u>2,675</u>
	<u>103,577</u>	<u>133,365</u>

12. Share capital

Authorised:

	Ordinary shares of HK\$0.01 each	
	Number of shares	Amount HK\$
At 31 December 2008 and at 30 June 2009	<u>20,000,000,000</u>	<u>200,000,000</u>

Issued and fully paid:

	Ordinary shares of HK\$0.01 each	
	Number of shares	Amount HK\$
At 31 December 2008	7,396,175,000	73,961,750
Issuance upon exercise of share options	<u>107,900,000</u>	<u>1,079,000</u>
At 30 June 2009	<u>7,504,075,000</u>	<u>75,040,750</u>

13. Comparative amount

Comparative information has been restated to achieve a consistent presentation as a result of the adoption of new/revised HKFRSs 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.

In prior years, sales 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 of the income statements.

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

In addition, for the purpose of these financial statements, the presentation of consolidated income statement has been changed to the format of classification of expenses by function for the period ended 30 June 2009. Accordingly, certain comparative figures of consolidated income statement have been reclassified to conform to the current period's presentation.

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

14. Contingent liabilities

The Group has no significant contingent liabilities as at 30 June 2009 (31 December 2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the period under review, the Group was principally engaged in (i) lottery system and games design business; distribution and marketing of lottery products; and (ii) financial business.

BUSINESS REVIEW AND PROSPECTS

Lottery Business

The Group's lottery business can be broadly divided into System and Games Development Business ("SGDB") and Distribution and Marketing Business ("DMB").

The Group's SGDB Division is well established in the lottery industry in China and has continued to excel during the period under review. Year 2009 also marks the commencement of our Group's participation in Welfare Lottery Scratch Cards printing operation.

The DMB Division is a relatively new business division of the Group and after a great start in 2008 with the cooperation model of Point-of-Sales ("POS") distribution of lottery tickets in China, the Division has now extended its operation into the electronic distribution of lottery tickets through the mobile network in China. The DMB Division is still in its initial stage of development and will take time to make contribution to the Group. However, we strongly believe that as the lottery market grows in China, and with the increased diversification of lottery games and distribution channels, there are a lot of opportunities for the Group and especially its DMB Division to participate and contribute to the development of the Chinese Lottery Market.

Turnover of the lottery business for the period increased by 45% to HK\$487,980,000 (2008: HK\$336,509,000). The attributable profit arising from this segment recorded a decrease of 9% to HK\$136,260,000 (2008: HK\$150,054,000). The decrease in profit was mainly due to the cost of our DMB (including Single Match Games) roll out.

China Lottery Market

In the first half of 2009, China's Lottery market has demonstrated a strong momentum of growth with sales of RMB62.77 billion (2008: RMB51.54 billion), up 22% period-to-period (up 27% ex-Video Lottery Terminals ("VLT")/Keno). This underscores the resilient nature of the lottery industry in China notwithstanding the financial tsunami which struck the world in the latter half of 2008.

During the period under review, China's total Welfare Lottery sales was RMB35.69 billion, accounting for about 57% of the total lottery sales in China. Welfare Computer Ticket Games ("CTG"), Welfare Scratch Cards and VLT/Keno accounted for 86%, 13% and 1% respectively. Sales of Welfare Lottery tickets, especially, CTG picked up substantially in Q2 of 2009 registering an over 30% period-to-period growth contributing significantly to the overall growth of the Chinese Welfare Lottery market during the period under review. We have also witnessed the same, if not, even stronger growth momentum during the first two months in Q3 of 2009.

In the first half of 2009, China's total Sports Lottery sales was RMB27.08 billion, accounting for about 43% of the total lottery sales in China. Sports CTG was 72% (RMB19.63 billion) and Sports Scratch Cards took 28% (RMB7.45 billion). During this period, both the Sports CTG and Scratch Cards tickets registered a very healthy period-to-period growth especially in Q2 of 2009 of 26% and 35% respectively. During Q2, the long awaited Single Match Games ("SMG") lottery tickets was also launched, albeit, on a testing basis in selected provinces in China. The initial response has been promising and positive.

System and Games Development Business

The Group's SGDB Division is an active participant in the provision of systems and equipments for both CTG and Scratch Cards products in China. During the period under review, the Division has also allocated significant resources to the development of new games and the improvement of existing games including high frequency games for the CTG and mobile platform. The Group is making positive contributions to the development of the Chinese Lottery Market in support of the good causes that the Welfare and Sports Lotteries are servicing.

Welfare CTG Business

Our Group's Welfare CTG business is principally conducted through Shenzhen Sinodata Technology Co Ltd ("Sinodata"), a 85%-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 continued to perform well with sustainable growth. The changes in the rules of game for Powerball made in January 2009, coupled with the launch of new games, have proven to be instrumental in increasing Welfare CTG sales. In the first half of 2009, Welfare CTG registered a strong growth of approximately 25% period-to-period. The Group had successfully maintained its leading market share 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.

Welfare Scratch Cards sales continued to see healthy growth in the first half of 2009, up 14% period-to-period to RMB4.69 billion. The growth in this area is affected by the slower than expected roll out of the higher price points tickets and the delays in the expected roll out time table for the Shanghai EXPO theme based tickets. We expect the introduction of theme based programs like Shanghai EXPO and the 60th Founding Anniversary of China in the second half of 2009 to generate additional sales for 2009.

Capitalizing on the Group's leading position in the Chinese Welfare Lottery market and especially, its exclusive Instant Lottery Tickets validation business, we have successfully penetrated into the Chinese Welfare Scratch Cards printing business in November 2008 through a cooperative venture with Shijiazhuang Offset Printing House (石家庄市膠印廠). As one of the three entities authorized to print for the Welfare Scratch Cards programs, the Group's printing facilities is located at Shijiazhuang, the Provincial Capital of Hebei Province.

During the period under review, the existing printing facilities had printed around 600 million tickets. The Group aims to upgrade and increase the printing capacity of the plant by bringing in additional advanced printing press into China. We expect to complete the upgrade in 2010.

Sports CTG Business

The Group's Sports CTG business involved the sales of CTG machines to the Provincial Sports Lottery Centers across China. During the period under review, this segment of the business has seen a slowdown in its business as the major replacement cycle of Sports CTG machines has passed. As such, apart from the continuing efforts put in by the Group in servicing the needs of its traditional Sports CTG business, the Group's Sports CTG Business now also devotes its resources to the development of new games especially high frequency games running on CTG based or electronic platforms and the deployment of system and equipment in support of the Single Match Games roll out in China. The Group believes that these areas present tremendous business opportunities to the Group and its related business including the DMB Division and will make significant contribution to the success of the Group's business in the future.

Distribution and Marketing Business

Distribution Business

We started our DMB business 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. Our distribution channel partners include China Post, PetroChina, Sinopec, China Resources, other major supermarket and convenient store chains. Building on the successful establishment of our extensive distribution network spanning across China at prime locations with high traffic and minimum ongoing operating cost, we aim to help contribute to the continuing development and growth of the China Lottery market.

During the earlier part of the period under review, our Group has consolidated and fortified our leading position in the cooperative distribution channel in China and broadened the base of our management team to better equip ourselves to face up to the challenge of the further roll out in China. After completing our review and consolidation, we have continued to execute our business plan and strategy to roll out across China. We maintain our plan to roll out a total of 40,000 additional POS in 2009 and by 2010 we aim to build and manage a nationwide lottery distribution network of more than 100,000 POS across the country.

Single Match Games Business

In light of the rapid development of the lottery market in the recent years, the Chinese Government has approved the launch of different types of new lottery games. In early May 2009, the China Sports Lottery Administration Centre (“CSLC”) launched SMG in selected provinces like Liaoning and Shandong. Subsequent to the pilot testing, CSLC plans to roll out SMG across the entire country.

Our Group is honored to be chosen as one of the first companies to play an active role in supporting the launch of SMG in China. We have set up dedicated franchised shops for SMG in Liaoning and Shandong Provinces in China. These are the first batch of retail outlets established by a leading player in the Chinese Lottery market.

Apart from distributing SMG products through our own dedicated franchised shops, the Group has also been chosen as the equipment supplier for the launching of SMG in both Liaoning and Shandong.

Mobile Lottery Business and the Electronic Lottery Platform

We have recently launched our mobile lottery platform in China. This heralds our Group’s entry into the electronic distribution channels for the Chinese lottery market.

Currently, our Group has been authorized to roll out our mobile lottery platform in 5 provinces in China and we plan to devote more resources to further expand our market coverage in the mobile and web based distribution channel as the opportunities arise. We expect the number of users to increase over time as we continue to expand into different provinces and deepen our penetration into existing provinces. We are very pleased to have the co-operations and supports in the launching of the mobile lottery platform from major mobile telecommunication providers including China Mobile.

New Business Growth on Existing Solid Base

We are excited by our Group’s positioning and potential in three new segments: a rapidly expanding retail distribution network spanning across China at prime locations; the opening up of the SMG which covers the major European Soccer Leagues; and the launch of a mobile lottery platform in China. We believe these new businesses will become a major contributor to the business of the Group in the future and will bring a lot of synergies to our existing SGDB and DMB businesses.

Leveraging our Group's existing solid lottery business, new growth drivers are taking shape at REXLot. These new businesses have enormous growth potential and the distribution business is already delivering. While pursuing many new opportunities, our Group is reinvesting in the business to pave our way for a sustainable and continuing growth in the future. In this regard, the Group will also be looking at possible expansion strategies through acquisitions.

With strong operating free cashflow and a practically ungeared balance sheet, we believe that our developments in new business segments will be funded by our internal resources. We believe that we have adequate working capital to complete our plan, with no need to raise funds.

Financial Business

During the first half of 2009, the Hong Kong market was initially clouded by uncertainties over global economic performance as a result of the financial crisis last year. The HSI fell to a trough of 11,344 in March. Since then, strong capital inflow to the Hong Kong banking system and stock market helped bring about a sign of rebound. However, investor sentiment continued to be affected by global economic outlook and the financial health of corporations. In addition, a possible large-scale spread of the H1N1 flu and geopolitical risks may also pose uncertainties. Turnover of the Group's financial business was HK\$12,373,000 (2008 as restated: HK\$20,591,000). Loss for this segment was HK\$7,018,000 (2008: HK\$12,825,000).

As part of the Group's efforts to divest from its non core business activities and focus on the promising core lottery operations, the Group has taken active measures to restructure and wind down its exposure to financial business. As a result of such exercise, the value of such exposure has now been reduced to approximately, HK\$16 million.

Outlook

The first national regulation on lottery for China was passed by the State Council in principle on 22 April 2009, officially signed by the Premier on 4 May 2009 and come into effect on 1 July 2009. The issue of the new national regulation seeks to codify the existing regulating policies and practices.

As a major participant in the industry, the Group is confident that 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.

Well Positioned to Excel in New Business Growth

As a major participant in China's Lottery industry, we believe that we are well positioned to capture new business opportunities, particularly with the launch of more new lottery games in the market, such as SMG and mobile lottery games.

In addition to developing close ties and partnerships with our existing distribution channel partners like China Post, PetroChina, Sinopec, China Resources, other major supermarket and convenient store chains, we plan to co-operate with other leading distribution channel partners in China to deepen our penetration in the lottery market.

With respect to SMG, the growth potential is enormous in China, according to market estimates. It is widely believed that as the market for SMG matures in the coming couple of years, SMG may become the single largest games category of all lottery products in China by lottery size and revenue generation.

Our Group will play an active role in supporting the launch of SMG in China. Apart from distributing SMG products through our own dedicated franchised shops, the Group will also supply equipment for the launching of SMG as well as provide system and technology support.

The Group believes that SMG will be one of the key drivers to our revenue growth in the future as the SMG business segment takes shape and develops over the course of the coming two years.

In addition to the launching of SMG in China another major developments is the renewed focus on high frequency games on CTG and electronic platforms for both the Welfare and Sports Lotteries in China. These developments present significant and invaluable opportunities to the Group given its leading position in the market and the strong research and development capabilities.

Furthermore, the launching of high frequency games and SMG will also revolutionise the channels for the distribution of lottery tickets. We believe that electronic form of lottery distribution channels, like the mobile lottery platform, will be well suited for the challenge in addition to the traditional distribution channels.

We plan to explore new opportunities to develop and provide more new mobile lottery games on a user-friendly platform, which allows players to have easy access to these exciting lottery games. As and when regulation permits, we also plan to support the launching of SMG on the electronic platform.

Looking ahead, we believe that electronic lottery platform including the mobile lottery will be one of the strong drivers to our revenue growth.

Core Lottery Business Continues to Deliver Solid Earnings and Growth

In the year ahead, we expect Welfare CTG to maintain a healthy growth momentum. Welfare Scratch Cards will continue to be a growth driver for lottery sales in China, with increase in price points and launch of more theme based programs.

Our strategic partnership with Scientific Games Corporation, the world renowned instant ticket system and games provider which holds 50% interest in Guard Libang, will be instrumental in enabling us to bring its expertise and technology know-how to the Scratch Cards market in China.

Furthermore, the Group's Welfare Scratch Cards printing operation has continue to perform well and we believe that the printing operation will start to make position contribution to the Group in 2009. This operation has great synergies to our SGDB and DMB businesses and will form an important part of our overall strategy in the China Lottery market.

Prospect

During the period under review, our Group's Lottery Business continued to make encouraging progress and recorded healthy revenue growth. We are optimistic as to the continuing growth and development of the Group. Keeping abreast of the favourable market situation and being market-oriented, the Group will timely adjust strategies to be conducive to its development, and apply flexible and proactive marketing and investment strategies to maximize shareholders' value.

FINANCIAL REVIEW

Financial Results

For the six months ended 30 June 2009, the Group achieved an encouraging result. During the period, the Group recorded a turnover of HK\$500,353,000 (2008 as restated: HK\$357,100,000), representing an increase of 40% over the last year. The increase was mainly attributable to the increase in turnover from the lottery business.

The unaudited profit attributable to shareholders was HK\$123,156,000 (2008: HK\$134,718,000). The decrease in profit was mainly due to the cost of the Group's DMB (including SMG) roll out. The earnings per share was 1.66 cents (2008: 1.88 cents). Fully diluted earnings per share was 1.65 cents (2008: 1.87 cents).

Liquidity, Financial Resources and Funding

At 30 June 2009, the equity attributable to equity holders of the Company amounted to HK\$3,134 million, representing an increase of HK\$156 million or approximately 5.2% from those of 31 December 2008.

At 30 June 2009, the Group had cash reserves of approximately HK\$232,273,000 (31 December 2008: HK\$244,043,000), which included approximately HK\$21,512,000 (31 December 2008: HK\$18,419,000) of clients' funds that were kept in designated segregated bank accounts. Most of the cash reserves were placed with major banks in the PRC and Hong Kong.

The gearing ratio as at 30 June 2009 was 0.74% (31 December 2008: 0.46%). 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 593% (31 December 2008: 633%), reflecting adequacy of financial resources.

The Group had outstanding bank borrowings of approximately HK\$23,813,000 as at 30 June 2009 (31 December 2008: approximately HK\$14,158,000). The bank borrowings were denominated in Renminbi and interest bearing at prevailing commercial lending rates. It is expected 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 30 June 2009, the Group's land and building with value of approximately HK\$47,727,000 (31 December 2008: HK\$47,727,000) were pledged to banks to secure the bank borrowings granted to the Group.

Share Capital

107,900,000 new shares of HK\$0.01 each were issued and allotted during the period upon exercise of share options granted by the Company.

Save as the above, there was no change in the share capital structure of the Company during the period under review.

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

The Group had no material acquisition and disposal of subsidiaries during the six months ended 30 June 2009.

Human Resources

At 30 June 2009, the Group had 1,520 employees.

The Group remunerated its employees 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 the individual's performance.

The Group will continue to emphasise on staff training and total quality management to better prepare its staff members 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 of Hong Kong Limited (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.

INTERIM DIVIDEND

The Board has declared an interim dividend of 0.18 HK cent per share for the six months ended 30 June 2009 (2008: Nil) payable to shareholders of the Company whose names appear on the Company's register of members on 20 October 2009. The interim dividend will be paid on or about 30 October 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 19 October 2009 to Tuesday, 20 October 2009, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 16 October 2009.

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

The Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2009.

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 unaudited interim financial statements for the six months ended 30 June 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 six months period, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, except that the Code Provision A.4.1 requires that non-executive directors should be appointed for a specific term, subject to re-election. Currently, the 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 Company's bye-laws.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The results announcement of the Group for the six months ended 30 June 2009 is published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://finance.thestandard.com.hk/en/0555rexlot>) respectively. The 2009 interim report of the Company will be despatched to the shareholders of the Company and made available on the above websites on or before 30 September 2009.

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

Hong Kong, 28 September 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.