



AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279

THIRD QUARTERLY REPORT

2017

Fortune • Happiness • Health • Luck • Responsibility

CHARACTERISTICS OF GEM

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

FINANCIAL HIGHLIGHTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

- Revenue of the Group for the Nine-Month Period amounted to approximately HK\$174.2 million as compared to the corresponding period in 2016 of approximately HK\$149.8 million. Revenue contributions were mainly derived from sales from the lottery hardware, lottery games and systems, provision of distribution and ancillary services, games and entertainment business.
- The increase in revenue during the Nine-Month Period compared to the corresponding period in 2016 was mainly due to the fact that the Group derived revenue of approximately HK\$59.6 million from new initiatives launched in the games and entertainment business.
- During the Nine-Month Period, gross profit was approximately HK\$94.8 million, as compared to approximately HK\$40.2 million recorded in the corresponding period in 2016. Gross profit margin has increased significantly from approximately 26.8% in the nine months ended 30 September 2016 to approximately 54.4%, mainly attributable to the increased sales with higher margin from (i) games and entertainment business; and (ii) lottery games and systems.
- During the Nine-Month Period, selling, general and administrative expenses were approximately HK\$262.1 million, as compared to approximately HK\$207.3 million recorded in the corresponding period in 2016. The increase was mainly due to the recruitment of staff across the Group to enhance its technical capability to cope with the business growth and expansion. Selling, general and administrative expenses during the Nine-Month Period included approximately HK\$71.8 million in share-based compensation, as compared to approximately HK\$66.6 million recorded during the corresponding period in 2016.
- The loss for the Nine-Month Period was approximately HK\$472.3 million, mainly attributable to (i) the loss of approximately HK\$304.2 million from the remeasurement of the fair value of the Convertible Bonds; and (ii) the increase in staff costs by approximately HK\$95.6 million due to the Group's business growth and expansion.
- The Board does not recommend the payment of an interim dividend for the Nine-Month Period.

THIRD QUARTERLY RESULTS

The Board announces the unaudited results of the Group for the three months ended 30 September 2017 (the “Three-Month Period”) and the nine months ended 30 September 2017 (the “Nine-Month Period”), together with the unaudited comparative figures for the corresponding periods in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months and nine months ended 30 September 2017

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	2	120,144	73,148	174,226	149,779
Cost of sales		(57,692)	(55,711)	(79,453)	(109,599)
Gross profit		62,452	17,437	94,773	40,180
Other income		591	692	1,902	2,470
Net other gains/(losses)		4,259	(326)	23,111	919
Selling, general and administrative expenses		(96,656)	(101,154)	(262,145)	(207,336)
Operating loss		(29,354)	(83,351)	(142,359)	(163,767)
(Loss)/gain on fair value changes of					
Convertible Bonds		13,395	-	(304,245)	-
(Loss)/gain on fair value changes of contingent					
consideration payables		(16,615)	62,386	(13,183)	112,388
Net finance (cost)/income		(542)	327	(7,689)	411
Share of losses of a joint venture		-	-	-	(3)
Loss before income tax		(33,116)	(20,638)	(467,476)	(50,971)
Income tax (expense)/credit	3	(2,099)	517	(4,848)	(2,932)
Loss for the period		(35,215)	(20,121)	(472,324)	(53,903)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Other comprehensive income, net of tax:					
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Currency translation differences		11,957	(4,841)	41,088	(28,140)
Total comprehensive income for the period		(23,258)	(24,962)	(431,236)	(82,043)
Loss attributable to:					
Owners of the Company		(33,493)	(20,114)	(470,574)	(53,252)
Non-controlling interests		(1,722)	(7)	(1,750)	(651)
		(35,215)	(20,121)	(472,324)	(53,903)
Total comprehensive income attributable to:					
Owners of the Company		(22,087)	(24,919)	(431,081)	(81,180)
Non-controlling interests		(1,171)	(43)	(155)	(863)
		(23,258)	(24,962)	(431,236)	(82,043)
Loss per share					
Basic and diluted	4	HK0.299 cents	HK0.249 cents	HK4.289 cents	HK0.901 cents

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial information has been prepared in accordance with the applicable Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and disclosure requirements of GEM Listing Rules.

The consolidated financial information has not been audited by the Company’s auditors, but has been reviewed and commented on by the Company’s audit committee. The accounting policies applied and significant judgements made by management in applying the Group’s accounting policies are consistent with those of the Group’s annual financial statements for the year ended 31 December 2016.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (the “new and revised HKFRS”). The Group has not early adopted the new and revised HKFRS that have been issued but are not yet effective, as the Group is in the process of assessing the impact of these new and revised HKFRS on the financial performance and financial position of the Group.

2. REVENUE

Revenue represents the amounts received and receivable from lottery hardware (including provision of related after-sales services), lottery games and systems, provision of distribution and ancillary services, games and entertainment primarily in the PRC during the Three-Month Period and the Nine-Month Period and is analysed as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Lottery hardware	61,294	59,300	86,110	118,834
Lottery games and systems	8,492	4,984	17,603	10,053
Provision of distribution and ancillary services	7,539	8,864	10,915	20,892
Games and entertainment	42,819	–	59,598	–
	120,144	73,148	174,226	149,779

3. INCOME TAX (EXPENSE)/CREDIT

Income tax (expense)/credit for the Three-Month Period and Nine-Month Period represents PRC Enterprise Income Tax. Income tax (expense)/credit is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

4. LOSS PER SHARE

The calculation of basic and diluted loss per Share for the Three-Month Period and the Nine-Month Period is based on the unaudited loss attributable to owners of the Company of approximately HK\$33,493,000 and HK\$470,574,000 respectively (for the three months and nine months ended 30 September 2016: approximately HK\$20,114,000 and HK\$53,252,000 respectively), and the weighted average number of approximately 11,206,664,000 Shares and 10,970,613,000 Shares in issue during the Three-Month Period and the Nine-Month Period respectively (for the three months and nine months ended 30 September 2016: approximately 8,063,187,000 Shares and 5,908,611,000 Shares in issue respectively).

For the Three-Month Period and the Nine-Month Period, the computation of the diluted loss per Share does not assume the exercise of the outstanding share options of the Company, the conversion of the outstanding Convertible Bonds, and the settlement of the outstanding contingent consideration under the Score Value Transaction, as they would decrease the loss per Share (same for the three months and nine months ended 30 September 2016).

5. DIVIDEND

The Board does not recommend the payment of an interim dividend for the Nine-Month Period (2016: Nil).

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the Nine-Month Period

	Attributable to owners of the Company										Attributable to non-controlling interests	
	Share capital	Share premium	Share options reserve	Statutory reserve	Exchange reserve	Contributed surplus	Property revaluation reserve	Other reserve	Accumulated losses	Subtotal		Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2016	9,213	1,540,597	168,549	18,189	128,335	47,191	14,402	60,811	(928,082)	1,059,205	(682)	1,058,523
Loss for the period	-	-	-	-	-	-	-	-	(53,252)	(53,252)	(651)	(53,903)
Other comprehensive income for the period	-	-	-	-	(27,928)	-	-	-	-	(27,928)	(212)	(28,140)
Total comprehensive income for the period	-	-	-	-	(27,928)	-	-	-	(53,252)	(81,180)	(863)	(82,043)
Issue of shares upon subscription	9,635	1,665,783	-	-	-	-	-	-	-	1,675,418	-	1,675,418
Issue of shares upon conversion of Convertible Bonds	1,371	203,977	-	-	-	-	-	-	-	205,348	-	205,348
Issue of shares upon settlement of contingent consideration	20	9,101	-	-	-	-	-	(9,121)	-	-	-	-
Recognition of equity settled share-based payments	-	-	66,577	-	-	-	-	-	-	66,577	-	66,577
Issue of shares upon exercise of share options under Share Option Schemes	307	147,524	(41,808)	-	-	-	-	-	-	106,023	-	106,023
Issue of shares upon exercise of share options by Rainwood Resources Limited	426	123,358	(38,632)	-	-	-	-	-	-	85,152	-	85,152
Lapse of share options	-	-	(2,223)	-	-	-	-	-	2,223	-	-	-
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	12,250	12,250
Balance at 30 September 2016	20,972	3,690,340	152,463	18,189	100,407	47,191	14,402	51,690	(979,111)	3,116,543	10,705	3,127,248

	Attributable to owners of the Company													
	Shares held							Property					Attributable to non-	
	for share		Share	Share	Share	Statutory	Exchange	Contributed	revaluation	Other	Accumulated	Subtotal	controlling	Total
	Share capital	Share premium	award scheme	options reserve	awards reserve	reserve	reserve	surplus	reserve	reserve	losses	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2017	20,390	2,478,212	-	168,292	-	18,189	59,974	47,191	14,402	51,690	(591,068)	2,267,872	35,873	2,303,745
Loss for the period	-	-	-	-	-	-	-	-	-	-	(470,574)	(470,574)	(1,750)	(472,324)
Other comprehensive income for the period	-	-	-	-	-	-	39,493	-	-	-	-	39,493	1,595	41,088
Total comprehensive income for the period	-	-	-	-	-	-	39,493	-	-	-	(470,574)	(431,081)	(155)	(431,236)
Issue of shares upon conversion of Convertible Bonds	1,200	597,934	-	-	-	-	-	-	-	-	-	599,134	-	599,134
Issue of shares upon settlement of contingent consideration	20	9,102	-	-	-	-	-	-	-	(9,122)	-	-	-	-
Recognition of equity settled share-based payments	-	-	-	39,479	32,297	-	-	-	-	-	-	71,776	-	71,776
Issue of shares upon exercise of share options under Share Option Schemes	225	120,659	-	(32,224)	-	-	-	-	-	-	-	88,660	-	88,660
Lapse of share options	-	-	-	(33,298)	-	-	-	-	-	-	33,298	-	-	-
Purchase of shares for share award scheme	-	-	(154,393)	-	-	-	-	-	-	-	-	(154,393)	-	(154,393)
Vest of share awards	-	(407)	6,553	-	(6,146)	-	-	-	-	-	-	-	-	-
Lapse of share awards	-	-	-	-	(231)	-	-	-	-	-	231	-	-	-
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	9,710	9,710
Transfer to accumulated losses	-	-	-	-	-	(288)	-	-	-	-	288	-	-	-
Contribution from a shareholder	-	-	-	-	-	-	-	-	-	6,399	-	6,399	-	6,399
Balance at 30 September 2017	22,435	3,205,500	(147,840)	142,249	25,920	17,901	99,467	47,191	14,402	48,967	(1,027,825)	2,448,367	45,428	2,493,795

DISCUSSION AND ANALYSIS OF THE GROUP'S RESULTS AND BUSINESS

About the Group

AGTech was incorporated in Bermuda and its shares are listed on the GEM of the Stock Exchange (Stock Code: 8279). The Group is an integrated technology and services company, principally engaged in the lottery and mobile games and entertainment market with a focus on China and selected international markets. AGTech is a member of the Alibaba Group, and is the exclusive lottery platform of Alibaba Group and Ant Financial Group. AGTech has a team of over 300 employees, and the footprint of the Group's business now spans across China and selected international markets.

AGTech's businesses are broadly divided into two categories:

- Lottery (including games and systems, hardware and distribution); and
- Games and Entertainment.

AGTech is an associate member of each of the World Lottery Association (WLA) and the Asia Pacific Lottery Association (APLA), an official organiser and operator of the competition card games Guan Dan and Two-on-One poker in China, and an official partner of the International Mind Sports Association (IMSA).

Corporate Strategy and Objectives

AGTech is committed to transforming its business into a comprehensive lottery and mobile entertainment provider to customers around the world.

In view of the potential approval and authorisation of online distribution of regulated lottery products in China, beginning in the second quarter of this year, the Group began leveraging our technical know-how, operating experience and in-house capabilities to expand our business in the Games and Entertainment Industry, actively building our online presence and customer-base, leveraging on Alibaba Group and Ant Financial Group's vast portfolio of networks and channels. The Group will continue to develop differentiated proprietary games and entertainment platforms with the goal of integrating unique entertainment content with various resources on e-commerce and e-payment platforms, ultimately creating an innovative business model to increase the Group's commercial value.

Looking forward, AGTech will continue pursuing opportunities abroad, globalising our business by offering our proprietary systems and platforms, as well as operational and technical expertise, and strategically working with leading local partners in overseas markets such as India, South East Asia and beyond.

Nonetheless, lottery technology and services has been and will continue to be AGTech's domain expertise. To this end, we continue to support both of China's legal lottery operators, namely the Welfare Lottery and the Sports Lottery, across the full value chain by bringing together industry expertise, innovative technology and infrastructure, as well as management and operating experience into the Chinese lottery market. The Group believes that it is well positioned to receive the appropriate authorisation in online (internet and mobile) distribution of lottery products as and when approved by the lottery authorities.

Importantly, we will continue focusing on innovations in physical lottery channel distributions, seeking out suitable third party partners to expand our retail network, and leveraging our position as the exclusive lottery platform of Alibaba Group and Ant Financial Group under the Business Cooperation Framework Agreement, all of which are expected to help broaden the reach of lottery products in China. We believe that our position in both existing and potential new lottery channels is strengthened as we continue to improve upon the appeal and access of lottery products to the end consumers in China, thereby helping to expand the lottery industry as a whole.

Industry Overview

Games and Entertainment

According to the latest China's Online Games Industry Report*, online game sales in China during the six months ended 30 June 2017 reached approximately RMB99.8 billion, representing an increase of approximately 26.7% compared to the same period in 2016. Notably, for the same periods, mobile games sales grew an impressive 49.8%, representing approximately 56.3% of total online game sales, far outpacing personal computer game sales growth of 13.7%.

We believe that India currently holds one of the world's fastest growing active online users bases, with mobile games driving the content consumption boom. According to surveys by Internet and Mobile Association of India, Indian mobile user base reached approximately 236 million in 2016, and is expected to reach approximately 314 million by the end of 2017, reflecting a growth rate of approximately 33% annually. Further, according to a joint report released by India's National Association of Software and Services (NASSCOM) and App Annie, in 2016 mobile game downloads in India totalled approximately 1.6 billion, which positions India as fifth globally.

Lottery

There are two legal lottery operators in China: the Welfare Lottery and the Sports Lottery.

- * Jointly published in July 2017 by Game Publishers Association Publications Committee, Games Research Center and International Data Corporation.

According to information published by the MOF, during the Nine-Month Period, the lottery market recorded sales of approximately RMB310.78 billion, an increase of approximately 7.3% compared to the corresponding period in 2016. Of this, Welfare Lottery amounted to approximately RMB158.61 billion (accounting for approximately 51.0% of total lottery sales), representing a year-to-year increase of approximately 4.8%. The Sports Lottery achieved sales of approximately RMB152.17 billion (accounting for approximately 49.0% of total lottery sales), an increase of approximately 9.9% compared to the corresponding period in 2016.

Business Review

Games and Entertainment

In view of the potential approval and authorisation of online distribution of regulated lottery products, the Group is presently actively building our online presence and customer-base by offering games and entertainment content through Alibaba Group and Ant Financial Group's channels. To this end, the Group is actively leveraging our technical know-how and operating experience in lottery, to research and develop various types of creative, non-lottery social game content that cater for the evolving tastes of China's consumers. Importantly, owing to their play-for-fun or mind sports (skill game) characteristics, these non-lottery products fall outside the remit of lottery regulators.

To this end, the Group continues to operate its new games and entertainment platform, launched earlier this year, on Alibaba Group's mobile Taobao channel, reaching a growing number of mobile users and merchants in providing a unique value proposition that combines non-lottery social games entertainment with rewards. These new initiatives are being well received by the market, and the Group is encouraged by their initial success in the first few months of operations. Participating merchants are able to differentiate themselves amongst the hundreds of thousands of merchants on Taobao by utilising our platform to promote themselves and offer products directly to users. Since launch, we have helped over 80 participating merchants promote over 500 attractive products on our platform, which has been used by over 15 million unique users to date. This games and entertainment platform creates a dynamic and mutually beneficial environment for users and merchants to interact with one another, thereby increasing the quality and frequency of merchant-user engagement.

In addition, since becoming one of the strategic partners and organisers of the China Competition Two-on-One Poker Championship earlier this year, the Group began distributing our casual and competition poker platform on the mobile Alipay channel, while continuing to seek other channels of distribution. This marked the Group's official entry into the mind sports field of the China sports industry. The Group has also deployed additional casual poker games to attract a growing number of mobile users, with the goal of continuing to add additional games and entertainment content in the future.

As an official partner of the IMSA, the Group continues to be committed to developing and raising awareness and popularity of mind sports in China. IMSA is an internationally recognised association of different mind sports federations with the goal of promoting and educating the public on the merits and benefits of participating in these mind sports. As a recognition of the Group's commitment to mind sports, Mr. Sun Ho, Chairman and CEO of the Group, was appointed as Chairman of the IMSA Advisory Board on 30 May 2017.

We continue to believe that casual games and entertainment as well as casual and competition poker is complementary to our regulated lottery activities, and they are synergistic from a business model, market development, technical infrastructure and user experience perspective. With revenues from this division contributing to 36% of our total revenues generated in the Three-Month Period, growing 180% sequentially from the period between 1 April 2017 and 30 June 2017, the Group continues to be encouraged by the growth potential and scalability of these new initiatives, and will continue to invest time and resources to grow this business going forward.

International Market

Since the Group's announcement of the joint venture agreement with One97 Communications Limited entered into on 24 July 2017, the Group has worked to create a high quality mobile entertainment experience tailored to the Indian consumers. One97 Communications Limited is the parent company of Paytm, India's leading mobile payment platform. This cooperation is expected to enable both companies to tap into the significant potential of the fast growing mobile entertainment market in India.

Through this cooperation, the Group leverages its operating experience and technical expertise and aims to create a games and entertainment platform that offers popular local games and entertainment content and unique rewards to consumers, designed to seamlessly integrate with Paytm's leading mobile payment platform.

This cooperation is the Group's first significant strategic international expansion and an important milestone, laying the foundation for further international expansion in the future.

Lottery

Lottery Distribution

The sales and distribution of lottery games and products

The Lottery Distribution division is actively expanding and broadening our reach to the end lottery consumers by developing unique and innovative distribution channels and networks under applicable lottery laws and regulations. To this end, we continue to work with suitable third party partners as well as the Group's shareholders, Alibaba Group and Ant Financial Group, to achieve this goal.

SF Lottery

Since commercially launching the SF Express-themed instant scratch lottery (“SF-Themed Instant Scratch Lottery”) in July 2017 in the four pilot cities in the Guangdong, Jiangsu, Hunan and Jiangxi provinces, we have continued to expand the offering of this innovative product into additional cities in those four provinces. In the first few months of operations, we continued improving upon our operations and providing training to SF Holding couriers on lottery products and related sales techniques to assist in the marketing and selling of lottery to the end customers. In addition, we began collaborating with provincial lottery administrators to market and promote the product to the public through events and media campaigns to raise the profile and popularity of the product. SF Lottery is working with additional provincial lottery administrators to roll out the product more broadly throughout the country.

SF Lottery’s SF-Themed Instant Scratch Lottery, designed in conjunction with NSLAC and approved by the MOF, is a unique innovation in the lottery industry. It is the first product that is able to achieve comprehensive penetration and integration of the lottery business with a logistics network in China. SF Lottery will distribute SF-Themed Instant Scratch Lottery through the relevant channel resources of SF Holding and provide services such as logistics and distribution, lottery maintenance and prize management. SF Lottery strives to establish a new national vertical logistics and distribution system of the SF-Themed Instant Scratch Lottery. This will not only help to enhance the efficiency of the management of lottery business as well as logistics and delivery of the SF-Themed Instant Scratch Lottery, but will also be favourable and complementary to the NSLAC’s existing system for instant scratch lottery. Moreover, SF Lottery’s innovative self-service redemption model will provide instant scratch lottery players with a brand new redemption experience, complementing the redemption in traditional physical stores and enhancing the experience of instant scratch lottery services for the public. The cross-sector cooperation and innovative model of the SF-Themed Instant Scratch Lottery is expected to bring a positive impact to the Company in aspects such as product supply, channel expansion, referral of users and revenue streams.

Alibaba Retail Channels

The Group continues to explore new ways to collaborate with Alibaba Group's network of physical retail stores in order to develop new physical lottery distribution models, further broadening the reach of lottery products to existing consumers and reaching a new customer base. These retail networks include Rural Taobao, a physical network of rural locations in China, and Alibaba's small retail format Ling Shou Tong (零售通), as well as Alibaba's franchised model stores, T-Mall Franchise Convenience Stores. We believe that the integration of innovative lottery products with physical retail network will create room for more opportunities in the future.

Despite the early success from these new initiatives, revenue in the Lottery Distribution division was approximately HK\$7.5 million for the Three-Month Period, reflecting revenue generated from SF Lottery as well as from the Alibaba retail channels. This compares to the corresponding period in 2016 of approximately HK\$8.9 million, which included revenue generated from several lottery betting shops the Group operated, the purpose of which was to help us gain a better understanding of the practical and operating needs and challenges faced by lottery operators and lottery shop owners, thereby improving our ability to better serve them. As the Group has accumulated in-depth experience in the operations of these shops, and as we expand into other highly scalable physical distribution models, the Group decided to redirect our efforts and resources to develop innovation collaborations and leverage existing sizable physical network to expand the access of lottery including those of SF Holding logistics and various Alibaba retail channels.

Lastly, thanks to its position as the exclusive lottery platform of Alibaba Group and Ant Financial Group under the Business Cooperation Framework Agreement, the Group remains well placed to take advantage of lottery sales via online (internet and mobile) channels as and when they are approved by China lottery authorities and the Group receives the appropriate authorisation. To this end, the Group continues to closely monitor policy developments with respect to the government approval of lottery sales online. To date, in line with the relevant lottery regulations, the Group has not conducted any internet lottery sales or maintained any website to conduct such sales.

Lottery Games and Systems

The development and supply of lottery games, underlying software and advanced supporting systems

The Lottery Games and Systems division has a reserve of rich and attractive lottery content in various product categories designed to fulfill the demands of the market and players. This division also benefits from access to the market leading technology support solutions of the Group's shareholders, Alibaba Group and Ant Financial Group.

Lucky Racing and e-Ball Lottery

AGT, which is owned as to 51% by the Company and as to 49% by Ladbroke Group (one of the world's largest sports betting companies), supplies China's only virtual sports lottery platform to Sports Lottery and has successfully launched two virtual sports games in the country. AGT's motor racing-themed virtual game "Lucky Racing" ("幸運賽車") was launched in Hunan Province in 2011 while its football themed game "e-Ball Lottery" ("e球彩") was launched in Jiangsu Province during 2013. "Lucky Racing" and "e-Ball Lottery" are virtual sports lottery games that are broadcasted to lottery shops via a central server and cable television, allowing customers to bet on computer generated car races or football matches respectively. To date, "Lucky Racing" and "e-Ball Lottery" have been successfully launched in traditional dedicated Sports Lottery shops in Hunan and Jiangsu provinces. Since both games are approved lottery products as defined by MOF, we believe that both "Lucky Racing" and "e-Ball Lottery" could be introduced via the internet and mobile channel across China (subject to regulatory approval).

Other Lottery Games

In addition to virtual sport lottery games, the Group has launched a number of strategic initiatives to introduce other new types of lottery games in China, including a mobile smart phone lottery game and system and a high frequency numbers-based lottery game and system.

Lottery Hardware

The development, sale and maintenance of lottery hardware (terminals and other lottery related equipment)

AGTech's Lottery Hardware division supplies both the Welfare Lottery and Sports Lottery and has lottery hardware deployed in multiple provinces, cities and municipalities across China. The Group is a leading manufacturer and supplier of both paper scratch card sales hardware (instant ticket verification terminals, "IVT(s)") and traditional lottery terminals operating in both domestic and international markets.

In view of the anticipated technology development in the hardware market, the Group believes that effective research and development activities are essential to ensure that the Group's lottery hardware business remains up-to-date and equipped with competitive technology. The Group's Lottery Hardware division plans to focus on research and development, increase its domestic market share and broaden its product spectrum with new hardware ranges such as video lottery terminals which would be suitable for both domestic and international users.

Business Outlook

In our Games and Entertainment division, we have deployed our games and entertainment platform on the mobile Taobao channel, offering a range of fun, casual and interactive non-lottery games and entertainment content to a growing number of mobile users and merchants. We intend to continue to grow this platform by, for example, improving upon existing and adding new entertainment content and working with participating merchants to offer more rewards to users. Through this platform, we hope to continue growing our online presence, and maximising the value of our business partnership with Alibaba Group and Ant Financial Group, in anticipation of the potential approval and authorisation of online distribution of lottery products in the future.

The Group also launched its new casual and competition poker platform on the mobile Alipay channel this year, marking the Group's official entry into the mind sports field of the China sports industry. Earlier this year, the Group became one of the strategic partners and organisers of the China Competition Two-on-One Poker Championship, and had also received an exclusive five year operations right for competition Guan Dan. Through this new exciting platform, the Group has deployed the Two-on-One competition poker game, as well as additional casual poker games, with the goal of launching the popular Guan Dan competition poker later this year. This development marks a major milestone for the Group and presents exciting opportunities in the coming years for our Games and Entertainment division.

Notably, since the Group announced its first significant strategic international expansion on 24 July 2017 via a joint venture agreement with the owner of Paytm, India's leading mobile payment platform, the Group has begun working to create a high quality entertainment experience tailored for the Indian market. The Group leverages its operating experience and technical expertise and aims to create a games and entertainment platform, which is expected to be launched by the end of the year and provide exciting entertainment content and offer attractive rewards. This important milestone lays the foundation for the Group's further international expansion in the future.

The Group is actively building on our industry leading position in both existing and potential new lottery channels. This is evidenced by our partnering with suitable third party partners to expand our distribution network and by developing innovative lottery products. Our Lottery Distribution division continues to grow in innovative ways, thereby helping to expand the lottery industry in China as a whole. During the Nine-Month Period we continued to operate physical distribution of Sports Lottery products in the rural Taobao network. Beginning on 4 July 2017, we commercially launched the SF-Themed Instant Scratch Lottery products in four pilot cities in China, and expect to continue to roll them out in additional provinces and cities.

In addition, as the exclusive lottery business platform of Alibaba Group and Ant Financial Group, we expect to benefit from significant potential synergies from our cooperation with Alibaba Group and Ant Financial Group by accessing their vast portfolio of resources and channels.

Apart from our virtual sports system and its first two games Lucky Racing and e-Ball Lottery our Lottery Games and Systems division continues to develop, build and deploy regulated lottery content and systems.

The Group continues to closely monitor policy developments with respect to the government approval of lottery sales via internet and mobile channels. We continue to be hopeful that new online (internet and mobile) channels for lottery sales in China will be approved, although timing remains uncertain. We believe that any new lottery games and systems that will be approved for online sales will require robust and scalable technology in order to deliver effective and efficient monitoring and control systems. We consider that the Group is well positioned to participate in these areas, which is further strengthened by our business partnership with the Alibaba Group and Ant Financial Group.

Our Lottery Hardware division continues to be well positioned to take advantage of any new opportunities in hardware, given our leading positions in point of sale and handheld terminals and long track-record in the Chinese lottery market, which we believe is likely to demand new and more sophisticated hardware solutions over time.

The revenue growth trajectory of our new initiatives, the underlying industry growth of the Chinese lottery market, and the numerous catalysts for strategic growth outlined above as a whole suggest a positive outlook for the Group for the remainder of 2017 and the years ahead.

Lastly, the Group continues to invest in its business to enhance our technology infrastructure and develop our in-house capabilities, working to pull together our technical resources, customer behavioral data, our games, entertainment and lottery content as well as distribution channels into a fully integrated platform in order to truly innovate the way we add value to stakeholders through games and lottery entertainment as a medium, thereby generating long term sustainable shareholder value.

Financial Performance Review

Revenue of the Group for the Nine-Month Period amounted to approximately HK\$174.2 million as compared to the corresponding period in 2016 of approximately HK\$149.8 million. Revenue contributions were mainly derived from lottery hardware, lottery games and systems, provision of distribution and ancillary services, games and entertainment business in the PRC. The increase in revenue during the Nine-Month Period compared to the corresponding period in 2016 was mainly due to the fact that the Group derived revenue of approximately HK\$59.6 million from new initiatives launched in the games and entertainment business.

During the Nine-Month Period, gross profit margin has increased significantly from approximately 26.8% in the nine months ended 30 September 2016 to approximately 54.4%, mainly attributable to the increased sales with higher margin from the (i) games and entertainment business; and (ii) lottery games and systems.

During the Nine-Month Period, selling, general and administrative expenses were approximately HK\$262.1 million, as compared to approximately HK\$207.3 million recorded in the corresponding period in 2016. The increase was mainly due to the recruitment of staff across the Group to enhance its technical capability to cope with the business growth and expansion. Selling, general and administrative expenses during the Nine-Month Period included HK\$71.8 million in share-based compensation, as compared to approximately HK\$66.6 million recorded during the corresponding period in 2016.

The loss for the Nine-Month Period was approximately HK\$472.3 million mainly attributable to (i) the loss of approximately HK\$304.2 million from the remeasurement of the fair value of the Convertible Bonds; and (ii) the increase in staff costs by approximately HK\$95.6 million due to the Group's business growth and expansion.

Use of proceeds from the Subscription

The net proceeds from the Subscription received by the Company from the Subscriber amounted to approximately HK\$2.38 billion (the "Net Proceeds") upon completion of the Subscription (the "Completion").

The Net Proceeds were intended to be used to fund the existing operations and future development of the Company's existing principal businesses, and the Group planned to utilise approximately HK\$1,330 million (representing approximately 55.88% of the Net Proceeds) within 12 months from the date of Completion. From the date of Completion (i.e. from 10 August 2016) up to and including 30 September 2017, approximately HK\$249.3 million in total has been used by the Group in each of the business divisions of the Group and for general corporate purposes in the manner as set out below and in the section headed "USE OF PROCEEDS" on pages 45 to 51 of the Whitewash Circular.

Business divisions of the Group, or general corporate purposes, to which the Net Proceeds are intended to be allocated	Amount intended to be used within 12 months from the date of Completion on 10 August 2016 (as disclosed in the Whitewash Circular)	Amount actually used from 10 August 2016 up to and including 30 September 2017	Actual of Net Proceeds	Actual application of Net Proceeds	Explanations for material deviation from intended usage, if any
(i) Games & systems: expansion of the Group's existing business in relation to the development of lottery games, related software and underlying supporting system					
(a) <i>capital investment in ongoing development of new lottery games to be introduced to the market pending regulatory approval (approximately HK\$300 million to be allocated)</i>	approximately HK\$100 million	Nil	NA		Since the relevant lottery games of the Group are still in the pipeline pending the approval of the relevant PRC lottery authorities, the Group has not made capital investment in this respect.

Business divisions of the Group, or general corporate purposes, to which the Net Proceeds are intended to be allocated	Amount intended to be used within 12 months from the date of Completion on 10 August 2016 (as disclosed in the Whitewash Circular)	Amount actually used from 10 August 2016 up to and including 30 September 2017	Actual application of Net Proceeds	Explanations for material deviation from intended usage, if any
(b) <i>research and development ("R&D") of new lottery products of the Group (approximately HK\$300 million to be allocated)</i>	approximately HK\$100 million	approximately HK\$7.2 million	Development costs for the localisation and customisation of new games system	The Group continues to invest resources in the localisation and customisation of new lottery games. However, given that the Group's existing pipeline of the relevant new lottery games are still pending the approval of the relevant PRC lottery authorities, the Group is now exercising caution in working with business partners to introduce new lottery games into the PRC.
(c) <i>expansion and development of the Group's R&D capability in technology development for games and systems (approximately HK\$150 million to be allocated)</i>	approximately HK\$50 million	approximately HK\$71.7 million	Staff costs for expansion of the R&D team of the Group	The Group continues to enhance its R&D capability by expanding the R&D team for the games (which can be introduced as lottery games as well as casual games, depending on the market demand and applicable regulatory requirements) and systems (which can support lottery games as well as casual games wherever necessary). This provides valuable flexibility in the Group's business operations under different circumstances.

Business divisions of the Group, or general corporate purposes, to which the Net Proceeds are intended to be allocated	Amount intended to be used within 12 months from the date of Completion on 10 August 2016 (as disclosed in the Whitewash Circular)	Amount actually used from 10 August 2016 up to and including 30 September 2017	Actual application of Net Proceeds	Explanations for material deviation from intended usage, if any
(d) <i>acquisition of lottery systems and lottery games or companies which have such systems and games (approximately HK\$400 million to HK\$800 million to be allocated)</i>	approximately HK\$500 million	Nil	NA	The Group is in the process of identifying certain suitable targets for acquisition.
(e) <i>funding the remaining consideration for the Score Value Transaction contingent upon certain performance targets (approximately HK\$50 million to be allocated)</i>	approximately HK\$50 million	approximately HK\$30 million	Cash deferred consideration for the achievement of prior years' profit guarantee under the Score Value Transaction	The remaining HK\$20 million of the intended usage is reserved as the contingent cash consideration in the event that certain conditions for payments under the Score Value Transaction are fulfilled.
Sub-total for "Games and systems":	approximately HK\$800 million	approximately HK\$108.9 million		

Business divisions of the Group, or general corporate purposes, to which the Net Proceeds are intended to be allocated	Amount intended to be used within 12 months from the date of Completion on 10 August 2016 (as disclosed in the Whitewash Circular)	Amount actually used from 10 August 2016 up to and including 30 September 2017	Actual application of Net Proceeds	Explanations for material deviation from intended usage, if any
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Total amount earmarked for "Games and systems":

- approximately HK\$1,200 million or approximately 50.42% of Net Proceeds
- Remaining balance of Net Proceeds still available for "Games and systems" as at 30 September 2017: approximately HK\$1,091.1 million

(ii) **Hardware:**

<i>R&D activities to upgrade the Group's hardware products with more sophisticated technology that are supplied to customers based on a revenue-sharing model</i>	approximately HK\$80 million	approximately HK\$6.5 million	R&D costs for upgrading the hardware products	Since the relevant new lottery game of the Group that is intended to utilize the hardware products is still in the pipeline pending the approval of the relevant PRC lottery authorities, the Group has not made the investment on hardware terminals operating on a revenue-sharing model.
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Total amount earmarked for "Hardware":

- approximately HK\$120 million or approximately 5.05% of Net Proceeds
- Remaining balance of Net Proceeds still available for "Hardware" as at 30 September 2017: approximately HK\$113.5 million

Business divisions of the Group, or general corporate purposes, to which the Net Proceeds are intended to be allocated	Amount intended to be used within 12 months from the date of Completion on 10 August 2016 (as disclosed in the Whitewash Circular)	Amount actually used from 10 August 2016 up to and including 30 September 2017	Actual application of Net Proceeds	Explanations for material deviation from intended usage, if any
(iii) Distribution:				
(a) <i>expansion of offline sales and distribution business (approximately HK\$100 million to be allocated)</i>	approximately HK\$50 million	approximately HK\$48.6 million	Investment for expansion of offline sales business	No material deviation from intended usage noted.
(b) <i>marketing and advertising campaigns for its existing offline lottery games (approximately HK\$100 million to be allocated)</i>	approximately HK\$50 million	Nil	NA	Since the Group's plan to promote its existing offline lottery games to new provinces is still pending the approval of the relevant PRC lottery authorities, it has not incurred any related marketing and advertising expenses.
(c) <i>acquisitions of online and offline distributors (approximately HK\$250 million to be allocated)</i>	approximately HK\$150 million	Nil	NA	Since the relevant PRC lottery authorities have not re-opened the online lottery distribution, the Group did not proceed with the proposed acquisition of the targets which would potentially provide the Group with online distribution rights. Meanwhile, the Group continues to expand its offline distribution network by leveraging resources of Alibaba Group and third parties (e.g. SF Holding).

Business divisions of the Group, or general corporate purposes, to which the Net Proceeds are intended to be allocated	Amount intended to be used within 12 months from the date of Completion on 10 August 2016 (as disclosed in the Whitewash Circular)	Amount actually used from 10 August 2016 up to and including 30 September 2017	Actual application of Net Proceeds	Explanations for material deviation from intended usage, if any
(d) <i>online sales and distribution of lottery products (including but not limited to the future cooperation with Taobao (China) Software Co., Ltd. and Alipay.com Co., Ltd.) (approximately HK\$400 million to be allocated)</i>	approximately HK\$100 million	Nil	NA	Since the relevant PRC lottery authorities have not re-opened the online lottery distribution, the Group has put on hold spending in this respect.
Sub-total for "Distribution":	approximately HK\$350 million	approximately HK\$48.6 million		

Total amount earmarked for "Distribution":

- approximately HK\$850 million or approximately 35.71% of Net Proceeds
- Remaining balance of Net Proceeds still available for "Distribution" as at 30 September 2017: approximately HK\$801.4 million

Business divisions of the Group, or general corporate purposes, to which the Net Proceeds are intended to be allocated	Amount intended to be used within 12 months from the date of Completion on 10 August 2016 (as disclosed in the Whitewash Circular)	Amount actually used from 10 August 2016 up to and including 30 September 2017	Actual application of Net Proceeds	Explanations for material deviation from intended usage, if any
(iv) General corporate purposes:				
(a) <i>repayment of existing debts of the Group (approximately HK\$60 million to be allocated)</i>	approximately HK\$60 million	approximately HK\$45.3 million	Repayment of bank borrowings of the Group	No material deviation from intended usage noted.
(b) <i>general working capital of the Group (approximately HK\$150 million to be allocated)</i>	approximately HK\$40 million	approximately HK\$40 million	Approximately HK\$40 million were used as general working capital of the PRC subsidiaries of the Company	No deviation from intended usage noted.
Sub-total for "General corporate purposes":	approximately HK\$100 million	approximately HK\$85.3 million		

Total amount earmarked for "General corporate purposes":

- approximately HK\$210 million or approximately 8.82% of Net Proceeds
- Remaining balance of Net Proceeds still available for "General corporate purposes" as at 30 September 2017: approximately HK\$124.7 million

Business divisions of the Group, or general corporate purposes, to which the Net Proceeds are intended to be allocated	Amount intended to be used within 12 months from the date of Completion on 10 August 2016 (as disclosed in the Whitewash Circular)	Amount actually used from 10 August 2016 up to and including 30 September 2017	Actual application of Net Proceeds	Explanations for material deviation from intended usage, if any
Grand total:	approximately HK\$1,330 million	approximately HK\$249.3 million		

- Total remaining balance of Net Proceeds as at 30 September 2017: approximately HK\$2,130.7 million, representing approximately 89.5% of the Net Proceeds (Note)

NA: Not applicable

Note: Remaining balance of Net Proceeds is placed in the bank accounts of the Group.

CONVERTIBLE BONDS

During the Nine-Month Period, the conversion rights attaching to the Convertible Bonds in the aggregate principal amounts of HK\$174,906,763 were exercised on 30 March 2017 and the Company allotted and issued to Ali Fortune an aggregate of 600,000,000 conversion Shares at the then conversion price of HK\$0.2915 per conversion Share. As at 30 September 2017, Convertible Bonds in the aggregate principal amount of HK\$332,328,165 remained outstanding (the "Outstanding Convertible Bonds"). As at 30 September 2017, the then prevailing conversion price had been adjusted to HK\$0.2636 per Share (the "Prevailing Adjusted Conversion Price"), and the maximum number of Shares that would be issued upon full conversion of the Outstanding Convertible Bonds at the then Prevailing Adjusted Conversion Price was 1,260,522,425 (representing approximately 11.24% of the issued share capital of the Company as at 30 September 2017 and approximately 10.10% of the issued share capital of the Company as enlarged by such outstanding conversion Shares).

For details of the key terms of the Convertible Bonds, please refer to pages 28 and 29 of the interim report of the Company for the six months ended 30 June 2017.

CONNECTED TRANSACTION

On 24 July 2017, the Company, AGTech Media Holdings Limited (a wholly-owned subsidiary of the Company) and One97 Communications Limited (the owner of Paytm) entered into the joint venture agreement, whereby a joint venture company owned as to 45% by the Group and as to 55% by Paytm and its subsidiaries will be formed in India for the purpose of developing and operating platforms for users to participate in and play various games. As Ant Financial Group holds more than 30% of shareholding interests in One97 Communications Limited, the formation of the aforesaid joint venture company constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. For details, please refer to the announcement of the Company dated 24 July 2017.

CONTINUING CONNECTED TRANSACTIONS

During the Three-Month Period, the Company entered into the following continuing connected transactions (“CCTs”) or proposed to revise the caps of certain existing CCTs (as announced on 29 August 2017):

1. On 25 January 2017, the Company and Alibaba Holding entered into a framework agreement (“Framework Agreement”), pursuant to which the Group shall (i) utilise certain channels and networks of Alibaba Group for the sales and distribution of the lottery products and other services on a revenue-sharing basis; and (ii) purchase technology services from Alibaba Group (collectively, the “Channel Transactions”), subject to the original maximum transaction amounts for a term commencing from 8 March 2017 (i.e. the effective date of the Framework Agreement) and ending on 31 December 2019. As the Channel Transactions (in particular the sale and distribution of other services) have been running more smoothly and developing more sustainably over recent few months, the Group proposed to increase the original maximum transaction amounts for the Channel Transactions to the revised maximum transaction amounts (the “Revised Channel Caps”) to cater for the development of the Channel Transactions; and
2. On 29 August 2017, the Company and Zhejiang Tmall Technology Company Limited# (浙江天貓技術有限公司) (“Tmall”) entered into a procurement framework agreement (“Procurement Framework Agreement”), subject to certain maximum transaction amounts in respect of the marketing fees payable under the Procurement Framework Agreement (the “Procurement Caps”) for a term commencing from the effective date of such agreement and ending on 31 December 2019.

Ali Fortune, the controlling shareholder of the Company, is indirectly held as to 60% by Alibaba Holding. Tmall is a wholly-owned subsidiary of Alibaba Holding. Accordingly, each of Alibaba Holding and Tmall is an associate of Ali Fortune and hence a connected person of the Company. The transactions contemplated under each of the Framework Agreement and the Procurement Framework Agreement constitute CCTs under Chapter 20 of the GEM Listing Rules.

Since one or more of the applicable percentage ratios as defined in the GEM Listing Rules in respect of the highest Revised Channel Caps exceed 5%, the Revised Channel Caps are subject to the annual review, reporting, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Since one or more of the applicable percentage ratios as defined in the GEM Listing Rules in respect of the highest Procurement Caps exceed 5%, the Procurement Framework Agreement and the transactions contemplated thereunder (including the Procurement Caps) are subject to the annual review, reporting, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

A special general meeting of the Company will be held in due course for the independent Shareholders to consider and, if thought fit, approve the Revised Channel Caps, the Procurement Framework Agreement and the transactions contemplated thereunder (including the Procurement Caps). As the above-mentioned CCTs were entered into by the Company in 2017, an annual review of such transactions will be conducted by the independent non-executive Directors and the auditor of the Company for the year ending 31 December 2017 and the findings will be disclosed in the annual report of the Company for the year ending 31 December 2017. For details of the aforesaid CCTs, please refer to the announcement of the Company dated 29 August 2017.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2017, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

a. Interests in Shares:

Name of Director	Number of Shares/underlying Shares held			Approximate percentage held (Note 1)
	Personal interest	Corporate interest	Total	
Mr. Sun Ho	33,078,000 (Note 2)	2,006,250,000 (Note 3)	2,039,328,000	18.18%
Mr. Zhou Haijing	12,200,000 (Note 4)	–	12,200,000	0.11%
Mr. Zhang Qin	–	–	–	0%
Mr. Yang Guang	–	–	–	0%
Mr. Ji Gang	–	–	–	0%
Mr. Zhang Wei (resigned on 10 November 2017)	–	–	–	0%
Ms. Monica Maria Nunes	1,375,000	–	1,375,000	0.01%
Mr. Feng Qing	375,000	–	375,000	negligible
Dr. Gao Jack Qunyao	375,000	–	375,000	negligible

Notes:

1. Based on a total of 11,217,643,694 Shares in issue as at 30 September 2017.
 2. It represents 27,078,000 Shares and 6,000,000 restricted share units (granted under the share award scheme of the Company) beneficially held by Mr. Sun Ho.
 3. These 2,006,250,000 Shares were held in the name of MAXPROFIT GLOBAL INC. As MAXPROFIT GLOBAL INC is beneficially and wholly-owned by Mr. Sun Ho, the chairman, executive Director & chief executive officer (“CEO”) of the Company, Mr. Sun was deemed to be interested in such Shares.
 4. It represents 2,300,000 Shares vested under the share award scheme of the Company and 9,900,000 restricted share units (granted under the share award scheme of the Company) beneficially held by Mr. Zhou Haijing.
- b. Long position in the underlying Shares in respect of the share options of the Company (which were regarded as unlisted physically settled equity derivatives):

Name of Director	Date of grant	Exercise price per Share (HK\$)	Exercisable Period (Note 2)	Number of underlying Shares	Approximate percentage held (Note 1)
Ms. Monica Maria Nunes	20 June 2013	0.474	20 June 2014- 19 June 2018	375,000	0.003%
	21 January 2014	1.310	21 January 2015- 20 January 2019	250,000	0.002%
Mr. Feng Qing	1 June 2015	0.858	1 June 2016- 31 May 2020	1,125,000	0.01%
Dr. Gao Jack Qunyao	1 June 2015	0.858	1 June 2016- 31 May 2020	1,125,000	0.01%

Notes:

1. Based on a total of 11,217,643,694 Shares in issue as at 30 September 2017.
2. A portion of the option representing 25% of the total underlying Shares entitled under such option when it was initially granted shall be vested in the grantee of the option in each year during the exercisable period. If the grantee does not exercise such portion of the option within one year after it has been vested in him/her, such portion of the option will lapse.

- c. Long positions in shares and underlying shares of Alibaba Holding, an associated corporation of the Company within the meaning of Part XV of the SFO:

Name of Director	Nature of interests	Number of shares/ underlying shares held	Percentage of issued shares of Alibaba Holding
Mr. Zhou Haijing	Beneficial and equity derivative interests	29,050 <i>(Note 1)</i>	0.001%
Mr. Zhang Qin	Beneficial and equity derivative interests	50,861 <i>(Note 2)</i>	0.002%
Mr. Yang Guang	Beneficial and equity derivative interests	38,036 <i>(Note 3)</i>	0.001%
Mr. Ji Gang	Beneficial and equity derivative interests	63,186 <i>(Note 4)</i>	0.003%

Notes:

1. It represents 22,625 ordinary shares and 6,425 restricted share units beneficially held by Mr. Zhou Haijing.
2. It represents 23,611 ordinary shares and 27,250 restricted share units beneficially held by Mr. Zhang Qin.
3. It represents 12,036 ordinary shares and 26,000 restricted share units beneficially held by Mr. Yang Guang.
4. It represents 22,486 ordinary shares and 40,700 restricted share units beneficially held by Mr. Ji Gang.

Save as disclosed above, as at 30 September 2017, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares (in respect of share options of the Company which were regarded as unlisted physically settled equity derivatives) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2017, so far as was known to the Directors or chief executive of the Company, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly interested in 5% or more of the issued voting shares of any other member of the Group or held any option in respect of such shares and recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares held	Number of underlying Shares entitled	Total number of Shares	Approximate percentage of issued share capital of the Company (Note 1)
Ali Fortune (Note 2 and 8)	Beneficial owner	6,102,723,993	1,260,522,425	7,363,246,418	65.64%
Alibaba Investment Limited (Note 2)	Interest of controlled corporation	6,102,723,993	1,260,522,425	7,363,246,418 (Note 9)	65.64%
API Holdings Limited (Note 2)	Interest of controlled corporation	6,102,723,993	1,260,522,425	7,363,246,418 (Note 9)	65.64%
Alibaba Holding (Note 3)	Interest of controlled corporation	6,102,723,993	1,260,522,425	7,363,246,418 (Note 9)	65.64%
API (Hong Kong) Investment Limited (Note 4)	Interest of controlled corporation	6,102,723,993	1,260,522,425	7,363,246,418 (Note 9)	65.64%
Shanghai Yunju Venture Capital Investment Co., Ltd. (formerly known as Shanghai Yunju Investment Management Co., Ltd. (Note 5))	Interest of controlled corporation	6,102,723,993	1,260,522,425	7,363,246,418 (Note 9)	65.64%
Ant Financial (Note 6)	Interest of controlled corporation	6,102,723,993	1,260,522,425	7,363,246,418 (Note 9)	65.64%
Hangzhou Yunbo Investment Consultancy Co., Ltd. (Note 7)	Interest of controlled corporation	6,102,723,993	1,260,522,425	7,363,246,418 (Note 9)	65.64%
Mr. Ma Yun (Note 7)	Interest of controlled corporation	6,102,723,993	1,260,522,425	7,363,246,418 (Note 9)	65.64%
MAXPROFIT GLOBAL INC (Note 10)	Beneficial owner	2,006,250,000	-	2,006,250,000	17.88%

Notes:

1. Based on a total of 11,217,643,694 Shares in issue as at 30 September 2017.
2. Alibaba Investment Limited (“AIL”) and API Holdings Limited (“API Holdings”) hold 60% and 40% of the issued share capital of Ali Fortune, respectively.
3. Alibaba Holding holds 100% of the issued share capital of AIL.
4. API (Hong Kong) Investment Limited holds 100% of the issued share capital of API Holdings.
5. Shanghai Yunju Venture Capital Investment Co., Ltd. (formerly known as Shanghai Yunju Investment Management Co., Ltd.) (“Shanghai Yunju”) holds 100% of the issued share capital of API (Hong Kong) Investment Limited.
6. Ant Financial holds 100% of the equity interests in Shanghai Yunju. Hangzhou Junhan Equity Investment Partnership (Limited Partnership) (“Junhan”) and Hangzhou Junao Equity Investment Partnership (Limited Partnership) (“Junao”) hold approximately 42.28% and 34.15% of the equity interests in Ant Financial, respectively.
7. Hangzhou Yunbo Investment Consultancy Co., Ltd. (“Yunbo”) is the general partner of both Junhan and Junao, and is wholly-owned by Mr. Ma Yun.
8. As at 30 September 2017, Ali Fortune held outstanding Convertible Bonds in the aggregate principal amount of HK\$332,328,165 and the maximum number of conversion Shares that would be issued upon full conversion of such outstanding Convertible Bonds at the then adjusted conversion price of HK\$0.2636 per conversion share as at 30 September 2017 was 1,260,522,425. The allotment and issue of the subscription Shares and the conversion Shares in respect of the Subscription under a specific mandate, together with the Whitewash Waiver, were approved by the independent Shareholders at the new special general meeting of the Company held on 30 July 2016.
9. Each of AIL, Alibaba Holding, API Holdings, API (Hong Kong) Investment Limited, Shanghai Yunju, Ant Financial, Junhan, Junao, Yunbo, and Mr. Ma Yun are taken to be interested in an aggregate of 7,363,246,418 Shares by virtue of Part XV of the SFO.
10. As disclosed in the section headed “DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES” above, Mr. Sun Ho was deemed to be interested in these 2,006,250,000 Shares by virtue of his interest in MAXPROFIT GLOBAL INC.

Save as disclosed above, as at 30 September 2017, the Directors or chief executive of the Company were not aware of any other persons (not being a Director or chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or was directly or indirectly interested in 5% or more of the issued voting shares of any other member of the Group or held any option in respect of such shares and recorded in the register kept by the Company pursuant to section 336 of the SFO.

INTERESTS OF OTHER PERSONS

As at 30 September 2017, apart from the interests in the Shares, underlying Shares and debentures of the Company and its associated corporations held by the Directors, chief executive and substantial shareholders of the Company stated above, there were no other persons with interests recorded in the register of the Company required to be kept under section 336 of the SFO.

INTERESTS IN COMPETING BUSINESS

During the Nine-Month Period, none of the Directors, the controlling shareholder of the Company and their respective close associates had an interest in a business, which competes or might compete with the business of the Group.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely, Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qunyao. The Audit Committee is chaired by Ms. Monica Maria Nunes. The unaudited consolidated financial statements of the Group for the Nine-Month Period have been reviewed and commented on by the Audit Committee.

REQUIRED STANDARD OF DEALINGS REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings regarding securities transactions by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct for dealings in securities of the Company by the Directors (the "Code of Conduct"). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings set out in the Code of Conduct during the Nine-Month Period.

SHARE OPTION SCHEMES

During the Nine-Month Period, no options were granted by the Company pursuant to the Share Option Schemes. During the Nine-Month Period, options for 102,506,767 Shares were exercised and options for 79,870,248 Shares were lapsed. As at 30 September 2017, options for 341,228,769 Shares remained outstanding.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Nine-Month Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company, save for the fact that the trustee of the share award scheme of the Company has purchased a total of 108,880,000 Shares on the Stock Exchange at a total consideration of approximately HK\$154.4 million to satisfy award Shares granted under the share award scheme up to and including 30 September 2017. No award Shares had been granted under the share award scheme during the Three-Month Period.

STATUS OF DEFERRED CONSIDERATION FOR ACQUISITION OF SCORE VALUE

Silvercreek Technology Holdings Limited (the "Purchaser", which is a wholly-owned subsidiary of the Company) completed the acquisition of a 100% equity interest in Score Value (the "Acquisition") on 8 January 2015.

Pursuant to the sale and purchase agreement in respect of the Acquisition (the "Acquisition Agreement"), the Company or the Purchaser shall be required to pay deferred consideration in a maximum amount of HK\$300 million to the vendors of Score Value (the "Vendors") upon fulfilment of certain pre-conditions at a later stage, including obtaining the approval of the relevant PRC government authority for the lottery game to be supplied by a subsidiary of Score Value (the "Game Approval Pre-condition") and meeting the profit guarantees of an average of RMB20.0 million (equivalent to approximately HK\$25.2 million) per year provided by the Vendors in respect of the Shenzhen Subsidiary of Score Value for each of the three financial years ended 31 December 2015 and 2016 and ending 31 December 2017 as described in the paragraph headed "Deferred Consideration" on pages 9 and 10 of the Circular.

The parties to the Acquisition Agreement have mutually agreed to further extend the deadline for fulfilling the Game Approval Pre-condition to 31 December 2017. As of the date hereof, the Game Approval Pre-condition has not yet been fulfilled. Accordingly, the First Deferred Consideration, Second Deferred Consideration and Third Deferred Consideration as described under the paragraph headed “Deferred Consideration” on page 9 of the Circular have not yet been paid to the Vendors.

The Company will make further announcement(s) in due course when the status of other outstanding deferred consideration settlements can be ascertained.

DEFINITIONS

In this report, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“AGT”	Asia Gaming Technologies Limited, a company incorporated in Hong Kong and owned as to 51% by the Company;
“Ali Fortune” or “Subscriber”	Ali Fortune Investment Holding Limited, the controlling shareholder of the Company;
“Alibaba Group”	Alibaba Holding and its subsidiaries;
“Alibaba Holding”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands and the American depositary shares of which are listed on the New York Stock Exchange;
“Alipay”	Alipay.com Co., Ltd.# (支付寶(中國)網絡技術有限公司), a company incorporated in the PRC, and a wholly-owned subsidiary of Ant Financial;
“Ant Financial”	Ant Small and Micro Financial Services Group Co., Ltd.# (浙江螞蟻小微金融服務集團股份有限公司) (formerly known as Zhejiang Ant Small and Micro Financial Services Group Co., Ltd.# (浙江螞蟻小微金融服務集團有限公司)), a company incorporated in the PRC;

“Ant Financial Group”	Ant Financial and its subsidiaries, which have been deemed as connected persons of the Company since July 2017;
“Board”	the board of Directors;
“Circular”	the circular of the Company dated 8 December 2014 in respect of the Score Value Transaction;
“Company” or “AGTech”	AGTech Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM;
“Consultant Options”	the options granted to consultants of the Company to subscribe for up to 246,713,549 Shares as at the date hereof pursuant to the Share Option Schemes;
“Convertible Bonds”	the convertible bonds of the Company issued to Ali Fortune under the Subscription;
“Director(s)”	the director(s) of the Company;
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director;
“GEM”	the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;
“Macau”	the Macau Special Administrative Region of the PRC;
“MOF”	the Ministry of Finance of China;
“NSLAC”	the National Sports Lottery Administration Centre of the PRC;
“PRC” or “China”	the People’s Republic of China which, for the purpose of this report, excludes Hong Kong, Macau and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Score Value”	Score Value Limited, an indirect wholly-owned subsidiary of the Company;
“Score Value Transaction”	the acquisition of the entire equity interest in Score Value by the Company as contemplated under the agreement dated 17 November 2014 entered into between the Company, Silvercreek Technology Holdings Limited (a wholly-owned subsidiary of the Company) as the purchaser, Score Value as the target, and vendors of Score Value, pursuant to which, among other things, (i) the vendors of Score Value may be granted bonus options to subscribe for up to 166,666,666 Shares at a subscription price of HK\$1.8 per Share contingent upon certain performance targets (and such bonus options had already lapsed in November 2016); and (ii) the vendors of Score Value may be issued up to 135,135,135 Shares as part of the deferred consideration for the acquisition if certain performance targets are achieved;

“SF Holding”	S.F. Holding Co., Ltd.# (順豐控股股份有限公司);
“SF Lottery”	SF Lottery (Shenzhen) Technology Development Company Limited# (順豐彩(深圳)科技發展有限責任公司), a non-wholly owned subsidiary of the Company;
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Share Option Schemes”	the share option schemes of the Company adopted on 18 November 2004 and 23 December 2014 respectively;
“Shenzhen Subsidiary”	深圳中林瑞德科技有限公司 (Shenzhen Zoom Read Tech Co., Ltd.#), a company incorporated in the PRC with limited liability and is an indirect whollyowned subsidiary of Score Value;
“Sports Lottery”	the national sports lottery of China;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription for 4,817,399,245 new Shares and Convertible Bonds in the aggregate principal amount of HK\$712,582,483 by Ali Fortune, which was completed on 10 August 2016;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time);
“Welfare Lottery”	the national welfare lottery of China;
“Whitewash Circular”	the circular of the Company dated 25 May 2016 in respect of, among other things, the Subscription and the Whitewash Waiver;

“Whitewash Waiver”

a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of Ali Fortune to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by Ali Fortune or parties acting in concert with it which would otherwise arise as a result of (i) the allotment and issue of the Shares under the Subscription at its completion; and/or (ii) the allotment and issue of the Shares that may be issued upon conversion of the Convertible Bonds issued under the Subscription; and

“%”

per cent.

In this report, the exchange rate of HK\$1.1901 to RMB1.00 has been used for reference only.

The English translation of the Chinese company names in this report are included for reference only and should not be regarded as the official English translation of such Chinese company names.

By order of the Board
AGTech Holdings Limited
Sun Ho
Chairman & CEO

Hong Kong, 10 November 2017

As at the date of this report, the Board comprises (i) Mr. Sun Ho and Mr. Zhou Haijing as executive Directors; (ii) Mr. Zhang Qin, Mr. Yang Guang, Mr. Ji Gang and Mr. Zou Liang as non-executive Directors; and (iii) Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qunyao as independent non-executive Directors.

This report will remain on the “Latest Company Announcements” page of the GEM website operated by the Stock Exchange at www.hkgem.com for at least seven days from the day of its posting and will be published on the website of the Company at www.agtech.com.