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2018

FIRST QUARTERLY REPORT



AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 THREE MONTHS ENDED 31 MARCH 2018

- Revenue of the Group for the Three-Month Period amounted to approximately HK\$17.7 million (2017: approximately HK\$14.9 million), representing an increase of approximately 18.8% over the corresponding period in 2017. 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 revenue growth was primarily driven by the Group's provision of lottery distribution and ancillary services.
- The profit for the Three-Month Period was approximately HK\$170.7 million (2017: loss of approximately HK\$232.8 million). The change from loss to profit for the Three-Month Period was mainly attributable to several non-cash and non-operating items related to the convertible bonds and contingent consideration payables.
- The Board does not recommend the payment of an interim dividend for the Three-Month Period.

FIRST QUARTERLY RESULTS

The Board announces the unaudited consolidated results of the Group for the three months ended 31 March 2018 (the “**Three-Month Period**”), together with the unaudited comparative figures for the corresponding period in 2017 as follows:

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

For the three months ended 31 March 2018

	<i>Notes</i>	Three months ended	
		31 March	
		2018	2017
		HK\$'000	<i>HK\$'000</i>
Revenue	2	17,668	14,860
Other income		1,179	813
Net other gains		16,805	4,991
Employee benefits expenses		(68,491)	(54,323)
Purchase of and changes in inventories		(9)	(1,095)
Depreciation expense		(627)	(1,107)
Other operating expenses		(40,605)	(25,270)
Operating loss		(74,080)	(61,131)
Gain/(Loss) on fair value changes of convertible bonds		224,664	(153,942)
Gain/(Loss) on fair value changes of contingent consideration payables		18,196	(8,444)
Net finance income/(cost)		3,280	(8,223)
Profit/(Loss) before income tax		172,060	(231,740)
Income tax expense	3	(1,322)	(1,049)
Profit/(Loss) for the period		170,738	(232,789)

		Three months ended	
		31 March	
		2018	2017
<i>Notes</i>		HK\$'000	<i>HK\$'000</i>
Other comprehensive income:			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
		35,728	9,376
	Other comprehensive income for the period, net of tax	35,728	9,376
	Total comprehensive income for the period	206,466	(223,413)
Profit/(Loss) attributable to:			
	Owners of the Company	172,971	(233,260)
	Non-controlling interests	(2,233)	471
		170,738	(232,789)
Total comprehensive income attributable to:			
	Owners of the Company	206,794	(224,158)
	Non-controlling interests	(328)	745
		206,466	(223,413)
Earning/(Loss) per share			
	Basic	4	(HK3.28 cents)
	Diluted	(HK0.49 cent)	(HK3.28 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 2017.

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.

Comparative figures

Certain comparative figures have been reclassified to conform with the unaudited condensed consolidated financial information adopted for the Three-Month Period.

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 lottery distribution and ancillary services, games and entertainment primarily in the PRC during the Three-Month Period and is analysed as follows:

	Three months ended 31 March	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Lottery hardware	5,452	7,391
Lottery games and systems	6,228	4,430
Provision of lottery distribution and ancillary services	5,104	1,540
Games and entertainment	884	1,499
	17,668	14,860

3. INCOME TAX EXPENSE

Income tax expense for the Three-Month Period represents PRC Enterprise Income Tax.

4. EARNING/(LOSS) PER SHARE**(a) Basic**

Basic earning or loss per share is calculated by dividing the unaudited profit attributable to owners of the Company for the Three-Month Period of approximately HK\$172,971,000 (2017: loss of approximately HK\$233,260,000) by the weighted average number of ordinary shares outstanding during the period of approximately 11,248,240,000 (2017: approximately 7,103,035,000) shares and excluding the weighted average number of shares held for share award scheme of approximately 127,466,000 (2017: nil) shares.

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has four categories of dilutive potential ordinary shares: Convertible Bonds, contingent considerations, share options and share awards. The Convertible Bonds are assumed to have been converted into ordinary shares, and the loss or profit attributable to owners of the Company is adjusted to eliminate the relevant interest expense and fair value changes. The contingent considerations are assumed to have been settled in ordinary shares, and the loss or profit attributable to owners of the Company is adjusted to eliminate the relevant fair value changes.

For the Three-Month Period, diluted loss per share is calculated by dividing the adjusted unaudited loss attributable to owners of the Company of approximately HK\$60,589,000 by the adjusted weighted average number of ordinary shares outstanding during the period of approximately 12,375,701,000 shares. The computation of the diluted loss per share does not assume the exercise of the outstanding share options and the vesting of the outstanding share awards, as they would decrease the loss per share.

For the period ended 31 March 2017, the diluted loss per share is the same as the basic loss per share. The computation of the diluted loss per share does not assume the conversion of the outstanding Convertible Bonds, the exercise of the outstanding share options and the settlement of outstanding contingent consideration payables under the Score Value Transaction, as they would decrease the loss per share.

5. DIVIDEND

The Board does not recommend the payment of an interim dividend for the Three-Month Period (2017: nil).

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the Three-Month Period

	Attributable to owners of the Company											Attributable to non-controlling interests		Total
	Share capital	Share premium	Shares held for share award scheme	Share options reserve	Share awards reserve	Statutory reserve	Exchange reserve	Contributed surplus	Property revaluation reserve	Other reserve	Accumulated losses	Subtotal	Interests	
	HK\$'000	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 2017	20,990	2,478,212	-	182,292	-	18,189	59,914	47,191	14,402	51,690	(591,068)	2,267,872	35,873	2,303,745
Loss for the period	-	-	-	-	-	-	-	-	-	(233,260)	(233,260)	471	(232,789)	
Other comprehensive income for the period	-	-	-	-	-	-	9,102	-	-	-	-	9,102	274	9,376
Total comprehensive income for the period	-	-	-	-	-	-	9,102	-	-	(233,260)	(224,158)	745	(223,413)	
Recognition of equity settled share-based payments	-	-	-	15,218	-	-	-	-	-	-	-	15,218	-	15,218
Issue of shares upon conversion of convertible bonds	1,200	597,934	-	-	-	-	-	-	-	-	-	599,134	-	599,134
Issue of shares upon exercise of share options	38	14,360	-	(4,368)	-	-	-	-	-	-	-	10,030	-	10,030
Lapse of share options	-	-	-	(22,924)	-	-	-	-	-	-	-	22,924	-	-
Buy back of shares	-	-	-	-	-	-	-	-	-	-	(1,559)	(1,559)	-	(1,559)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	339	339
Transfer to accumulated losses	-	-	-	-	-	(288)	-	-	-	-	288	-	-	-
Balance at 31 March 2017	22,228	3,090,506	-	156,218	-	17,901	69,016	47,191	14,402	51,690	(802,675)	2,666,537	36,957	2,703,494
Balance at 1 January 2018	22,484	3,249,914	(167,407)	136,954	41,582	19,121	124,514	47,191	14,402	93,575	(93,966)	2,658,374	47,190	2,705,564
Profit for the period	-	-	-	-	-	-	-	-	-	-	172,971	172,971	(2,233)	170,738
Other comprehensive income for the period	-	-	-	-	-	-	33,823	-	-	-	-	33,823	1,905	35,728
Total comprehensive income for the period	-	-	-	-	-	-	33,823	-	-	-	172,971	206,794	(328)	206,466
Recognition of equity settled share-based payments	-	-	-	7,249	14,516	-	-	-	-	-	-	21,775	-	21,775
Issue of shares upon exercise of share options	4	1,738	-	(561)	-	-	-	-	-	-	-	1,181	-	1,181
Purchase of shares under share award scheme	-	-	(9,502)	-	-	-	-	-	-	-	-	(9,502)	-	(9,502)
Balance at 31 March 2018	22,488	3,251,652	(176,909)	143,642	56,108	19,121	158,337	47,191	14,402	93,575	(750,895)	2,878,622	46,862	2,925,484

DISCUSSION AND ANALYSIS OF THE GROUP'S RESULTS AND BUSINESS

About the Group

AGTech was incorporated in Bermuda and its Shares are listed on GEM (Stock Code: 8279). AGTech is an integrated technology and services company engaged in the lottery and mobile games and entertainment market with a focus on China and selected international markets. A member of the Alibaba Group with around 400 employees, AGTech is the exclusive lottery platform of Alibaba Group and Ant Financial Group.

AGTech's businesses are broadly divided into two categories:

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

AGTech is a Gold Contributor of the World Lottery Association (WLA), an associate member of 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 evolving its business into a comprehensive lottery, mobile games and entertainment content and technology 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 2017, 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 games and 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 have 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, 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

Lottery

There are two legal lottery operators in the PRC: the national welfare lottery (Welfare Lottery) and the national sports lottery (Sports Lottery).

According to information published by the MOF, during the Three-Month Period, the lottery market recorded sales of approximately RMB104.2 billion, an increase of 9.4% compared to the corresponding period in 2017. Of this, Welfare Lottery amounted to approximately RMB52.2 billion (accounting for approximately 50.2% of total lottery sales), representing an increase of approximately 1.8% over the corresponding period in 2017. The Sports Lottery achieved sales of approximately RMB51.9 billion (accounting for approximately 49.8% of total lottery sales), an increase of approximately 18.3% compared to the corresponding period in 2017.

Games and Entertainment

The proliferation of smartphones in the PRC over the last several years, coupled with ever improving content across games categories, has increased mobile games consumption significantly. New technologies, improved network infrastructure, less expensive access to high-speed data, enhanced mobile devices have all contributed to the increase of mobile content consumption, thereby driving impressive levels of innovation in mobile games and entertainment content.

As such, over 77% as of 2017 of total smartphone users are now smartphone gamers in the PRC, lagging only behind Korea in terms of penetration, as mobile gaming spread across age and gender demographics. In fact, according to the latest 2017 Global Mobile Games Industry White Paper, China has become the largest mobile game market in the world, with total revenue reaching approximately RMB92.8 billion*.

* *Source: Statistica, Newszoo*

India

We believe India currently holds the world's fastest growing active online users, with mobile driving the content consumption boom. According to surveys by Internet and Mobile Association of India*, Indian internet user base reached approximately 481 million in 2017, and is expected to reach approximately 500 million by June 2018. 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 totaled approximately 1.6 billion, which put India fifth in the world.

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

Business Review

Games and Entertainment

Online non-lottery games and entertainment content

The Group is dedicated to evolving our business into a comprehensive lottery, mobile games and entertainment content and technology provider to customers around the world. With this in mind, and in view of the potential approval and authorisation of online distribution of regulated lottery products, the Group has been active in building our online presence and customer-base through various online channels by offering various types of proprietary non-lottery games and entertainment content. The Group is able to leverage our technical know-how and operating expertise in lottery to create various games and entertainment content and platforms, integrating different and unique resources and elements of e-commerce and e-payment platforms, to create a fun and healthy experience that aims to enrich online users' experience.

As such, during 2017, the Group successfully launched the games and entertainment platform on the Taobao mobile channel, uniquely combining various online games and entertainment with e-commerce resources. Having operated the platform for a period of time and gained substantial first-hand operating experience, and based on market and customer feedback, the Group recently implemented various adjustments and measures aimed at improving the overall quality as well as the sustainability of the platform.

In addition, the Group continued to actively contribute to the growth of mind sports in China during the Three-Month Period by distributing and continuing to seek various channels of distribution of our casual and competition poker platform, including the mobile Alipay. The Group continues to leverage its position as one of the strategic partners and organisers of the China Competition Two-on-One Poker Championship to promote the mind sports to more customers in China. In addition, the Group is an official partner of the International Mind Sports Association (IMSA), an internationally recognised association of different mind sports federations with the goal of promoting mind sports, and continues to support the Federation of Card Games (FCG), an international organization dedicated to promoting card games around the world. The Group's initiatives related to our casual and competition poker platform is consistent with our goal of establishing and building our online customer base, while demonstrating our commitment to developing and raising awareness and popularity of mind sports in China.

We continue to believe that our businesses in the Games and Entertainment division are complementary to our regulated lottery activities, and they are synergistic from a business model, market development, technical infrastructure and user experience perspective. While we are encouraged with the progress in our Games and Entertainment division thus far, given that many of the initiatives are relatively new, this division faces inherent short-term adjustments and fluctuations associated with new business initiatives. The Group will continue to refine and improve the value proposition of this new business in order to achieve sustainable scalability and growth over the long term.

International Market

Strategic expansion in selected markets overseas

Following our announcement regarding our first significant strategic international expansion in India in July 2017 to create a high quality mobile entertainment experience tailored to the Indian consumers, the Group successfully launched the mobile games and entertainment platform, Gamepind, in January 2018 with Paytm, whose parent company, One97 Communications Limited, is our joint venture partner in India.

This unique mobile games and entertainment platform offers online users with a unique online experience combining casual games and online shopping, seamlessly integrating with Paytm's leading mobile payment platform in India. The Group is encouraged by the initial user adoption and customer feedback, and will continue to improve the platform's user experience, as well as provide additional entertainment content, in order to improve its overall value proposition to users.

The Group continues to expect this cooperation will enable both companies to tap into the significant potential of the fast growing mobile entertainment market in India, and that it lays the foundation for future collaborations for the Group as it continues to globalise its business by strategically working with leading local partners in selected overseas markets.

Lottery Distribution

The sales and distribution of lottery games and products

The Lottery Distribution division is active in expanding and broadening the reach of lottery to end consumers by developing unique and innovative products as well as 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

Following the Group's successful launch of SF Express-themed instant scratch lottery ("**SF-Themed Instant Scratch Lottery**") in July 2017, the Group has continued to expand this innovative initiative throughout the four provinces of Guangdong, Jiangsu, Hunan and Jiangxi. SF-Themed Instant Scratch Lottery, a unique innovation in the lottery industry, was launched by SF Lottery, a joint venture established by the Group with SF Holding, and received approval from the MOF.

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.

Lastly, thanks to its position as the exclusive lottery platform of Alibaba Group and Ant Financial Group, the Group remains well placed to take advantage of lottery sales via online (internet and mobile) channels in the event that 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 designed to fulfill the demands of the market and players.

Lucky Racing and e-Ball Lottery

AGT, which is owned as to 51% by the Group 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 continues to operate the two virtual sports games in the country, after having launched its motor racing-themed virtual game "Lucky Racing" ("幸運賽車") in Hunan Province in 2011, and its football themed game "e-Ball Lottery" ("e球彩") in Jiangsu Province in 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.

Other Lottery Games

In addition to virtual sports lottery games, the Group has several initiatives to introduce other new types of lottery games in China, including a mobile smart phone lottery game, a high frequency numbers-based lottery game, an online poker lottery game and their respective ancillary supporting software systems, which are all in the pipeline pending approval by the relevant lottery authorities.

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 in China of both paper scratch card sales hardware (instant ticket verification terminals, "IVT(s)") and traditional lottery terminals.

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 in order to broaden and improve its product spectrum and develop new hardware ranges. Despite uncertainty in timing and levels of demand for lottery hardware from provincial lottery authorities, the Group will continue to pursue tenders to supply to the lottery hardware market as opportunities to bid for new contracts arise throughout the year.

Business Outlook

Through our games and entertainment and casual and competition poker platforms, 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. These developments mark a major milestone for the Group and present exciting opportunities in the coming years for our Games and Entertainment division.

Looking forward, in our games and entertainment platform, we aim to continue to invest our resources to improving the overall quality as well as the sustainability of the platform, with the goal of creating a healthy and entertaining online experience to our customers.

In addition, through our casual and competition poker platform, the Group continues to actively contribute to the development of mind sports in the China sports industry. Looking forward, to further raise popularity of mind sports, as well as promote our poker game, the Group plans on engaging in more focused marketing and promotional efforts. These efforts may include working with and supporting international organisations such as IMSA and FCG, to organise regional offline matches and tournaments to attract existing and potential mind sports players, and in turn raising awareness of our poker game and helping to drive demand.

The Group is also leveraging on our existing products and technology on our games and entertainment platform to develop additional sports-related online entertainment offerings in order to capitalise on the growing trends in the sports entertainment sector as a whole. We believe having a robust sports-related entertainment and media solution will help the Group capture opportunities in the sports sector in general, as well as nationally popular sporting events such as World Cup going forward.

With respect to our international business, the Group's joint venture with One97 Communications Limited successfully launched Gamepind in January 2018, an innovative mobile platform offering a host of popular and exciting social and casual games, accessible through Paytm's app by its approximately 300 million and growing customers, as well as through its own standalone app. In the coming months, the Group will continue to work with our partners at Paytm to add more Indian-tailored games and entertainment offerings, refine and improve upon its user experience, and more actively promote and market the platform to Paytm and other users. Outside India, the Group will continue to seek strong suitable partners in selected international markets to leverage our platforms of games and entertainment offerings and various user engagement activities, as well as technical and operation abilities, to further globalise our business.

In China's lottery industry, the Group continues to actively build on our industry leading position in both existing and potential new lottery channels. 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.

This is evidenced by our partnering with Alibaba Group and suitable third party partners to expand our distribution network and by developing innovative lottery products. In 2018, the Group will continue to explore new ways to collaborate with Alibaba Group's vast network of physical retail stores, adding more lottery products and services to their channels where appropriate.

Importantly, the Group began the Sports Lottery marketing campaign starting in March, in which we helped reinvent the way the lottery authorities engage with existing and potential customers. As disclosed in the announcement of the Company dated 2 February 2018, AGTech was awarded the successful bid by NSLAC to help deliver a new omni-channel experience to customers to promote instant scratch sports lottery products in a unique collaboration and innovative marketing and promotional campaign. This national campaign, launched officially on 9 March 2018 across 31 provinces in China, effectively increased Sports Lottery's brand exposure and helped elevate its brand with a new breed of online customers. The Group's strategic marketing campaign generated over a billion impressions across China's most popular online media channels, reaching both lottery and non-lottery customers from across the country. In addition, the campaign strategically placed Sports Lottery's household brand across multiple touchpoints in the ubiquitous mobile Alipay, fully immersing lottery into Alipay users' everyday life.

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. We will also continue to bolster our in-house development capabilities for games and systems by focusing on research and development.

As disclosed in the circular of the Company dated 25 May 2016, the Group has various new types of lottery games that are still in the pipeline pending the relevant PRC regulatory approvals. Such new lottery games comprise both offline and online lottery games, and mainly include an online mobile smart phone lottery game and system, an offline high frequency numbers-based lottery game, and an online poker lottery game and their respective ancillary supporting software systems. To date, such new lottery games are still pending the relevant PRC regulatory approvals, and the Group will continue to closely monitor the approval process.

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 as the PRC lottery hardware replacement cycle is resumed over time.

While the Group believes that the potential of the internet and mobile distribution channels in the PRC lottery markets is huge, there is still uncertainty as to the timing of the potential re-opening of the online lottery distribution market under the applicable PRC laws and regulations. In this respect, the Group continues to closely monitor policy developments with respect to the government approval of lottery sales via internet and mobile channels. 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 Alibaba Group and Ant Financial Group.

The Group has also been seeking expansion opportunities in overseas markets through acquisitions. To this end, the Group has been in the process of identifying suitable acquisition targets and has been discussing with various targets on such potential acquisitions, including those engaged in the businesses of lottery systems and technology, lottery games and technology, online lottery games and systems and lottery operations.

The underlying industry growth of the Chinese lottery market, coupled with the numerous catalysts for strategic growth outlined above overall suggest a positive outlook for the Group for 2018.

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 Three-Month Period amounted to approximately HK\$17.7 million (2017: approximately HK\$14.9 million), representing an increase of approximately 18.8% over the corresponding period in 2017. Such increase was due to an increase in revenue of approximately HK\$3.6 million from the provision of lottery distribution and ancillary services, primarily caused by income from marketing and promotion activity for instant scratch sports lottery projects for NSLAC, and an increase in revenue of approximately HK\$1.8 million from lottery games and systems, primarily caused by the increase in sales volume from virtual lottery games. Such increase was partially offset by a decrease in revenue of HK\$1.9 million from the sales of lottery hardware, primarily reflecting the fact that the lottery hardware business in the PRC is highly regulated and typically exhibits an irregular pattern, and a decrease in revenue of HK\$0.6 million from games and entertainment, primarily due to adjustments implemented in the division aimed at improving the overall quality as well as the sustainability of the business.

The profit for the Three-Month Period was approximately HK\$170.7 million (2017: loss of approximately HK\$232.8 million). The change from loss to profit for the Three-Month Period was mainly attributable to several non-cash and non-operating items relating to the Convertible Bonds and contingent consideration payables.

During the Three-Month Period, employee benefits expenses were approximately HK\$68.5 million (2017: approximately HK\$54.3 million). 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.

During the Three-Month Period, other operating expenses were approximately HK\$40.6 million (2017: approximately HK\$25.3 million). The increase was primarily due to the increase in marketing and various operating expenses such as office rental to cope with the business expansion.

STATUS OF USE OF THE NET PROCEEDS FROM THE SUBSCRIPTION

The net proceeds from the Subscription (the “**Net Proceeds**”) received by the Company upon its completion (the “**Completion**”) amounted to approximately HK\$2.38 billion.

As disclosed in the announcement of the Company dated 9 February 2018 (the “**Re-allocation Announcement**”), the Company has re-allocated the use of the Net Proceeds totalling approximately HK\$2,032 million that remained as at 31 January 2018 (the “**Remaining Net Proceeds**”) so as to redirect the resources towards the current business divisions of the Group and to improve the efficiency and effectiveness of the use of such Net Proceeds for the business development of the Group.

From 10 August 2016 (being the date of Completion) up to and including 31 January 2018, approximately HK\$348 million in total has been used by the Group (For breakdowns of the usage of such Net Proceeds up to and including 31 January 2018, please refer to pages 2 and 3 of the Re-allocation Announcement). From 1 February 2018 up to and including 31 March 2018, approximately HK\$56.4 million in total has been used by the Group in each of the business divisions of the Group and for investment, acquisition and general corporate purposes in the manner as set out in the table below. Net Proceeds in the sum of approximately HK\$1,975.6 million remained as at 31 March 2018, which were placed in the bank accounts of the Group.

Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated	Amount brought forward from 31 January 2018, re-allocated and intended to be used (as disclosed in the Re-allocation Announcement)	Amount actually used from 1 February 2018 up to and including 31 March 2018	Actual application of the Remaining Net Proceeds (with explanations for material difference from intended usage, if any)
(i) Games and Entertainment:	approximately HK\$746 million (or approximately 37% of Remaining Net Proceeds)	approximately HK\$16.1 million	The Remaining Net Proceeds were used in items (i)(a) to (i)(e). No material difference from intended usage noted.
(a) development, operation and promotion of the Chinese card game, Guan Dan, and Two-on-One Poker			
(b) development, operation and promotion of the mind sports, leisure games and entertainment			
(c) research and development ("R&D") of games and entertainment content that are not subject to the applicable lottery laws and regulations in the PRC or other overseas markets			
(d) expansion and development of the Group's R&D capability in technology development for games and systems			
(e) payment of marketing fees to merchants to promote and boost online activities by online users			

Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated	Amount brought forward from 31 January 2018, re-allocated and intended to be used (as disclosed in the Re-allocation Announcement)	Amount actually used from 1 February 2018 up to and including 31 March 2018	Actual application of the Remaining Net Proceeds (with explanations for material difference from intended usage, if any)
(ii) Lottery Hardware, Lottery Games & Systems:	approximately HK\$200 million (or approximately 10% of Remaining Net Proceeds)	approximately HK\$7.9 million	The Remaining Net Proceeds were used in items (ii)(a) to (ii)(d).
(a) operation and development of lottery hardware and terminal production			For item (ii)(e), in the event that certain conditions for payments under the Score Value Transaction are fulfilled, the Group will arrange the payment accordingly.
(b) operation and development of lottery software systems			
(c) development of ancillary parts for lottery hardware and terminal production			
(d) investment for lottery games			No material difference from intended usage noted.
(e) funding the remaining consideration for the Score Value Transaction contingent upon certain performance targets			

Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated	Amount brought forward from 31 January 2018, re-allocated and intended to be used (as disclosed in the Re-allocation Announcement)	Amount actually used from 1 February 2018 up to and including 31 March 2018	Actual application of the Remaining Net Proceeds (with explanations for material difference from intended usage, if any)
(iii) Lottery Distribution:	approximately HK\$300 million	approximately HK\$8.9 million	The Remaining Net Proceeds were primarily used in items (iii)(b) to (iii)(c).
(a) sales, marketing and distribution of virtual lottery games	(or approximately 15% of Remaining Net Proceeds)		No material difference from intended usage noted.
(b) sales, marketing and distribution of instant scratch lottery games			
(c) sales, marketing and distribution of other categories of lottery games			
(d) online sales, marketing and distribution of lottery products (including but not limited to the future cooperation with Taobao (China) Software Co., Ltd. and Alipay.com Co., Ltd.)			

Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated	Amount brought forward from 31 January 2018, re-allocated and intended to be used (as disclosed in the Re-allocation Announcement)	Amount actually used from 1 February 2018 up to and including 31 March 2018	Actual application of the Remaining Net Proceeds (with explanations for material difference from intended usage, if any)
(iv) Investment project(s) and acquisition(s):	approximately HK\$450 million	approximately HK\$0.8 million	The Remaining Net Proceeds were used in items (iv)(a) to (iv)(d).
(a) potential investment project(s) in overseas markets in areas of lottery business and games and entertainment business	(or approximately 22% of Remaining Net Proceeds)		The Group has been in the process of identifying suitable acquisition targets and has been discussing with various targets on such potential acquisitions.
(b) potential acquisition(s) of businesses engaged in lottery business and games and entertainment business			No material difference from intended usage noted.
(c) capital investments in the Group's joint venture company established with One97 Communications Limited in India			
(d) funding provided by the Group to support business expansion and ongoing operation in overseas markets			

Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated	Amount brought forward from 31 January 2018, re-allocated and intended to be used (as disclosed in the Re-allocation Announcement)	Amount actually used from 1 February 2018 up to and including 31 March 2018	Actual application of the Remaining Net Proceeds (with explanations for material difference from intended usage, if any)
<p>(v) General corporate purposes:</p> <p>(a) staff costs and other administrative expenses of the Group (including the costs relating to the share award scheme of the Company)</p> <p>(b) general working capital of the Group</p>	<p>approximately HK\$336 million (or approximately 16% of Remaining Net Proceeds)</p>	<p>approximately HK\$22.7 million</p>	<p>The Remaining Net Proceeds were used in items (v)(a) to (v)(b).</p> <p>No material difference from intended usage noted.</p>
Grand total:	<p>approximately HK\$2,032 million</p>	<p>approximately HK\$56.4 million</p>	

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

As at 31 March 2018, 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	18.13%
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. Zou Liang	–	–	–	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	750,000	–	750,000	0.006%

Notes:

1. Based on a total of 11,249,049,760 Shares in issue as at 31 March 2018.
 2. It represents 27,078,000 Shares and 6,000,000 restricted share units (granted under the Share Award Scheme) 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 and 9,900,000 restricted share units (granted under the Share Award Scheme) 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	125,000	0.001%
Mr. Feng Qing	1 June 2015	0.858	1 June 2016 – 31 May 2020	1,125,000	0.010%
Dr. Gao Jack Qunyao	1 June 2015	0.858	1 June 2016 – 31 May 2020	750,000	0.007%

Notes:

1. Based on a total of 11,249,049,760 Shares in issue as at 31 March 2018.
 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 (Note 1)	0.001%
Mr. Zhang Qin	Beneficial and equity derivative interests	50,861 (Note 2)	0.002%
Mr. Yang Guang	Beneficial and equity derivative interests	29,885 (Note 3)	0.001%
Mr. Ji Gang	Beneficial and equity derivative interests	63,186 (Note 4)	0.003%
Mr. Zou Liang	Beneficial and equity derivative interests	3,700 (Note 5)	negligible

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 5,885 ordinary shares and 24,000 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.
5. It represents 625 ordinary shares and 3,075 restricted share units beneficially held by Mr. Zou Liang.

Save as disclosed above, as at 31 March 2018, 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 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2018, 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 (Notes 2 and 8)	Beneficial owner	6,102,723,993	1,301,160,344	7,403,884,337	65.82%
Alibaba Investment Limited (Note 2)	Interest of controlled corporation	6,102,723,993	1,301,160,344	7,403,884,337 (Note 9)	65.82%
API Holdings Limited (Note 2)	Interest of controlled corporation	6,102,723,993	1,301,160,344	7,403,884,337 (Note 9)	65.82%
Alibaba Holding (Note 3)	Interest of controlled corporation	6,102,723,993	1,301,160,344	7,403,884,337 (Note 9)	65.82%
API (Hong Kong) Investment Limited (Note 4)	Interest of controlled corporation	6,102,723,993	1,301,160,344	7,403,884,337 (Note 9)	65.82%
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	1,301,160,344	7,403,884,337 (Note 9)	65.82%
Ant Financial (Note 6)	Interest of controlled corporation	6,102,723,993	1,301,160,344	7,403,884,337 (Note 9)	65.82%
Hangzhou Yunbo Investment Consultancy Co., Ltd. (Note 7)	Interest of controlled corporation	6,102,723,993	1,301,160,344	7,403,884,337 (Note 9)	65.82%
Mr. Ma Yun (Note 7)	Interest of controlled corporation	6,102,723,993	1,301,160,344	7,403,884,337 (Note 9)	65.82%
MAXPROFIT GLOBAL INC (Note 10)	Beneficial owner	2,006,250,000	–	2,006,250,000	17.83%

Notes:

1. Based on a total of 11,249,049,760 Shares in issue as at 31 March 2018.
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. Ali Fortune holds 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 prevailing adjusted conversion price of HK\$0.2554 per Conversion Share as at 31 March 2018 was 1,301,160,344. The allotment and issue of the new Shares under the Subscription and the Conversion Shares under a specific mandate, together with the Whitewash Waiver, were approved by the independent Shareholders at the 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 7,403,884,337 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 31 March 2018, 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 31 March 2018, 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 Three-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 consolidated results of the Group for the Three-Month Period have not been audited by the auditor of the Company but 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 Three-Month Period.

SHARE OPTION SCHEMES

During the Three-Month Period, no option was granted by the Company pursuant to the Share Option Schemes. During the Three-Month Period, options for 1,750,000 Shares were exercised and options for 17,934,560 Shares were lapsed. As at 31 March 2018, options for 291,888,143 Shares remained outstanding.

SHARE AWARD SCHEME

On 10 January 2018, the Board granted a total of 28,800,000 award Shares to certain eligible employees. During the Three-Month Period, the trustee of the Share Award Scheme has purchased a total of 7,872,000 Shares on the Stock Exchange at a total consideration of approximately HK\$9.5 million to satisfy award Shares granted under the Share Award Scheme.

The 28,800,000 award Shares granted represent approximately 0.26% of the issued share capital of the Company as at the date of this report. Based on the closing price of HK\$1.26 per Share on the date of grant of the award Shares, the market value of the 28,800,000 award Shares in aggregate is HK\$36,288,000.

During the Three-Month Period, 28,800,000 award Shares were granted by the Company pursuant to the Share Award Scheme, no award Shares were vested in the grantees and 2,400,000 award Shares were forfeited.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Three-Month Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CONVERTIBLE BONDS

As at 31 March 2018, Convertible Bonds in the aggregate principal amount of HK\$332,328,165 remained outstanding (the "**Outstanding Convertible Bonds**"). The prevailing conversion price has been adjusted to HK\$0.2554 per Share (the "**Prevailing Adjusted Conversion Price**"), and the maximum number of Shares that will be issued upon full conversion of the Outstanding Convertible Bonds at the Prevailing Adjusted Conversion Price is 1,301,160,344 (representing approximately 11.57% of the issued share capital of the Company as at 31 March 2018 and approximately 10.37% of the issued share capital of the Company as enlarged by such outstanding Conversion Shares).

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 depository 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;
“Alipay.com”	the online and mobile payment solution operated by Alipay;
“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;
“Board”	the board of Directors;
“Company” or “AGTech”	AGTech Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM;

“Conversion Shares”	new Shares to be issued upon the exercise of the conversion rights under the Convertible Bonds;
“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”	GEM 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;
“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 Transaction” the acquisition of the entire equity interest in Score Value Limited 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 Limited as the target, and vendors of Score Value Limited, pursuant to which, among other things, (i) the vendors of Score Value Limited 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 Limited 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” 順豐控股股份有限公司 (S.F. Holding Co., Ltd.#);
- “SF Lottery” 順豐彩(深圳)科技發展有限責任公司 (SF Lottery (Shenzhen) Technology Development Company Limited#), a non-wholly owned subsidiary of the Company;
- “Share Option Schemes” the share option schemes of the Company adopted on 18 November 2004 and 23 December 2014 respectively;
- “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);
- “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;

“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 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;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

In this report, the exchange rate of HK\$1.24 to RMB1.00 has been used for reference only.

* *The English translation of the Chinese company name is included for reference only and should not be regarded as the official English translation of such Chinese company name.*

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

Hong Kong, 11 May 2018

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.