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2018

THIRD QUARTERLY REPORT



AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279

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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 NINE MONTHS ENDED 30 SEPTEMBER 2018

- Revenue of the Group for the Nine-Month Period amounted to approximately HK\$129.6 million (Nine months ended 30 September 2017: approximately HK\$174.2 million), representing a decrease of approximately 25.6% 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. The decrease in revenue for the Nine-Month Period was primarily caused by a decrease of approximately HK\$52.5 million in revenue from the games and entertainment division, partially offset by an increase of approximately HK\$6.9 million in revenue from the lottery games and systems and an increase of approximately HK\$3.9 million in revenue from the provision of distribution and ancillary services.
- The profit for the Nine-Month Period was approximately HK\$234.5 million (Nine months ended 30 September 2017: loss of approximately HK\$472.3 million). The change from loss to profit for the Nine-Month Period was mainly attributable to several non-cash and non-operating items related to the Convertible Bonds and contingent consideration payables under the Score Value Transaction.
- The Board does not recommend the payment of an interim dividend for the Nine-Month Period.

THIRD QUARTERLY RESULTS

The Board announces the unaudited consolidated results of the Group for the three months ended 30 September 2018 (the “Three-Month Period”) and the nine months ended 30 September 2018 (the “Nine-Month Period”), together with the comparative unaudited 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 and nine months ended 30 September 2018

	Notes	Three months ended		Nine months ended	
		30 September	30 September	30 September	30 September
		2018	2017	2018	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2	67,965	120,144	129,622	174,226
Other income		1,614	1,028	5,164	1,902
Net other (losses)/gains		(18,769)	4,293	(16,144)	23,111
Employee benefits expenses		(62,078)	(58,170)	(193,583)	(170,034)
Purchases of and changes in inventories		(30,023)	(32,300)	(43,213)	(39,577)
Depreciation expenses		(687)	(825)	(1,947)	(2,877)
Other operating expenses		(32,906)	(63,524)	(105,437)	(129,110)
Operating loss		(74,884)	(29,354)	(225,538)	(142,359)
Gain/(Loss) on fair value changes of convertible bonds		138,179	13,395	419,479	(304,245)
Gain/(Loss) on fair value changes of contingent consideration payables		12,567	(16,615)	38,220	(13,183)
Net finance income/(cost)		5,884	(542)	11,696	(7,689)
Share of results of investments accounted for using equity method		(2,780)	–	(4,991)	–
Profit/(Loss) before income tax		78,966	(33,116)	238,866	(467,476)
Income tax expense	3	(1,803)	(2,099)	(4,383)	(4,848)
Profit/(Loss) for the period		77,163	(35,215)	234,483	(472,324)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Other comprehensive income:					
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Currency translation differences		(31,450)	11,957	(41,834)	41,088
Other comprehensive income for the period, net of tax		(31,450)	11,957	(41,834)	41,088
Total comprehensive income for the period		45,713	(23,258)	192,649	(431,236)
Profit/(Loss) attributable to:					
Owners of the company		74,610	(33,493)	234,755	(470,574)
Non-controlling interests		2,553	(1,722)	(272)	(1,750)
		77,163	(35,215)	234,483	(472,324)
Total comprehensive income attributable to:					
Owners of the company		45,138	(22,087)	195,494	(431,081)
Non-controlling interests		575	(1,171)	(2,845)	(155)
		45,713	(23,258)	192,649	(431,236)
Earning/(Loss) per share					
Basic	4	HK0.67 cent	(HK0.30 cent)	HK2.11 cents	(HK4.29 cents)
Diluted	4	(HK0.52 cent)	(HK0.30 cent)	(HK1.54 cents)	(HK4.29 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 the 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 and Nine-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 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		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Lottery hardware	47,655	61,294	83,261	86,110
Lottery games and systems	11,646	8,492	24,477	17,603
Provision of distribution and ancillary services	5,874	7,539	14,789	10,915
Games and entertainment	2,790	42,819	7,095	59,598
	67,965	120,144	129,622	174,226

3. INCOME TAX EXPENSE

Income tax expenses for the Three-Month Period and Nine-Month Period represent 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 and Nine-Month Period of approximately HK\$74,610,000 and HK\$234,755,000 respectively (for the three months and nine months ended 30 September 2017: loss of approximately HK\$33,493,000 and HK\$470,574,000 respectively) by the weighted average number of ordinary shares outstanding during the Three-Month Period and Nine-Month Period of approximately 11,272,252,000 shares and 11,258,795,000 shares respectively (for the three months and nine months ended 30 September 2017: approximately 11,206,664,000 shares and 10,970,613,000 shares respectively) and excluding the weighted average number of shares held for share award scheme of approximately 112,631,000 shares and 118,436,000 shares respectively (for the three months and nine months ended 30 September 2017: approximately 87,622,000 shares and 37,414,000 shares respectively).

(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 profit or loss 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 profit or loss attributable to owners of the Company is adjusted to eliminate the relevant fair value changes.

For the Three-Month Period and Nine-Month Period, diluted loss per share is calculated by dividing the adjusted unaudited loss attributable to owners of the Company of approximately HK\$65,936,000 and HK\$193,707,000 respectively by the adjusted weighted average number of ordinary shares outstanding during the Three-Month Period and Nine-Month Period of approximately 12,607,446,000 shares and 12,581,651,000 shares respectively. 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 three months and nine months ended 30 September 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, the vesting of the outstanding share awards 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 Nine-Month Period (2017: 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	Total	
	Share capital HK\$'000	Share premium HK\$'000	Shares held for share award scheme HK\$'000	Share options reserve HK\$'000	Share awards reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Contributed surplus HK\$'000	Property revaluation reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000			Subtotal HK\$'000
Balance at 1 January 2017	20,991	2,478,212	-	168,292	-	18,189	59,974	47,191	14,402	51,680	(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)
Recognition of equity settled share-based payments	-	-	-	39,479	32,297	-	-	-	-	-	-	71,776	-	71,776
Issue of shares upon conversion of convertible bonds	1,200	597,934	-	-	-	-	-	-	-	-	-	599,134	-	599,134
Issue of shares upon exercise of share options under share option scheme	225	120,659	-	(32,224)	-	-	-	-	-	-	-	88,660	-	88,660
Lapse of share options	-	-	-	(33,298)	-	-	-	-	-	-	33,298	-	-	-
Issue of shares upon settlement of contingent consideration	20	9,102	-	-	-	-	-	-	-	(9,122)	-	-	-	-
Purchase of shares under share award scheme	-	-	(154,393)	-	-	-	-	-	-	-	-	(154,393)	-	(154,393)
Transfer of shares upon vesting of share awards under share award scheme	-	(407)	6,553	-	(6,146)	-	-	-	-	-	-	-	-	-
Lapse of share awards	-	-	-	-	(231)	-	-	-	-	-	231	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	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	25,800	17,801	99,467	47,191	14,402	48,967	(1,027,825)	2,448,367	45,428	2,493,795
Balance at 1 January 2018	22,494	3,249,514	(167,407)	136,954	41,582	19,121	124,514	47,191	14,402	99,575	(923,966)	2,658,374	47,190	2,705,564
Profit for the period	-	-	-	-	-	-	-	-	-	-	234,735	234,735	(272)	234,463
Other comprehensive income for the period	-	-	-	-	-	-	(39,261)	-	-	-	-	(39,261)	(2,579)	(41,840)
Total comprehensive income for the period	-	-	-	-	-	-	(39,261)	-	-	-	234,735	195,474	(2,851)	192,649
Recognition of equity settled share-based payments	-	-	-	16,864	40,500	-	-	-	-	-	-	57,364	-	57,364
Issue of shares upon exercise of share options under share option scheme	29	8,839	-	(2,820)	-	-	-	-	-	-	-	6,042	-	6,042
Lapse of share options	-	-	-	(46,490)	-	-	-	-	-	-	46,490	-	-	-
Issue of shares upon settlement of contingent consideration	27	12,135	-	-	-	-	-	-	-	(12,162)	-	-	-	-
Purchase of shares under share award scheme	-	-	(9,892)	-	-	-	-	-	-	-	-	(9,892)	-	(9,892)
Transfer of shares upon vesting of share awards under share award scheme	-	(2,206)	25,047	-	(22,841)	-	-	-	-	-	-	-	-	-
Lapse of share awards	-	-	-	-	(4,992)	-	-	-	-	-	4,992	-	-	-
Transaction with non-controlling interests	-	-	-	-	-	-	-	-	-	(5,625)	-	(5,625)	2,075	(3,550)
Balance at 30 September 2018	22,544	3,268,682	(152,252)	104,508	54,249	19,121	85,253	47,191	14,402	75,788	(637,729)	2,901,757	46,420	2,948,177

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 hardware, games and systems and provision of distribution and ancillary services); 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), and an official partner of the International Mind Sports Association (IMSA) as well as the Federation of Card Games (FCG).

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.

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 Sports Lottery and the Welfare 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. Further, the Group continues to leverage its deep experience in lottery in order to assist lottery authorities in areas of lottery product and business innovation, physical channel expansion, smart lottery hardware, technology and data service, marketing and promotions and more, helping to broaden the reach of lottery products in China and advance the industry as whole. As the exclusive lottery platform of Alibaba Group and Ant Financial Group, 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 and actively contribute to the healthy growth and development of the industry.

All in all, given that the Group is one of the leading companies in the industry, its commitment and continued partnerships with lottery authorities, and Alibaba Group and Ant Financial Group's vast resources, 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.

In view of the potential approval and authorisation of online distribution of regulated lottery products in China, since 2017, the Group began leveraging its technical know-how, operating experience and in-house capabilities to expand its business in the games and entertainment industry, actively building our online presence and customer-base 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.

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 Nine-Month Period, the PRC lottery market recorded sales of approximately RMB383.5 billion, an increase of approximately 23.4% compared to the corresponding period in 2017. Of this, Welfare Lottery amounted to approximately RMB165.3 billion (accounting for approximately 43.1% of total lottery sales), representing an increase of approximately 4.2% over the corresponding period in 2017. The Sports Lottery achieved sales of approximately RMB218.2 billion (accounting for approximately 56.9% of total lottery sales), an increase of approximately 43.4% 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 in China, thereby driving impressive levels of innovation in mobile games and entertainment content.

In fact, China has become one of the largest mobile games markets in the world. However, over the course of this year, we noted that certain PRC government's directives were issued to closely regulate the administration of the online game industry and the PRC government had paid attention to the internet industry. This may cause uncertainties to China's overall games industry.

India

Based on surveys by Internet and Mobile Association of India, Indian mobile internet users base has reached approximately 478 million in June 2018. Among them, the number of urban mobile internet users was approximately 291 million, and the number of rural mobile internet users was about 187 million.

We believe that, with the decline in smartphone prices and network tariffs, as well as the dividends of population and smartphone penetration, India is about to usher in the era of mobile internet consumption.

Business Review

New Lottery Services

Following the success of the Sports Lottery marketing campaign in the first quarter of 2018, in which we delivered a new omni-channel experience to customers in promoting Sports Lottery's instant scratch products by leveraging Alibaba Group and Ant Financial Group's vast resources, the Group continued to partner with lottery authorities throughout China to help reinvent the way they engage with existing and potential customers.

Leveraging the enormous user base of Ant Financial Group's payment platform, Alipay, and the Group's expertise in the lottery industry, the new innovative marketing activities transformed traditional marketing models into multi-dimensional and efficient activities, playing an important role in promoting Sports Lottery's brand and attracting new users. So far, the Group has secured cooperation by way of this new marketing model with several provincial sports lottery centres, for example:

- (a) cooperation with Jilin SLAC to jointly launch a marketing and promotional campaign during the 2018 World Cup to enhance the brand awareness of Sports Lottery and raise popularity of its sports lottery products (競猜型體育彩票產品); and
- (b) collaboration with Hebei SLAC to launch a marketing campaign to promote its signature lottery product, Big Lotto.

During the Three-Month Period, as announced by the Company on 28 September 2018, a wholly-owned subsidiary of the Company won the sports lottery technical service tender to provide technical service for integrated security access platform infrastructure framework to 中體彩科技發展有限公司 (China Sports Lottery Technology Group*), a third party which is not a connected person of the Company (as defined under the GEM Listing Rules).

Lottery Resources Channel

In the first half of 2018, the Group successfully launched its dedicated lottery resources channel on mobile Taobao and mobile Alipay. While this lottery resources channel has not conducted any internet lottery sales, it serves as a one-stop place for many lottery-related services and resources, providing lottery players and online users in China easy access to information and resources that address various lottery needs.

Tools on the lottery resources channel include displays of historical and current lottery products results, the self-claiming of instant scratch lottery winnings and more. Further, the channel compiles the locations of nearby lottery retail channels, paving the way for further integration of online and offline resources in the future. Through this channel, we hope to continue growing our online presence, and maximising the value of our business partnership with Alibaba Group and Ant Financial Group, in view of the potential approval and authorisation of online distribution of lottery products in the future.

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 Alibaba Group and Ant Financial Group, to achieve this goal.

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 lottery products with physical retail network will create room for more opportunities in the future.

The Group's dedication to expanding the access and popularity of lottery through innovative and efficient ways is reaffirmed when the Group entered into a three-year strategic cooperation framework agreement with Guangdong SLAC as announced by the Company on 7 June 2018. Under this agreement, the Group will carry out marketing and promotion services, as well as assisting with sales and operations of Sports Lottery in offline retail channels of Alibaba Group in Guangdong Province.

Given the considerable scale of lottery sales in Guangdong Province which made up over 9% of total lottery sales in 2017 in China, combined with Alibaba's vast retail network and channels, as well as the Group's expertise and experience in lottery, the Group believes this cooperation will effectively attract a new breed of customers to experience lottery, and improve the consumption pattern and experience of sports lottery products as a whole.

Lastly, 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.

SF Lottery

Following the Group's 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.

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 respectively.

Other Lottery Games

The Group has been actively investing resources in the research and development of various new types of lottery games, and has continued to discuss with relevant lottery authorities and assist in the application of new lottery games. As of the date of this report, the Group has considerable reserve of lottery games, including mobile lottery games and other lottery games.

Lottery Hardware

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

AGTech's Lottery Hardware division supplies the Sports Lottery and the Welfare Lottery and has lottery hardware deployed in multiple provinces, cities and municipalities across China. The Group is one of the leading manufacturers and suppliers in China of traditional lottery terminals, and paper scratch card sales hardware (instant ticket verification terminals, "IVT(s)").

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 continues to focus on research and development in order to broaden and improve its product spectrum and develop new hardware ranges. As such, the Group rolled out its new android sports lottery terminal, which successfully won eight hardware tenders in the provinces of Guizhou, Shanghai, Hebei, Henan, Jiangsu, Jilin, Zhejiang, Hubei during the Nine-Month Period. Importantly, when compared with traditional lottery terminals, this new android sports lottery terminal model has several special features, leveraging open software systems, as well as dual-screen and touch screen capabilities, thereby greatly elevating the overall experience for both lottery store owners and customers.

All in all, during the Nine-Month Period, the Group won 15 lottery hardware tenders, accounting for over 45% of the overall sports lottery terminal tenders in China during the same period, calculated by the number of terminals. We did especially well in new android sports lottery terminal tenders in China, winning over 75% of such tenders during the same period, calculated by the number of terminals. These winnings further strengthened the Group's top-tier position in China's lottery hardware market and demonstrated the continued competitiveness of the Group's lottery terminals. Looking forward, 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.

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.

During the course of this year, we noted that certain PRC government's directives were issued to closely regulate the administration of the online games industry and the PRC government had paid attention to the internet industry. This may cause uncertainties to China's overall games industry. We will closely monitor any such latest government directives but believe that we are 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.

In addition, the Group continued to contribute to the growth of mind sports in China during the Nine-Month Period. 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 mind sports 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. Given that many of the initiatives of our Games and Entertainment division are relatively new, coupled with the recent PRC government's directives to closely regulate the administration of the online games industry as mentioned above, 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 through its joint venture with One97 Communications Limited.

Gamepind, a mobile games and entertainment platform, offers online users a unique online experience combining high quality and diverse set of games. Gamepind continues to grow its user base through various marketing and promotional activities, and populating games in popular categories such as quiz, cricket-related games, e-commerce-related games, and various casual games. As user experience continues to improve, and with the addition of more high quality games content in various categories, including card games, the Group is hopeful that Gamepind will continue to build its user base, paving the way to monetize this unique platform, thus capitalizing on the significant potential of the fast growing mobile entertainment market in India.

All in all, the Group continues to believe that this important collaboration 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.

Sporting Events Entertainment Content

Earlier in June 2018, the Group successfully launched Livecast!, a sports interactive casual product with a unique dimension of entertainment offered as a service to our partners who operate online platforms. This sporting events-based product connects sporting events with entertainment features related to live and upcoming sporting events, linked with social media features and offers attractive rewards, providing our partners an effective way to engage with customers, enhance user experience, and attract new customers through popular sports events. By offering various attractive rewards, our partners are able to leverage Livecast! as an excellent marketing and promotional tool for merchants to engage with customers in a dynamic way.

The Group launched Livecast! on nine channels throughout seven countries in five languages during the 2018 World Cup and Asian Games, partnering with selected online platforms of Alibaba Group, including the online-to-offline (O2O) local services platform Koubei, online ticketing platforms Tao Piao Piao and Damai, as well as Southeast Asian e-commerce platform Lazada, working with them to localize the appropriate product, and to integrate and operate the Livecast! product on each respective partner's platform. Livecast! has successfully helped our partners attract millions of participants to experience this unique product during the 2018 World Cup period.

Business Outlook

In China's lottery industry, the Group continues to actively build on our industry top-tier position in existing 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.

The Group's continued efforts to innovate channel distribution is evidenced by our strategic cooperation agreement with Guangdong SLAC, in which the Group will leverage Alibaba Group's vast offline retail network of physical retail stores to integrate lottery products and services where appropriate. Importantly, the Group is actively helping lottery authorities reinvent the way they engage with existing and potential lottery customers.

After the Group successfully implemented the marketing and promotion campaign of Sports Lottery for SLAC in March 2018, the Group announced additional marketing and promotion campaigns for provincial SLACs in Jilin, Hebei and Jiangsu, reaffirming our position as a committed leader in the advancement of the PRC lottery industry as a whole. Looking forward, the Group expects to partner with additional provincial lottery authorities in developing and implementing more innovative collaborations in areas of business innovation, channel expansion, smart hardware terminal, technology and data service, marketing and promotion and more.

The Group launched lottery resources channel on mobile Taobao and mobile Alipay, which serves as an important one-stop place for many relevant lottery information and resources for existing and potential lottery customers. In addition to useful features such as lottery results display and self-claiming of lottery winnings, the Group plans to develop additional features in order to improve user experience. Further, the Group plans to incorporate additional strategies leveraging offline-online features to maximize the convenience of enjoying lottery to deliver a unique value proposition to users.

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, and continue to discuss with the relevant lottery authorities and promote the development of new types of lottery games.

Our Lottery Hardware division continues to be well positioned to take advantage of any new opportunities in hardware, given our top-tier 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 promising, 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 through acquisitions. To this end, the Group has been in the process of identifying suitable acquisition targets and has been discussing with potential 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.

Through our games and entertainment business, we hope to continue growing our online presence, and maximising the value of our business partnership with Alibaba Group and Ant Financial Group, in view of the potential approval and authorisation of online distribution of lottery products in the future.

In addition, Livecast!, our unique sporting-events based social content was launched in June for the 2018 World Cup and Asian Games, aiming to capitalise on the growing trends in the sports entertainment sector. Looking forward, we will continue to leverage this innovative entertainment offering with additional partners globally, and continue to capture the popularity of future sporting events, including but not limited to football, basketball, cricket, and more.

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 popular and exciting digital games, accessible through Paytm's app by its approximately 300 million and growing customers, as well as through its own standalone app and mobile website. The Group will continue to work with Gamepind to add more Indian-tailored games and entertainment offerings across games category, including quiz, cricket-related games, e-commerce-related games, and will continue to refine and improve upon its user experience, and more actively promote and market the games product to its users. Gamepind also plans to add games in the card games category, paving the way to monetize this unique platform, thus capitalizing on the significant potential of the fast growing mobile entertainment market in India.

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.

Lastly, the Group continues to invest in its business to enhance our technology infrastructure and develop our in-house capabilities through games and lottery entertainment as a medium, 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 a new way, thereby generating long term sustainable shareholder value growth.

Financial Performance Review

Revenue of the Group for the Nine-Month Period amounted to approximately HK\$129.6 million (Nine months ended 30 September 2017: approximately HK\$174.2 million), representing a decrease of approximately 25.6% 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. The decrease in revenue by approximately HK\$52.5 million in the games and entertainment division is mainly due to the adjustments implemented in the division aimed at improving the overall quality as well as the sustainability of the business. This is partially offset by the increase in revenue of approximately HK\$6.9 million from the lottery games and systems, primarily caused by the increase in sales volume from virtual sports lottery games; and an increase in revenue of approximately HK\$3.9 million from the provision of lottery distribution and ancillary services, primarily due to the Group's collaborations with various provincial SLACs to launch marketing campaigns for different sports lottery products during the period under review.

The profit for the Nine-Month Period was approximately HK\$234.5 million (Nine months ended 30 September 2017: loss of approximately HK\$472.3 million). The change from loss to profit for the Nine-Month Period was mainly attributable to several non-cash and non-operating items relating to the Convertible Bonds and contingent consideration payables under the Score Value Transaction.

During the Nine-Month Period, employee benefits expenses were approximately HK\$193.6 million (Nine months ended 30 September 2017: approximately HK\$170.0 million). The increase was mainly due to the continued recruitment of staff across the Group to enhance its technical capability to cope with the business growth and expansion.

FORMATION OF BANKING JOINT VENTURE IN MACAU

On 3 September 2018, Star N Cloud Network Intelligence Company Limited (“**Star N Cloud**”) (a 30% indirectly owned associated company of the Company) and two indirectly wholly-owned subsidiaries of Ant Financial (being Alipay (Macau) Holding Limited (“**Alipay (Macau) Holding**”) and Alipay (Macau) Investment Limited (“**Alipay (Macau) Investment**”)) entered into a shareholders’ agreement in relation to the formation of a joint venture company (the “**JV Company**”) in Macau. The JV Company will be principally engaged in banking and related activities.

The initial share capital of the JV Company shall be MOP100 million. Upon completion of the initial capital contribution, the JV Company shall be owned as to 33.3% by Star N Cloud, 33.4% by Alipay (Macau) Holding and 33.3% by Alipay (Macau) Investment, respectively.

In connection with the formation of the JV Company, Star N Cloud and Alipay (Hong Kong) Holding Limited (“**Alipay HK**”) (being holding company of each of Alipay (Macau) Holding and Alipay (Macau) Investment) entered into a call option agreement on 3 September 2018, pursuant to which Star N Cloud granted Alipay HK an option to acquire from Star N Cloud certain shares in the JV Company at any time commencing on the second anniversary of the formation of the JV Company. Assuming the aforesaid option is exercised by Alipay HK, Star N Cloud shall dispose of its 8.3% of the issued share capital of the JV Company and will hold effectively 25% of the issued share capital of the JV Company.

The formation of the JV Company has been approved by the relevant government of Macau and the business license of the JV Company was issued on 24 August 2018. For further details in relation to the formation of the JV Company, please refer to the announcement of the Company dated 3 September 2018.

STATUS OF USE OF 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 30 September 2018, approximately HK\$307.6 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\$1,724.4 million remained as at 30 September 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 30 September 2018	Actual application of the Remaining Net Proceeds (with expected timeline of usage of unused proceeds and 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\$45.6 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, GuanDan, and Two-on-One Poker			The Remaining Net Proceeds allocated to "Games and Entertainment" are expected to be used on or before 31 December 2020.
(b) development, operation and promotion of the mind sports, leisure games and entertainment			

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 30 September 2018	Actual application of the Remaining Net Proceeds (with expected timeline of usage and explanations for material difference from intended usage, if any)
(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			
(ii) Lottery Hardware, Lottery Games & Systems:	approximately HK\$200 million (or approximately 10% of Remaining Net Proceeds)	approximately HK\$64.7 million	The Remaining Net Proceeds were used in items (ii)(a) to (ii)(e).
(a) operation and development of lottery hardware and terminal production			No material difference from intended usage noted.
(b) operation and development of lottery software systems			The Remaining Net Proceeds allocated to "Lottery Hardware, Lottery Games & Systems" are expected to be used on or before 31 December 2020.

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 30 September 2018	Actual application of the Remaining Net Proceeds (with expected timeline of usage and explanations for material difference from intended usage, if any)
<ul style="list-style-type: none"> (c) development of ancillary parts for lottery hardware and terminal production (d) investment for lottery games (e) funding the remaining consideration for the Score Value Transaction contingent upon certain performance targets 	<p>approximately HK\$300 million (or approximately 15% of Remaining Net Proceeds)</p>	<p>approximately HK\$58.8 million</p>	<p>The Remaining Net Proceeds were primarily used in items (iii)(b) to (iii)(d).</p> <p>No material difference from intended usage noted.</p>
<p>(iii) Lottery Distribution:</p>			
<ul style="list-style-type: none"> (a) sales, marketing and distribution of virtual lottery games 			<p>The Remaining Net Proceeds allocated to "Lottery Distribution" are expected to be used on or before 31 December 2020.</p>
<ul style="list-style-type: none"> (b) sales, marketing and distribution of instant scratch lottery games 			
<ul style="list-style-type: none"> (c) sales, marketing and distribution of other categories of lottery games 			

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 30 September 2018	Actual application of the Remaining Net Proceeds (with expected timeline of usage and explanations for material difference from intended usage, if any)
(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.)	approximately HK\$450 million (or approximately 22% of Remaining Net Proceeds)	approximately HK\$61.7 million	The Remaining Net Proceeds were used in items (iv)(a) to (iv)(d). The Group has been in the process of identifying suitable acquisition targets and has been discussing with various targets on such potential acquisitions. No acquisition has been materialised yet, thus causing the delay in the use of proceeds from potential acquisition(s).
(iv) Investment project(s) and acquisition(s):			
(a) potential investment project(s) in overseas markets in areas of lottery business and games and entertainment business			No material difference from intended usage noted.
(b) potential acquisition(s) of businesses engaged in lottery business and games and entertainment business			The Remaining Net Proceeds allocated to "Investment project(s) and acquisition(s)" are expected to be used on or before 31 December 2020.

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 30 September 2018	Actual application of the Remaining Net Proceeds (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(c) capital investments in the Group's joint venture company established with One 97 Communications Limited in India			
(d) funding provided by the Group to support business expansion and ongoing operation in overseas markets			
(v) General corporate purposes:	approximately HK\$336 million (or approximately 16% of Remaining Net Proceeds)	approximately HK\$76.8 million	The Remaining Net Proceeds were used in items (v)(a) to (v)(b).
(a) staff costs and other administrative expenses of the Group (including the costs relating to the share award scheme of the Company)			No material difference from intended usage noted.
(b) general working capital of the Group			The Remaining Net Proceeds allocated to "General corporate purposes" are expected to be used on or before 31 December 2020.
Grand total:	approximately HK\$2,032 million	approximately HK\$307.6 million	

CONVERTIBLE BONDS

During the Nine-Month Period, no conversion rights attaching to the Convertible Bonds were exercised by Ali Fortune. As at 30 September 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\$0.2493 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 1,332,960,447 (representing approximately 11.83% of the issued share capital of the Company as at 30 September 2018 and approximately 10.57% of the issued share capital of the Company as enlarged by such outstanding conversion Shares).

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

As at 30 September 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 and restricted share units:

Name of Director	Number of Shares/restricted share units held			Approximate percentage held (Note 1)
	Personal interest	Corporate interest	Total	
Mr. Sun Ho	40,158,000 (Note 2)	2,006,250,000 (Note 3)	2,046,408,000	18.15%
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	1,750,000	–	1,750,000	0.02%
Mr. Feng Qing	375,000	–	375,000	negligible
Dr. Gao Jack Qunyao	750,000	–	750,000	0.01%

Notes:

1. Based on a total of 11,272,342,235 Shares in issue as at 30 September 2018.
2. It represents 28,578,000 Shares and 11,580,000 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 5,350,000 Shares and 6,850,000 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	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	750,000	0.007%
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 11,272,342,235 Shares in issue as at 30 September 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	25,707 <i>(Note 1)</i>	0.001%
Mr. Zhang Qin	Beneficial and equity derivative interests	49,770 <i>(Note 2)</i>	0.002%
Mr. Yang Guang	Beneficial and equity derivative interests	30,336 <i>(Note 3)</i>	0.001%
Mr. Ji Gang	Beneficial and equity derivative interests	56,865 <i>(Note 4)</i>	0.002%
Mr. Zou Liang	Beneficial and equity derivative interests	4,040 <i>(Note 5)</i>	negligible

Notes:

1. It represents 22,807 ordinary shares and 2,900 restricted share units beneficially held by Mr. Zhou Haijing.
2. It represents 27,520 ordinary shares and 22,250 restricted share units beneficially held by Mr. Zhang Qin.
3. It represents 8,586 ordinary shares and 21,750 restricted share units beneficially held by Mr. Yang Guang.
4. It represents 50,915 ordinary shares and 5,950 restricted share units beneficially held by Mr. Ji Gang.
5. It represents 1,550 ordinary shares and 2,490 restricted share units beneficially held by Mr. Zou Liang.

Save as disclosed above, as at 30 September 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 (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 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		Approximate percentage of issued share capital of the Company (Note 1)
			Shares entitled	Total number of Shares	
Ali Fortune (Notes 2 and 8)	Beneficial owner	6,102,723,993	1,332,960,447	7,435,684,440	65.96%
Alibaba Investment Limited (Note 2)	Interest of controlled corporation	6,102,723,993	1,332,960,447	7,435,684,440 (Note 9)	65.96%
API Holdings Limited (Note 2)	Interest of controlled corporation	6,102,723,993	1,332,960,447	7,435,684,440 (Note 9)	65.96%
Alibaba Holding (Note 3)	Interest of controlled corporation	6,102,723,993	1,332,960,447	7,435,684,440 (Note 9)	65.96%
API (Hong Kong) Investment Limited (Note 4)	Interest of controlled corporation	6,102,723,993	1,332,960,447	7,435,684,440 (Note 9)	65.96%
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	1,332,960,447	7,435,684,440 (Note 9)	65.96%
Ant Financial (Note 6)	Interest of controlled corporation	6,102,723,993	1,332,960,447	7,435,684,440 (Note 9)	65.96%
Hangzhou Yunbo Investment Consultancy Co., Ltd. (Note 7)	Interest of controlled corporation	6,102,723,993	1,332,960,447	7,435,684,440 (Note 9)	65.96%
Mr. Ma Yun (Note 7)	Interest of controlled corporation	6,102,723,993	1,332,960,447	7,435,684,440 (Note 9)	65.96%
Maxprofit Global Inc (Note 10)	Beneficial owner	2,006,250,000	-	2,006,250,000	17.80%

Notes:

1. Based on a total of 11,272,342,235 Shares in issue as at 30 September 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. As at 30 September 2018, 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\$0.2493 per conversion Share as at 30 September 2018 was 1,332,960,447. 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 7,435,684,440 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 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 30 September 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 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 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 Group's unaudited condensed consolidated financial statements for the Nine-Month Period have been reviewed by the audit committee of the Company, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

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. Options for 11,203,961 Shares were exercised and options in respect of 18,725,000 Shares were forfeited while options in respect of 78,477,892 Shares had expired during the Nine-Month Period. As at 30 September 2018, options for 201,990,850 Shares remained outstanding.

SHARE AWARD SCHEME

On 10 January 2018, the Board granted a total of 28,800,000 award Shares to certain eligible persons 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.

On 11 September 2018, the Board granted a total of 75,690,000 award Shares to Mr. Sun Ho, an executive Director and certain eligible persons under the Share Award Scheme. The 75,690,000 award Shares granted represent approximately 0.67% of the issued share capital of the Company as at the date of this report. Based on the closing price of HK\$0.58 per Share on the date of grant of the award Shares, the market value of the 75,690,000 award Shares in aggregate is HK\$43,900,200.

During the Nine-Month Period, the trustee of the Share Award Scheme (the "Trustee") has purchased a total of 8,368,000 Shares on the Stock Exchange at a total consideration of approximately HK\$9.9 million to satisfy award Shares granted under the Share Award Scheme.

During the Nine-Month Period, 104,490,000 award Shares were granted by the Company pursuant to the Share Award Scheme, 18,055,925 award Shares were vested in the grantees and 25,345,000 award Shares were forfeited.

All of the 104,490,000 award Shares were granted by way of acquisition of existing Shares through on-market transactions by the Trustee. The Board shall cause to pay the Trustee the purchase price and the related expenses from the Company's cash resources. The Trustee shall purchase from the market the relevant number of award Shares and shall hold the award Shares on trust for the relevant selected participants until they are vested in such selected participants and delivered in accordance with the terms of the Share Award Scheme. There is no condition, performance target or lock up restriction attached to the award Shares.

In the event that the Board elects to issue new Shares to satisfy any award Shares to be granted under the Share Award Scheme in the future, the maximum number of new Shares so issued shall be limited to 3% of the total issued Shares as at 17 March 2017 (the **"Adoption Date"**) (i.e. 315,426,263 Shares). The total number of issued Shares as at the Adoption Date was 10,514,208,770.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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, 2016 and 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 2018. 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”	支付寶(中國)網絡技術有限公司 (Alipay.com Co., Ltd.#), a company incorporated in the PRC, and a wholly-owned subsidiary of Ant Financial;
“Ant Financial”	浙江螞蟻小微金融服務集團股份有限公司 (Ant Small and Micro Financial Services Group Co., Ltd.#) (formerly known as 浙江螞蟻小微金融服務集團有限公司 (Zhejiang Ant Small and Micro Financial Services Group Co., Ltd.#)), a company incorporated in the PRC;
“Ant Financial Group”	Ant Financial and its subsidiaries;
“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;

“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;
“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;
“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 which is 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”	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(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 Award Scheme”	share award scheme of the Company;
“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 wholly-owned subsidiary of Score Value;
“SLAC”	Sports Lottery Administration Centre;
“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 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\$1.2046 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, 12 November 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.