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AGTech Holdings Limited

亞博科技控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8279)

**(1) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES
AND CONVERTIBLE BONDS
(2) APPLICATION FOR WHITEWASH WAIVER
AND
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

THE SUBSCRIPTION

On 4 March 2016, the Company entered into the Subscription Agreement with the Subscriber. Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue to the Subscriber, a company indirectly owned as to 60% by Alibaba Holding and as to 40% by Ant Financial, and the Subscriber has conditionally agreed to subscribe for:

- (i) an aggregate of 4,817,399,245 Subscription Shares (representing approximately 102.85% of the issued share capital of the Company as at the date of this announcement and approximately 50.70% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares) at the Subscription Price of HK\$0.3478 per Subscription Share; and
- (ii) Convertible Bonds in the aggregate principal amount of HK\$712,582,483, which entitle the bondholders to subscribe for up to 2,048,918,721 Conversion Shares at the initial Conversion Price of HK\$0.3478 per Conversion Share.

* For identification purposes only

The Company will allot and issue the Subscription Shares and, upon conversion of the Convertible Bonds, the Conversion Shares under a specific mandate to be approved by the Independent Shareholders at the SGM by an ordinary resolution.

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges.

None of the Subscriber nor any party acting in concert with it has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company during the six months prior to the date of this announcement, and none of them is interested in any issued Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the date of this announcement.

WHITEWASH WAIVER

Immediately upon Completion, assuming that the Convertible Bonds are not converted and there is no other change in the issued share capital of the Company, the Subscriber (together with parties acting in concert with it (as defined in the Takeovers Code)) will hold 4,817,399,245 Shares, representing approximately 102.85% of the issued share capital of the Company as at the date of this announcement and approximately 50.70% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares.

Immediately upon Completion, assuming that the Convertible Bonds are converted in full at the initial Conversion Price of HK\$0.3478 per Conversion Share and there is no other change in the issued share capital of the Company, the Subscriber (together with parties acting in concert with it (as defined in the Takeovers Code)) will in aggregate be interested in 6,866,317,966 Shares, representing approximately 146.59% of the issued share capital of the Company as at the date of this announcement and approximately 59.45% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares and the Conversion Shares.

As Mr. Sun and the Subscriber will control 21.40% and 50.70% shareholding interest in the Company immediately upon Completion (assuming that the Convertible Bonds are not converted and there is no other change in the issued share capital of the Company), Mr. Sun would be deemed to be acting in concert with the Subscriber under class (1) in the definition of “acting in concert” under the Takeovers Code following Completion. Accordingly, the Subscriber together with parties acting or presumed to be acting in concert with it will hold an aggregate of 6,850,727,245 Shares, representing approximately 146.26% of the issued share capital of the Company as at the date of this announcement and 72.10% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares. Notwithstanding the foregoing, as at the date of this announcement, Mr. Sun is not acting in concert nor presumed to be acting in concert with the Subscriber.

Under Rule 26.1 of the Takeovers Code, upon the allotment and issuance of the Subscription Shares at Completion (assuming that there is no conversion of any of the Convertible Bonds and no other change in the issued share capital of the Company), the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive. The Subscriber will therefore make an application to the Executive for the Whitewash Waiver in respect of the allotment and issuance of the Subscription Shares.

Furthermore, assuming that there is no change in the issued share capital of the Company other than the issuance of the Subscription Shares at Completion, it is unlikely that the Subscriber will exercise the conversion rights attached to the Convertible Bonds immediately after Completion as the Company would otherwise fail to comply with the public float requirements under the GEM Listing Rules. As such, following Completion, the Subscriber's shareholding in the Company (which will be approximately 50.70%, assuming that there is no conversion of the Convertible Bonds or any other changes in the issued share capital of the Company) will be subsequently diluted and fall below 50% if Shares are further issued by the Company pursuant to the exercise of outstanding share options under the Share Option Schemes or other options to subscribe for Shares. Accordingly, in such scenario, the allotment and issuance of the Conversion Shares could result in an increase of the Subscriber's shareholding in the Company by more than 2% from the lowest percentage holding in the 12 month period ending on and inclusive of the date of the conversion, the Subscriber would be required to obtain a second Whitewash Waiver from the Executive. As the Subscriber's shareholding in the Company immediately following Completion will barely exceed 50% due to the public float requirements under the GEM Listing Rules which prevent the Company from issuing more Shares to the Subscriber at Completion, and further considering the various outstanding share options under the Share Option Schemes and other options to subscribe for Shares which, if exercised following Completion, will result in the Subscriber's shareholding in the Company to fall below 50%, the Subscriber will make an application to the Executive for the Whitewash Waiver also in respect of the allotment and issuance of the Conversion Shares.

The Whitewash Waiver (in respect of both the Subscription Shares and the Conversion Shares), if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the SGM by way of a poll.

The Independent Board Committee will be formed to advise the Independent Shareholders in relation to the Subscription and the Whitewash Waiver. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard and an announcement will be made upon its appointment.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is HK\$20,000,000 divided into 10,000,000,000 Shares, of which 4,684,060,628 Shares have been allotted and issued as fully paid or credited as fully paid. In order for the Company to carry out the Subscription and to fulfil its pre-existing obligations involving the issue of Shares, the Board proposes the Authorised Share Capital Increase to increase the authorised share capital of the Company to HK\$40,000,000 divided into 20,000,000,000 Shares by the creation of an additional 10,000,000,000 Shares. The proposed Authorised Share Capital Increase is subject to the approval of the Shareholders at the SGM.

GENERAL

A circular containing, among other things, details of the Subscription, the Whitewash Waiver and the Authorised Share Capital Increase, together with the recommendation of the Independent Board Committee to the Shareholders, and the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the Whitewash Waiver and the notice of the SGM will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code.

The resolutions in relation to the Subscription Agreement and the Whitewash Waiver at the SGM will be voted on by the Independent Shareholders by way of a poll.

Warning: The Subscription is subject to the fulfilment or waiver (as the case may be) of a number of conditions precedent set out under the section headed “Conditions of the Subscription” in this announcement, including approval by the Independent Shareholders at the SGM for the Subscription and the Whitewash Waiver, and the granting of the Whitewash Waiver by the Executive. As such, the Subscription may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

The Board is pleased to announce that the Subscriber and the Company, among others, have entered into the Subscription Agreement on 4 March 2016. A summary of the principal terms of the Subscription Agreement is set out below.

SUBSCRIPTION AGREEMENT

Date: 4 March 2016

Parties

- (i) The Company as issuer;
- (ii) The Subscriber as subscriber;
- (iii) Mr. Sun; and
- (iv) Maxprofit.

The Subscription

The Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for:

- (i) an aggregate of 4,817,399,245 Subscription Shares at the Subscription Price of HK\$0.3478 per Subscription Share; and
- (ii) Convertible Bonds in the aggregate principal amount of HK\$712,582,483, which entitle the bondholders to subscribe for up to 2,048,918,721 Conversion Shares at the initial Conversion Price of HK\$0.3478 per Conversion Share.

On or before Completion, if and whenever the Company issues Shares or grants options to subscribe for any Shares under the Score Value Transaction, or issues Shares under the Rainwood Options or the Consultant Options, the Conversion Price shall be adjusted in the manner set out in the section headed “Principal terms of the Convertible Bonds — Conversion Price Adjustment in relation to the Score Value Transaction, Rainwood Options and Consultant Options” of this announcement below as if the Convertible Bonds had been issued at that time, and such adjusted Conversion Price shall become the initial Conversion Price of the Convertible Bonds upon its issuance at Completion.

The Company will allot and issue the Subscription Shares and, upon conversion of the Convertible Bonds, the Conversion Shares under a specific mandate to be approved by the Independent Shareholders at the SGM by an ordinary resolution.

The aggregate amount of the consideration for the Subscription Shares and the Convertible Bonds are HK\$1,675,417,517 and HK\$712,582,483, respectively, which shall be payable by the Subscriber in cash at Completion.

The Subscription Price and the initial Conversion Price, each being HK\$0.3478, represent:

- (i) a discount of approximately 82.52% to the closing price of HK\$1.9900 per Share as quoted on the Stock Exchange on 4 March 2016, being the Last Trading Day;
- (ii) a discount of approximately 82.05% to the average of the closing price per Share of approximately HK\$1.9380 for the last five trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iii) a discount of approximately 81.94% to the average of the closing price per Share of approximately HK\$1.9260 for the last 10 trading days as quoted on the Stock Exchange up to and including the Last Trading Day; and
- (iv) a premium of approximately 20.43% to the unaudited net asset value per Share of approximately HK\$0.2888 as at 30 June 2015.

The Subscription Price and the Conversion Price were arrived at after arm's length negotiations among the Company and the Subscriber where the Company has taken into consideration the following factors:

- (a) The Directors (excluding the members of the Independent Board Committee who will express their opinion after considering the advice of the independent financial adviser as to the fairness and reasonableness of the terms of the Subscription and the Whitewash Waiver) view the Subscription as a valuable opportunity for the Group to bring in a solid strategic corporate investor considering that the Subscriber's shareholders are Alibaba Group, the largest online and mobile commerce company in the world in terms of gross merchandise volume, and Ant Financial Group, which operates businesses such as Alipay, Yu'e Bao, Zhao Cai Bao, Ant Micro Loan and Sesame Credit.
- (b) Upon the terms of the Business Cooperation Framework Agreement to be entered into at Completion (details of which are set out below), the Group is intended to become the exclusive business platform of Alibaba Holding and Ant Financial for lottery businesses. In addition, Alibaba Group and Ant Financial Group are expected to provide technical services and resources to the Group, such as in the areas of cloud computing and e-commerce. The Company expects that this will enable the Group to develop and expand its existing offline lottery business and, in particular, the mobile and internet lottery business where the Group sees significant synergy potential.
- (c) Through the Subscription, the Company will raise a substantial amount of additional funds which will improve the financial position and liquidity of the Group and provide the Company with the financial flexibility necessary for the expansion of the Group's existing business and the capability to capture any prospective acquisition opportunities as and when they arise.
- (d) The Subscription Price and the Conversion Price of HK\$0.3478 represents a premium of approximately 20.43% over the unaudited consolidated net asset per Share as at 30 June 2015 as set out above.

- (e) The trading price of the Shares has been volatile for the past 12 months prior to the date of this announcement, ranging from HK\$0.7400 on 4 March 2015 to HK\$1.9900 on 4 March 2016 and the price per Share has risen by approximately 169% in the past 12 months. Therefore, the Company considers that the recent trading price of the Shares is not suitable to be seen as a decisive reference for determining the Subscription Price and the Conversion Price.

In light of the factors set out above, the Directors (excluding the members of the Independent Board Committee who will express their opinion after considering the advice of the independent financial adviser as to the fairness and reasonableness of the terms of the Subscription and the Whitewash Waiver) consider that the terms of the Subscription are fair and reasonable and on normal commercial terms and the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

Principal Terms of the Convertible Bonds

Principal Amount	HK\$712,582,483
Denomination	The Convertible Bonds are issued in registered form in the denomination of HK\$0.3478 each.
Maturity	Unless previously redeemed, converted, purchased and cancelled, the Company will redeem each Convertible Bond at its principal amount with accrued and unpaid interest thereon on the Maturity Date, which is the third anniversary of the issuance date of the Convertible Bonds.
Dividend Interest	The Convertible Bonds bear no interest on the principal amount. However, if the Company shall pay any dividend in cash or scrip to the Shareholders, each bondholder shall be entitled to be paid interest in respect of that dividend as if the Convertible Bonds held by such bondholder have been converted into Shares in full at the applicable Conversion Price.
Conversion Right	A bondholder shall have the right to convert all or part of its Convertible Bonds into Shares at any time during the period on or after the issuance date of the Convertible Bonds and up to the Maturity Date provided that, following such conversion, (i) at least 25% of the Company's total number of issued Shares are held by the public (as defined under the GEM Listing Rules); and (ii) the Company is otherwise in compliance with the public float requirements under Rule 11.23(7) of the GEM Listing Rules.

Mandatory Conversion	<p>The Company may, by giving prior written notice to the bondholders, require all (but not any one) of the bondholders to convert their Convertible Bonds into Shares in full at any time on or after the issuance date of the Convertible Bonds and up to a date no later than five business days prior to the Maturity Date, provided that, following such conversion, (i) at least 25% of the Company's total number of issued Shares are held by the public (as defined under the GEM Listing Rules); and (ii) the Company is otherwise in compliance with the public float requirements under Rule 11.23(7) of the GEM Listing Rules.</p>
Conversion Price	<p>The initial Conversion Price is HK\$0.3478 per Conversion Share.</p> <p>The initial Conversion Price is subject to adjustment upon occurrence of certain events prior to Completion. Please refer to the section headed "Subscription Agreement — The Subscription" of this announcement for further details.</p> <p>The number of Conversion Shares to be issued upon conversion of the Convertible Bonds will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price in effect at the relevant date of conversion.</p>
Conversion Price Adjustment	<p>The Conversion Price will be subject to customary anti-dilution adjustment for, among other things, consolidation, subdivision or reclassification of the Shares, capitalisation of profits or reserves, capital distribution, rights issues of shares or options over shares, rights issues of other securities and other dilutive events.</p>

Conversion Price Adjustment in relation to the Score Value Transaction, Rainwood Options and Consultant Options	<p>If the Company shall issue Shares or grant options to subscribe for any Shares under the Score Value Transaction, or shall issue Shares under the Rainwood Options or the Consultant Options, the Conversion Price shall be adjusted in a manner so that:</p> <p>(i) the shareholding of the Subscriber (the <i>Subscriber Shareholding</i>) in the Company (based on the number of Shares that the Subscriber acquired upon Completion and that it (or any of its Affiliates) continues to hold plus such Shares that the Subscriber would acquire upon conversion of the Convertible Bonds in full) on a Fully-diluted Basis immediately following the issuance of such Shares and/or the grant of such options</p> <p>is equal to:</p> <p>(ii) the Subscriber Shareholding immediately prior to the issuance of such Shares and/or the grant of such options.</p> <p>Following such adjustment due to the grant of the options under the Score Value Transaction, the Conversion Price shall not be further adjusted when such options are exercised.</p> <p>If, at the time all or any part of the Convertible Bonds are to be converted into Shares, there are outstanding options to subscribe for Shares under the Rainwood Options and/or the Consultant Options, the Conversion Price shall be adjusted as if such options had been exercised.</p>
Listing of Conversion Shares	The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
Redemption on Special Event	Following the occurrence of a special event as set out in the Bond Instrument, such as change of control, each bondholder will have the right to require the Company to redeem in whole but not in part such bondholder's Convertible Bonds at 112 per cent. of the principal amount of such Convertible Bonds.

Status	<p>The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves.</p> <p>The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable laws, at all times rank at least equally with all of the Company's other present and future direct, unsubordinated, unconditional and unsecured obligations.</p> <p>No application will be made for a listing of the Convertible Bonds.</p>
Transferability	The Convertible Bonds are freely transferrable.

Conditions of the Subscription

Completion is conditional upon satisfaction (or waiver) of the following conditions precedent:

- (i) all necessary approvals for the Subscription required under the Bye-Laws, applicable laws, the GEM Listing Rules and the Takeovers Code having been obtained, including:
 - (a) the passing by the requisite majority of Shareholders or Independent Shareholders of the Company (as appropriate) at the SGM of all resolutions required under relevant laws, including pursuant to the GEM Listing Rules and the Takeovers Code, in respect of, among other things, the specific mandate for the allotment and issue of the Subscription Shares and the Conversion Shares and the Whitewash Waiver;
 - (b) the granting of the approval for the listing of, and permission to deal in Subscription Shares and Conversion Shares by the Listing Committee of the GEM of the Stock Exchange;
 - (c) the Executive granting the Whitewash Waiver to the Subscriber and parties acting in concert with the Subscriber and the satisfaction of any condition attached to the Whitewash Waiver being granted and not having been revoked or withdrawn; and
 - (d) the Shareholders approving the Authorised Share Capital Increase at the SGM;
- (ii) the Company having maintained all the licences, permits, consents, approvals or authorisations necessary for the current businesses of the Group from the relevant authorities;
- (iii) the Bermuda Monetary Authority having granted consent to the increase in the authorised share capital of the Company and the issue of the Subscription Shares;

- (iv) the warranties given by the Company, Mr. Sun and Maxprofit continuing to be true, accurate in all material respects and not misleading in any material respect as of the Completion Date;
- (v) the Company having performed all of its material obligations expressed to be performed on or before Completion;
- (vi) no material adverse effect on the Group having occurred since the date of Subscription Agreement up to the Completion Date;
- (vii) no injunction, interim or otherwise, having been granted in respect of the Company which would prohibit the Company to enter into and perform its obligations under the terms of the Convertible Bonds and the Subscription Agreement;
- (viii) none of the events of default described in the terms of the Convertible Bonds having occurred since the date of the Subscription Agreement up to the Completion Date;
- (ix) the Subscriber having completed and being reasonably satisfied with the results of its due diligence review and investigations over the matters of the Group; and
- (x) the warranties given by the Subscriber continuing to be true, accurate and complete in all material respects as of the Completion Date.

The Subscriber may at any time by notice in writing to the other parties waive any of the conditions set out in (ii) to (viii) above. The Company may at any time by notice in writing to the other parties waive the condition set out in (x) above. The conditions set out in (i) are not waivable by either party. Hence, among other things, if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders at the SGM, the Subscription will not proceed.

If the Unconditional Date has not occurred on or prior to 4 September 2016, the Subscription Agreement (other than certain surviving provisions) shall automatically terminate and (without prejudice to the rights and/or obligations of any party in respect of any preceding breach) the parties shall be released and discharged from their respective obligations under the Subscription Agreement.

Completion of Subscription

Completion will take place on the seventh Business Day following the Unconditional Date, or on such other date as the parties may agree.

Mr. Sun's Lock-up Undertaking

At Completion, Mr. Sun and Maxprofit will enter into a deed of undertaking (the “**Mr. Sun Lock-up Undertaking**”) pursuant to which each of Mr. Sun and Maxprofit will undertake to the Subscriber that it shall not Transfer any right or interest in 15% or more of the 2,033,328,000 Shares held by Mr. Sun and Maxprofit as at the date of this announcement, for the period commencing on the Completion Date and ending on the earlier of:

- (a) the second anniversary of the Completion Date;
- (b) the date on which Mr. Sun ceases to act as a director and the chief executive officer of the Company due to a dismissal without cause in accordance with the service contract of Mr. Sun; and
- (c) the date on which the Subscriber ceases to be the largest Shareholder or to hold 30% or more of the Shares of the Company (as measured by the aggregate interest in the Shares held by Alibaba Holding, Ant Financial and their respective Affiliates).

Management Shareholders' Lock-up Undertaking

At Completion, each of Mr. Bai, Mr. Liang and Mr. Cheng will enter into a deed of undertaking pursuant to which each of them will undertake to the Subscriber that he shall not (and shall procure his Affiliates not to) without the prior written consent of the Subscriber, Transfer any right or interest in 50% or more of (a) the Shares owned by him or his Affiliates as of the Completion Date plus (b) the total number of Shares that may be acquired by him or his Affiliates upon exercise of all existing share options granted to him and which will vest during the period commencing on the Completion Date and ending on the first anniversary of the Completion Date (collectively, the “**Lock-up Shares**”) for a period commencing on the Completion and ending on the earlier of:

- (a) the first anniversary of the Completion Date;
- (b) the date on which he ceases to be a member of the Company's senior management due to dismissal without cause in accordance with his service contract; and
- (c) the date on which the Subscriber ceases to be the largest Shareholder or to hold 30% or more of the Shares of the Company (as measured by the aggregate interest in the Shares held by Alibaba Holding, Ant Financial and their respective Affiliates).

Investor Undertaking

Alibaba Investment Limited (a subsidiary of Alibaba Holdings) and API (Hong Kong) Investment Limited (a subsidiary of Ant Financial) will enter into a deed of undertaking at Completion, pursuant to which each of Alibaba Investment Limited and API (Hong Kong) Investment Limited shall undertake to, and covenant with, the Company that, Alibaba Investment Limited and API (Hong Kong) Investment Limited will remain as the largest shareholder of the Company (as measured by the aggregate interest in the Shares of the Company held by Alibaba Investment Limited, API (Hong Kong) Investment Limited and their respective Affiliates (including but not limited to the Subscriber)) and will continue to hold (directly or indirectly) 30% or more of the Shares of the Company, for the period commencing on the Completion Date and ending on the earlier of (a) the second anniversary of the Completion Date; and (b) the date on which Maxprofit or Mr. Sun is released in full from the Mr. Sun Lock-up Undertaking.

Board Composition

With effect from Completion, the Board shall consist of nine Directors, comprising:

- (i) the three current independent non-executive Directors;
- (ii) Mr. Sun (who will remain as an executive Director, the chairman of the Board and the chief executive officer of the Company); and
- (iii) five non-executive Directors nominated by the Subscriber.

Re-appointment of Mr. Sun as chief executive officer and renewal of his Service Contract as from Completion

With effect from Completion, Mr. Sun shall be re-appointed as the Company's chief executive officer for a period of two years as from Completion and his service contract shall be accordingly renewed with the Company. Pursuant to the renewed service contract, the Company shall appoint Mr. Sun as the chief executive officer of the Company for a term of two years as from Completion, unless terminated earlier by the Company for cause. Mr. Sun currently has no intention to resign as an executive Director after Completion.

Other arrangements relating to senior management team of the Company

As from Completion and as long as Mr. Sun remains as the Company's chief executive officer and (directly or indirectly) holds at least 5% of the Company's share capital, Mr. Sun shall propose to the Board for consideration (and, if considered suitable by the Board, for appointment by it) suitable candidates for the positions of the Company's senior management (including the chief operating officer, the chief technology officer, the chief legal officer and the presidents of each business segments of the Company).

With effect from Completion, each of Mr. Bai, Mr. Liang and Mr. Cheng, all being existing executive Directors, shall resign from his directorship but will continue to be employed by the Group as a member of the Company's senior management.

Business Cooperation Framework Agreement

At Completion, Taobao Software (a subsidiary of Alibaba Holding), Alipay (a wholly-owned subsidiary of Ant Financial) and the Company, will enter into the Business Cooperation Framework Agreement pursuant to which the Group will become the exclusive business platform of Alibaba Group and Ant Financial Group for the lottery business, based on, and subject to, the following key principles:

- (i) The Group shall be the exclusive business platform of Alibaba Group and Ant Financial Group to apply for and hold business qualifications and licenses for the operations of lottery businesses.
- (ii) The Group shall operate and manage all lottery software and hardware products of Alibaba Group and Ant Financial Group, other than lottery related payment software and systems developed or owned by Ant Financial Group.
- (iii) The Group shall be authorised by Taobao Software to operate a lottery channel on the Taobao platform, but Taobao Software has the right to conduct system maintenance, webpage maintenance and user experience related work on such lottery channel.
- (iv) The Group shall be authorised by Alipay to operate a lottery channel on the Alipay platform, but Alipay has the right to conduct system maintenance, webpage maintenance and user experience related work on such lottery channel.
- (v) So long as it is allowed under applicable laws and regulations, all lottery products that the Group has developed or is authorised to operate, shall be released on the Taobao and Alipay platforms, but not through any competing online channels. Notwithstanding the above, the Group may release such lottery products through its own platforms or Lottery Agencies serviced by the Group.
- (vi) Ant Financial Group is permitted to cooperate with third parties regarding lottery sales as long as the annual gross merchandise volume generated from such cooperation with third parties does not reach a certain minimum threshold.
- (vii) Taobao Software or Alipay are permitted to conduct certain lottery business (including through cooperation with other third parties), if the Group is prohibited by law from conducting such lottery business.
- (viii) During the three years following the signing of the Business Cooperation Framework Agreement, the Group shall pay service fees to the relevant members of Alibaba Group and Ant Financial Group determined as a certain percentage of the commission income received by the Group for lottery sales contributed by the online lottery players introduced through Alibaba Group and Ant Financial Group's platforms.

After three years following signing of the Business Cooperation Framework Agreement, Taobao Software, Alipay and the Group will discuss and determine the service fees based on the market and other conditions at that time.

Further, Taobao Software and Alipay will provide technical services and resources, such as, cloud computing services and e-commerce, to the Group on a service fee to be agreed by the parties.

Prior to the implementation of the business cooperation set out above, the parties (or their respective Affiliates) will further negotiate and enter into definitive agreements setting out the specific terms and conditions.

The Group will cease to be the exclusive business platform of Alibaba Group and Ant Financial Group for the lottery business if the Shares (or voting rights) held by any individual or entity and their Affiliates (including parties acting in concert) are more than those held by Alibaba Group and Ant Financial Group (including parties acting in concert). In addition, the Group will cease to be the exclusive business platform of Ant Financial Group for the lottery business if Ant Financial Group ceases to, directly or indirectly, hold any Shares.

Following Completion, the Subscriber will become the controlling shareholder of the Company. Accordingly, Taobao Software, Alipay and their respective subsidiaries will become connected persons of the Company, and the transactions between Taobao Software, Alipay and/or their respective subsidiaries (on the one hand) and the Company (on the other hand) will constitute continuing connected transactions of the Company. The Company will comply with applicable requirements in accordance with Chapter 20 of the GEM Listing Rules as and when required.

EFFECT OF THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company:

- (i) as at the date of this announcement;
- (ii) immediately upon Completion, assuming that the Convertible Bonds are not converted at all and there is no other change in the issued share capital of the Company other than the issuance of the Subscription Shares at Completion;
- (iii) immediately upon Completion, assuming that the Convertible Bonds are converted in full at the initial Conversion Price of HK\$0.3478 per Conversion Share and there is no other change in the issued share capital of the Company;
- (iv) immediately upon Completion, assuming that the Convertible Bonds are converted in full at the adjusted Conversion Price (as if all the outstanding Rainwood Options and Consultant Options had been exercised) and there is no other change in the issued share capital of the Company; and
- (v) immediately upon Completion, assuming that (a) the Convertible Bonds are converted in full at the adjusted Conversion Price; (b) an additional 301,801,801 Shares have been issued by the Company to Immense Wisdom and King Achieve in accordance with the terms of the Score Value Transaction (and the Shares and options for the Shares to be granted thereunder); (c) an additional 212,879,224 Shares have been issued by

the Company pursuant to the Rainwood Options; (d) an additional 620,357,025 Shares have been issued by the Company pursuant to the outstanding share options granted under the Share Option Schemes (including the Consultant Options) as at the date of this announcement; and (e) there is no other change in the issued share capital of the Company.

Name of Shareholder	(i) At the date of this announcement		(ii) Assuming no conversion of the Convertible Bonds		(iii) Assuming conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.3478		(iv) Assuming conversion of the Convertible Bonds at the adjusted Conversion Price (as if all the outstanding Rainwood Options and the Consultant Options had been exercised)		(v) Assuming conversion of the Convertible Bonds and issue of other Shares issuable under certain agreements and options	
	No. of Shares	Approx %	No. of Shares	Approx %	No. of Shares	Approx %	No. of Shares	Approx %	No. of Shares	Approx %
Mr. Sun	2,033,328,000 ⁽¹⁾	43.410	2,033,328,000 ⁽¹⁾	21.400	2,033,328,000 ⁽¹⁾	17.604	2,033,328,000 ⁽¹⁾	16.388	2,033,328,000 ⁽¹⁾	14.560
– Mr. Bai Jinmin	76,574,600	1.635	76,574,600	0.806	76,574,600	0.663	76,574,600	0.617	84,449,600 ⁽²⁾	0.605
– Mr. Liang Yu	23,670,250	0.505	23,670,250	0.249	23,670,250	0.205	23,670,250	0.191	32,295,250 ⁽²⁾	0.231
– Mr. Ho King Fung, Eric	10,643,961	0.227	10,643,961	0.112	10,643,961	0.092	10,643,961	0.086	42,575,844 ⁽²⁾	0.305
– Ms. Monica Maria Nunes	875,000	0.019	875,000	0.009	875,000	0.008	875,000	0.007	2,000,000 ⁽²⁾	0.014
– Mr. Cheng Guoming	–	–	–	–	–	–	–	–	44,944,800 ⁽²⁾	0.322
– Dr. Gao Jack Qun Yao	–	–	–	–	–	–	–	–	1,500,000 ⁽²⁾	0.011
– Mr. Feng Qing	–	–	–	–	–	–	–	–	1,500,000 ⁽²⁾	0.011
Directors of the Company's Subsidiaries (other than the Directors)	68,589,250	1.464	68,589,250	0.722	68,589,250	0.594	68,589,250	0.553	123,807,929 ⁽³⁾	0.887
Subscriber and parties acting in concert with it	–	–	4,817,399,245	50.702 ⁽⁶⁾	6,866,317,966	59.447	7,723,156,392	62.247	8,145,620,972 ⁽⁴⁾	58.330
Public shareholders	2,470,379,567	52.740	2,470,379,567	26.000	2,470,379,567	21.387 ⁽⁷⁾	2,470,379,567	19.911 ⁽⁷⁾	3,452,697,255 ⁽⁵⁾	24.724 ⁽⁷⁾
Total	4,684,060,628	100.000	9,501,459,873	100.000	11,550,378,594	100.000	12,407,217,020	100.000	13,964,719,650	100.000

Notes:

- These Shares comprise 27,078,000 Shares beneficially owned by Mr. Sun and 2,006,250,000 Shares owned by Mr. Sun through his controlled corporation, Maxprofit.
- The increase in the number of Shares held by such Director represents the total number of Shares to be issued by the Company to such Director upon the exercise of existing share options granted to him/her under the Share Option Schemes.
- The increase of an aggregate of 55,218,679 Shares in the number of Shares held by such directors represents the total number of Shares to be issued by the Company to directors of the Company's Subsidiaries (other than the Directors) pursuant to existing share options granted to them under the Share Option Schemes.
- As set out in the section headed "Subscription Agreement — Principal Terms of the Convertible Bonds" of this announcement, the Conversion Price shall be adjusted if the Company issues Shares or grants options to subscribe for any Shares under the Score Value Transaction, or issues Shares under the Rainwood Options or the Consultant Options. The increase of an aggregate of 1,279,303,006 Shares represents the additional number of Shares to be issued by the Company to the Subscriber upon full conversion of the Convertible Bonds at the adjusted Conversion Price.

5. *The increase of an aggregate of 982,317,688 Shares in the number of Shares held by the public shareholders of the Company comprises (a) the 301,801,801 Shares to be issued by the Company to Immense Wisdom and King Achieve in accordance with the terms of the Score Value Transaction (and the Shares and options for the Shares to be granted thereunder); (b) the 212,879,224 Shares to be issued by the Company pursuant to the Rainwood Options; (c) the 393,857,163 Shares to be issued by the Company pursuant to the Consultant Options (excluding the 5,375,000 Shares to be issued to a consultant who is a director of the Company's Subsidiary); and (d) the 73,779,500 Shares to be issued by the Company pursuant to options granted to employees (other than the Directors or directors of the Company's Subsidiaries).*
6. *As Mr. Sun and the Subscriber will control 21.40% and 50.70% shareholding interest in the Company immediately upon Completion (assuming that the Convertible Bonds are not converted and there is no other change in the issued share capital of the Company), Mr. Sun would be deemed to be acting in concert with the Subscriber under class (1) in the definition of "acting in concert" under the Takeovers Code following Completion. Accordingly, the Subscriber together with parties acting or presumed to be acting in concert with it will hold an aggregate of 6,850,727,245 Shares, representing approximately 72.10% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares.*
7. *Under the terms of the Convertible Bonds, the Subscriber shall have the right to convert all or part of its Convertible Bonds into Shares provided that, following such conversion, (i) at least 25% of the Company's total number of issued Shares are held by the public (as defined under the GEM Listing Rules); and (ii) the Company is otherwise in compliance with the public float requirements under Rule 11.23(7) of the GEM Listing Rules. Accordingly, the Subscriber will not be entitled to convert the Convertible Bonds in full and hence will not acquire the maximum voting rights as illustrated in this scenario, as the Company would otherwise fail to comply with the public float requirements under the GEM Listing Rules.*

INFORMATION ON THE GROUP

The Company was incorporated in Bermuda and the Shares are listed on the GEM of the Stock Exchange. The Group is an integrated lottery technology and services company in the PRC lottery market. As at the date of this announcement, the Group has a team of over 200 employees, and the footprint of the Group's lottery business covers multiple provinces and municipalities across the PRC.

The Group's vision and strategy is to be a fully integrated service provider for the PRC lottery industry. Its principal business activities comprise:

- (i) Games and systems: the development and supply of lottery games, related software and underlying supporting systems to Lottery Sales Agencies;
- (ii) Hardware: the development, sale and maintenance of lottery hardware (terminals and other lottery-related equipment);
- (iii) Distribution: the sales and distribution of lottery games; and
- (iv) Ancillary Services: the provision of ancillary services to Lottery Sales Agencies.

The Company is committed to applying international management concepts and advanced technologies to the PRC lottery industry along the entire value chain, covering lottery systems, lottery hardware, lottery games, internet and mobile smart phone systems and distribution, wireless network and streaming media, thereby providing the PRC's lottery authorities and millions of lottery players in the PRC with professional and integrated lottery services.

The Group is an associate member of each of the World Lottery Association (WLA) and the Asia Pacific Lottery Association (APLA).

The PRC lottery market

Overview and key participants

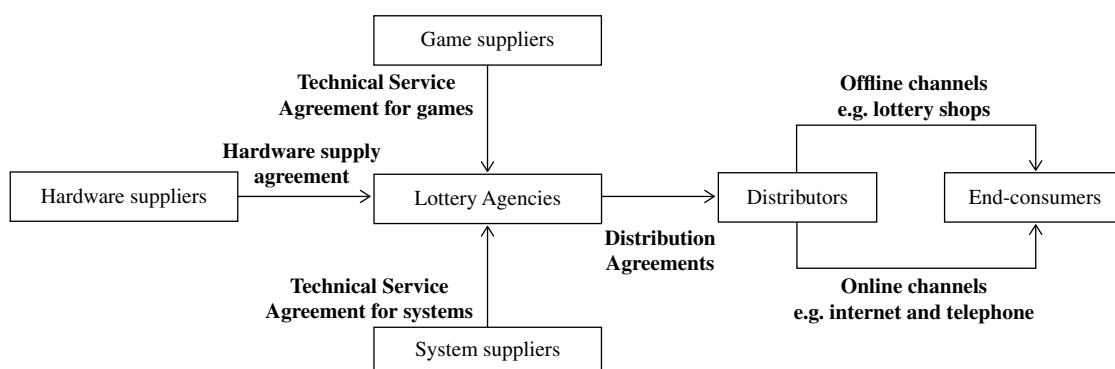
The PRC lottery market is a highly regulated market where the lottery products that are available as well as the market participants (and their respective activities) are subject to strict regulatory supervision, approval requirements and restrictions (for details please refer to the section headed “The PRC lottery regulatory environment relating to the Group’s business” below).

Currently, two categories of lottery products are permitted for sale in the PRC lottery market: sports lottery products and welfare lottery products. There are many lottery products under these two categories, such as numbers-based lottery games drawn weekly, daily or even more frequently such as every 8 minutes, instant scratch games, betting on real and virtual sporting event outcomes (available as a sports lottery product only), video lottery terminals games (networked self-service gaming terminals similar in appearance to slot machines) and Keno (a high frequency numbers game available as a welfare lottery product only).

Each of such lottery products, including their underlying systems, is developed, maintained and operated by the Lottery Agencies and third party service providers that are engaged by the Lottery Agencies for the provision of lottery games, related software, underlying supporting systems, hardware and related technical services.

Lottery products are sold and distributed to end-consumers through licensed distributors which, depending on the lottery product, may require particular hardware for the sale of a product (such as terminals). In such circumstances, related hardware provided to Lottery Agencies will be passed on to distributors to facilitate their sale of relevant lottery products.

The chart below illustrates the PRC lottery market and the key participants involved:



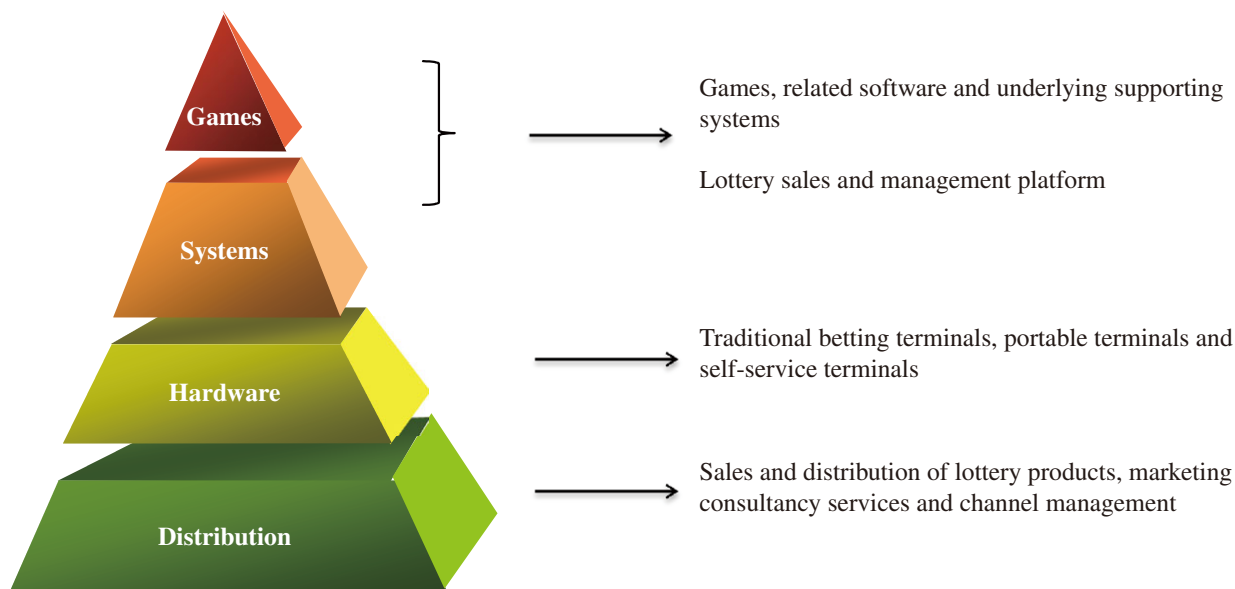
Market condition

According to the China Sports Lottery Administration Center, in 2013 adult lottery betting participation in the PRC is estimated to be approximately 7.5%. According to information available to the Group, participation in gambling/lottery activities in other countries in the region and elsewhere are considerably higher, for example: lottery betting participation rate in Hong Kong is 56% (year: 2012); lottery betting participation rate in Japan is 38% (year: 2007); and lottery betting participation rate in the United States of America is 57% (year: 1999).

The Group believes that this relatively low level of participation is a result of the relatively early stage of development of the PRC lottery market. In particular, limited development has been achieved in terms of technology sophistication, game categories and channels of distribution in the PRC lottery market.

Overview of key business segments of the PRC lottery market

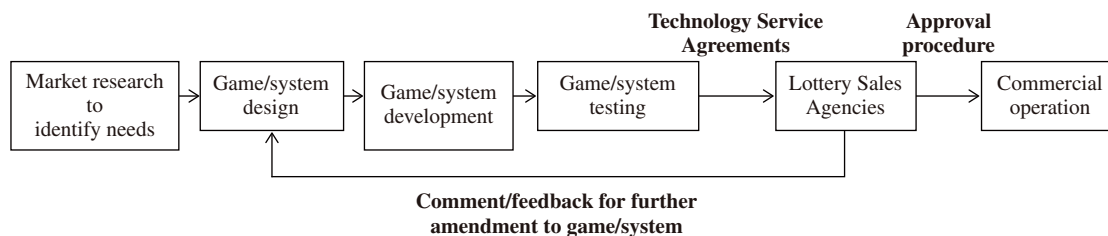
The following diagram illustrates the key business segments of the PRC lottery market:



Games and systems

The development and continuing maintenance of a lottery product (covering the contents of a game such as the design and the game rules) as well as the development, maintenance and operation of systems required for the offering and sale of a lottery product (including underlying software and hardware) require significant capital investments.

The following flow chart sets out the process of the development of a lottery game/related system until its commencement of commercial operations:



The procedure commencing from initial market research on the needs of Lottery Sales Agencies and end-customers up to the launch of a new lottery product in the market usually takes 3 to 5 years due to continuing negotiations with the relevant Lottery Agencies in compliance with governmental procurement requirements and strict scrutiny by the relevant approval authorities for launching the game in the market, which involves tremendous effort and significant capital investment. During the process, Lottery Sales Agencies continue to provide feedback for the Group to re-design and re-develop the game/system.

Once a lottery product has been approved for sale, additional capital investment is required to enhance the scalability of the supporting system in order to effectively launch commercial operations. Following the launch, the game/system supplier typically provides continuing support in respect of system maintenance and operation.

Where a lottery product is designed and developed by a third party service provider, the third party service provider will not receive any consideration for the design and development of the product upon ‘delivery’ to the Lottery Agency, but revenues are only generated by the third party service provider on a revenue sharing basis if it is engaged by the Lottery Agency as technical service provider and once the product is launched. Accordingly, the development of a lottery product requires significant upfront investment costs without having certainty that such costs may be recovered, as the successful launch of a new lottery product is not guaranteed.

Hardware

Where lottery products are offered offline, i.e. through physical lottery stores, some particular hardware products (such as point of sale terminals, verification devices etc.) are generally required to facilitate the sale of the lottery products.

The supply of such hardware is closely regulated and its supply in the PRC market is currently dominated by domestic suppliers.

Where a hardware product is not bundled with a lottery system, the relevant hardware product supplied to the Lottery Agencies must be generic in nature to ensure that it is capable of interfacing with multiple lottery systems and their underlying games. Supply contracts for such stand-alone generic hardware products generally entail the payment of a one-off fixed consideration and such hardware products are supplied with three to eight years warranty.

In contrast to the fixed consideration model, supply contracts for hardware products bundled with a lottery system (such as for Video Lottery Terminal) generally provide for a revenue-sharing model reflecting the more bespoke nature of this type of hardware products.

Distribution

At present most of the lottery products are offered and sold through physical lottery stores (i.e. offline channels). Any licensed distributor is only authorised to carry out lottery sales within the specific geographic area licensed by the Lottery Agencies.

Sales of lottery products through online channels mainly comprise (i) internet sales and (ii) telephone sales. The latter includes sales conducted by mobile phones through SMS, telephone call or mobile applications. Following the Announcement Regarding the Prohibition on Unauthorized Sale of Lottery Tickets Through Internet jointly promulgated by MOF and seven other ministries of the PRC government in April 2015 (the ***2015 Announcement of Eight Ministries***), lottery sales through online channels can only be conducted through licensed online distributors approved by the MOF. Currently, only certain games (e.g. instant scratch games, sports betting games) have been approved for sale through licensed telephone distributors which distribute the relevant lottery games via telephone channel (including mobile phone channel).

It was reported that in 2014, when the sale of lottery through online channels was not strictly regulated by the MOF, approximately 22% out of the PRC's total lottery sales were generated via online channels such as internet and mobile applications. While lottery sales through online channels have been banned by the 2015 Announcement of Eight Ministries (except for the sale of certain games approved for sale through licensed telephone distributors), the Company believes that the online distribution channel may offer significant potential in the future.

Competitive environment

The competitive environment in the PRC lottery market features two groups of suppliers: domestic and international. The domestic suppliers are characterised as relatively small, low-tech players with a narrow focus on one or very few sub-segments of the lottery technology and services supply market. The international suppliers, by contrast, tend to be large, integrated lottery technology and service supply companies capable of providing full-service solutions across the range of verticals of game software and systems, hardware and distribution. As a result of its consistent, multi-year strategy, the Group is positioned as an integrated lottery technology and services company, and in this respect has deliberately adopted the integrated strategy of the international players.

As lottery products are subject to the examination and approval by relevant PRC governmental authorities before their launch in the PRC lottery market, international suppliers typically engage domestic lottery technology companies to localise and customise their technology and lottery product for market in the PRC. The Group has a track record of working with international lottery technology and services companies in relation to the localisation and customisation of games for launch in the PRC market. The Group regards this as a competitive advantage in the PRC lottery market, particularly in light of the increasingly sophisticated technology requirements in the market with respect to potential new games, systems, hardware and distribution channels.

As the PRC lottery market is still in its early stage of development and has considerable growth potential, many domestic and international companies are working with or seeking to work with the Lottery Issuance Agencies in order to participate in the anticipated future growth of the market.

Meanwhile, outside of the PRC, the past 24 months have seen significant consolidation activity in the international gambling and lottery supplier industry:

- 2015: GTECH S.p.A. acquired International Game Technology PLC (consideration: approximately US\$6.4 billion)
- 2014: Scientific Games Corporation acquired Bally Technologies, Inc. (consideration: approximately US\$5.1 billion)
- 2014: Aristocrat Leisure Ltd. acquired Video Gaming Technologies Inc. (consideration: approximately: US\$1.3 billion)
- 2013: Scientific Games Corporation acquired WMS Industries Inc. (consideration: approximately US\$1.5 billion)

These transactions have resulted in the creation of a small number of very substantial, very well resourced gambling and lottery technology supply companies. For example, the 2014 research and development budget of International Game Technology PLC and Scientific Games Corporation, two of the largest gambling and lottery technology supply companies, was US\$333 million and US\$244 million respectively. The Group anticipates that a material proportion of the R&D budgets of the world's largest gambling and lottery suppliers will be allocated to the PRC lottery market over the coming years. Therefore, it is expected that the competition in the PRC lottery market will become more intense in the near future.

Overview of the Group's Lottery Business

Over the years, the PRC lottery market has gone through various stages of developments with a constantly shifting focus on different business segments but the Group has demonstrated a track record of delivering and successfully building a balanced and complementary business portfolio in the PRC lottery market.

Since the inception of the Group's lottery business in 2007, the Group has consistently sought to become a fully-integrated lottery technology and services supply company in the PRC, adopting the strategy of international large integrated lottery technology and services companies. The Group adopted this strategy because it anticipated that the PRC lottery market would become increasingly sophisticated in terms of (i) game content and system, (ii) hardware technology as well as (iii) distribution channels. By becoming a fully-integrated lottery technology and services supplier, the Group differentiates itself from the domestic market players which are more segment-focused, and is well equipped to cooperate and compete with the international market players which share the same aspiration of the Group.

The Group believes that the PRC lottery market is poised to undergo a period of dramatic technological enhancement combined with a significant expansion of its player base through new forms of distribution (including, subject to approval, mobile and internet distribution channels). The Group considers itself to be well positioned to take advantage of these opportunities leveraging on its integrated business model, its experienced management team and strong network with first-tier market players in the global lottery market. The Company is of the view that the introduction of the Subscriber as a strategic investor and the financial benefits that will be derived from the Subscription are a reinforcement of the Group's long term strategy and its commitment to the above vision.

The Group's existing business and development strategy

Although the Group has historically been generating most of its revenue from the development, sale and maintenance of stand-alone basic lottery hardware, since its inception, the Group has consistently been following its long term strategy and vision to be offering a range of products and services along the entire value chain of the PRC lottery industry: from technical support in respect of its hardware, lottery games, related software and underlying supporting systems to sales and distribution (especially through online channels) of lottery products. Against the backdrop of an increased participation by domestic and international lottery suppliers and the rapid development of new channels and platforms such as internet and mobile smart phones, the Group anticipates that new attractive games with modern technology and new online distribution channels are essential to the Group's future success, and acknowledges that considerable capital investment will be a pre-requisite to effective participation.

Set out below is a summary of the Group's business and strategy for each of its business segments. In each of those segments, Lottery Agencies, being the only authorised institutions running the lottery business in the PRC, are the Group's only customers for lottery games, systems and hardware.

Games and systems

Development and supply of lottery games, related software and its underlying supporting systems to Lottery Sales Agencies

The Group is engaged by Lottery Sales Agencies as a technology supplier to supply lottery games and underlying supporting systems, and as a service provider to provide related technical services. The lottery games are developed and designed by the Group and its business partners and the Group is generating revenues through the supply of such lottery games, related software and underlying supporting systems and the provision of related technical services (covering, among others, operation and maintenance of the relevant lottery system) to Lottery Sales Agencies for a service fee under technical service agreements entered into with Lottery Sales Agencies. The Group also cooperates with major international lottery technology and services suppliers to co-develop, localise and customise lottery products for use in the PRC lottery market.

Through AGT, the Group's joint venture with Ladbroke Group, and the subsidiaries of AGT, the Group has developed and successfully launched a Ministry of Finance-approved virtual fixed odds sports betting system as well as the first games running thereon comprising "Lucky Racing" and "e-Ball Lottery". As at the date of this announcement, these two games are the only revenue-generating games of the Group.

The Group has launched a number of strategic initiatives to introduce new types of lottery games in the PRC, including a mobile smart phone lottery game and system, a high frequency numbers-based lottery game, and a poker lottery game. Set out below is a list of such lottery games, related software and supporting systems that are currently being developed, co-developed, localised or customised by the Group and which the Group intends to introduce to the market to generate revenue for the Group in the future, pending relevant regulatory approvals having been obtained and technical service agreements being entered into with Lottery Sales Agencies.

Products under development/pending approval	Category
Mobile lottery Sales and Management platform	Paperless Lottery Sales Management Platform
Mobile Lottery Sales Platform	Paperless Lottery Sales Management Platform
Cupid iOS Client Software	Paperless Lottery Sales Management Platform
Cupid Android Client Software	Paperless Lottery Sales Management Platform
AGB Website Syndicated Center Software	Paperless Lottery Sales Management Platform
AGB Syndicated Software	Paperless Lottery Sales Management Platform
AGB Account Operation Software	Paperless Lottery Sales Management Platform
AGB Account Details Software	Paperless Lottery Sales Management Platform
AGB Account information Software	Paperless Lottery Sales Management Platform
AGB Prize Publish Software	Paperless Lottery Sales Management Platform
AGB Users Purchase Records Software	Paperless Lottery Sales Management Platform
AGB Pick 5 from 11 Lottery Tickets Software	Paperless Lottery Sales Management Platform
AGB Welfare 3D Lottery Tickets Software	Paperless Lottery Sales Management Platform
AGB Help Center Software	Paperless Lottery Sales Management Platform
AGB Lucky Racing Game Lottery Tickets Software	Paperless Lottery Sales Management Platform
AGB Virtual Football Lottery Tickets Software	Paperless Lottery Sales Management Platform
AGB Statistic Analysis Software	Paperless Lottery Sales Management Platform
AGB Time Synchronisation Management Software	Paperless Lottery Sales Management Platform
AGB Task Scheduler Management Software	Paperless Lottery Sales Management Platform
AGB Consulting Management Software	Paperless Lottery Sales Management Platform
AGB Draw Prize Management Software	Paperless Lottery Sales Management Platform
AGB Payout Management Software	Paperless Lottery Sales Management Platform
AGB Security Warning Software	Paperless Lottery Sales Management Platform
AGB Risk Management Software	Paperless Lottery Sales Management Platform
AGB Games Management Software	Paperless Lottery Sales Management Platform
AGB Betting Management Software	Paperless Lottery Sales Management Platform
AGB Red Envelope Management Software	Paperless Lottery Sales Management Platform
Self-service Lottery Terminal Management System	Self-service Lottery Terminal Management System
Self-service Lottery Terminal Betting System	Self-service Lottery Terminal Betting System
Client-ware of Poseidon Self-service System	Paperless Lottery Sales Management Platform

Products under development/pending approval	Category
e-Bingo game software and its supporting/related systems	High Frequency Numbers-Based Lottery Game and System
Map-concept lottery game and its supporting/related systems	Mobile Smart Phone Lottery Game and System
Read and Present Instant ticket Device	Smart Device Instant Lottery Verification and Sales System
Dragon Mobile Instant Scratch Lottery Game	Mobile Instant Scratch Lottery Game
Lucky Numbers Mobile Instant Scratch Lottery Game	Mobile Instant Scratch Lottery Game
Chess and Poker Lottery Games and related supporting systems	Chess and Poker Mobile Interactive Lottery Game and System

The products listed above are at varying stages in the product development and approval lifecycle. The Company expects that the R&D costs for conceiving these games, making them ready for the approval application process and, if then approved, for bringing them to market and enhancing their scalability will be significant and ongoing in nature.

In addition, the Group is also engaged in the development or localisation of other games provided by various major international lottery technology and services suppliers. Those games are still in the preliminary process of development/localisation and have not yet been presented to Lottery Agencies for application purposes. The on-going technology development work associated with these projects is expected to be significant and costly.

The Group does not receive any revenue for the development of lottery games, game software, related supporting systems or lottery hardware. Income is only generated after the entering into of relevant technical services agreement and upon the launch of a lottery game. As the launch of a lottery game is subject to the MOF's approval (as described below in the section "The PRC Lottery Regulatory Environment Relating to the Group's Business") there is no assurance that the new lottery games that the Group is currently developing or that have been submitted to the MOF for approval will be accepted and approved by the MOF. Without the prior approvals and consents from the necessary authorities, including the MOF's approval, there is no assurance that the new lottery games that are currently being developed by the Group or that have been submitted to the MOF for approval will be launched to the market. Accordingly, the Group may not be able to recover its costs and expenses incurred for the development of these lottery games and the Group may not be able to realise the revenues it is aiming to realise through these newly developed lottery games.

Further, the Group acts as a technology supplier to Lottery Sales Agencies and receives service fees on and subject to the terms and conditions of the relevant technical service agreements entered into with Lottery Sales Agencies. Accordingly, the terms and conditions of such technical service agreements are critical to the Group. The terms of the technical service agreements that the Group may enter in the future in respect of lottery games that are currently under development or that have been submitted to the MOF for approval may not be as favourable as the terms that the Group is expecting. There is also no assurance that such service agreements can be entered into by the Group at all.

So far as the Group understands, as the PRC lottery market is still in an early stage of development, there is a limited supply of experienced personnel and advanced technology. PRC lottery suppliers have limited R&D capability, and most of the lottery products now available in the PRC lack modern technologies and are less entertaining than the popular lottery games available in the global market. The Group believes that the lack of attractive lottery games is one of the reasons for the relatively low level of adult lottery betting participation in the PRC compared to other countries. Therefore, the Group considers that the ability to supply attractive lottery games and underlying supporting systems and bring in global modern technology would be crucial for it to gain and strengthen its market position. To achieve this, resources will need to be allocated to attract talented personnel, to invest in R&D activities, and to acquire advanced technology and systems from major international lottery technology and services suppliers.

Hardware

Development, sales and maintenance of lottery hardware

The Group also develops, sells and maintains lottery hardware (including terminals and other lottery-related equipment), which serve as a platform for users to place bets for games operated by the Lottery Agencies (including for the Group's lottery games). The Group generates revenue by (i) the sale of lottery hardware to Lottery Sales Agencies in return for a fixed consideration; and (ii) the provision of related technical services for the operation and maintenance of these platforms in return for services fees.

Set out below is a list of hardware terminals and lottery-related equipment developed and maintained by the Group as at the date of this announcement:

Category Product and Series No.	Category
Series RS6500, CP86, CJ3000, C8, M6, A210 and LB680	Computerised Lottery Terminals
GMT80	Instant Ticket Verification Terminals (IVT) for sports lottery market
LB380、LB480、LB380n、LB580S、JK8100L	Instant Ticket Verification Terminals(IVT) for welfare lottery market
BCR	Instant Ticket Barcode Reader compatible with sports lottery second generation system
SSP	Self-service Lottery Terminals
Information Display Box	Multimedia Video Box
Video e-instant lottery Terminal	Video Lottery Terminal

In light of rapid technology development in the modern age, the Group believes that ongoing R&D activities are essential to ensure that the Groups' hardware business remains up-to-date and equipped with competitive technology. In addition, the Group believes that opportunities are likely to emerge to complement its existing fixed consideration lottery hardware products with more sophisticated hardware solutions that can be deployed to the market as bundled products involving the supply of hardware that is integrated with lottery games and underlying supporting systems and which would benefit from a revenue sharing model. Such new hardware opportunities offer considerable potential but will require significant upfront development costs and, if approved, considerable on-going capital.

Distribution

Sales and Distribution of Lottery Games

The Group operates two offline lottery shops in Jiangsu Province and Hunan Province for the sale and distribution of lottery games (including games developed by the Group as well as Lottery Agencies or other third parties) at provincial level. The Group believes that the operation of distribution points allows the Group to directly gauge and assess market needs and interests, which enables the Group to improve its lottery products as well as its marketing strategies.

As part of the Group's vertical integration strategy and in anticipation of the future growth in the market, the Group intends to acquire licensed lottery distributors in different provinces to expand its sales and distribution network.

In light of the proven potential of the mobile and internet channels, and the recently reported comments of senior Lottery Agency and regulator officials at a recent annual lottery strategy meeting regarding the lottery's active pursuit of preparatory work for an internet sales pilot scheme, the Group believes that new approvals for lottery sales in the PRC through online and mobile channels are likely to be approved. Given the popularity of the internet and mobile smart phones, should these channels re-open, the Group expects competition for online sales and distribution of lottery products to become increasingly intense.

In order to prepare itself for a re-opening of the online distribution market and to enable the Group to be competitive in the online lottery distribution business, the Company considers the following factors to be crucial for its future business and development:

- *Advanced technology and control mechanisms.* The Group understands that a major reason for the implementation of the 2015 Announcement of Eight Ministries is to allow for proper regulation of sales and distribution of lottery through online channels. Therefore, the Group believes that adequate technology and control mechanisms will be essential to secure the relevant approvals under the 2015 Announcement of Eight Ministries. In particular, the Group believes that any new 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. So far as the Group is aware, such technology has not yet matured in the PRC.

- Effective marketing and advertising campaign. The success of online distribution of lottery products depends on its popularity and accessibility to end-customers, which in turn requires effective marketing and advertising campaigns. Marketing and advertising is extremely costly. 500.com, a major PRC online lottery distribution company, reported a sales and marketing expense of US\$28 million in 2014 (representing approximately 38.9% of its total costs of operating expenses for the relevant year).

The development of the technology that will enable the Group to offer scalable distribution and the launch of effective marketing and advertising campaign as described above will require significant capital investment by the Group. The Group believes that access to market-leading online lottery content, system and distribution technology as well as cost-effective access to high-volume distribution channels will be a key to successful online sales and distribution of lottery products and it is in line with the Group's long term strategy and vision to tap into the online lottery market. The Group expects that, should the mobile and internet channels re-open, the Group will benefit significantly from the existing resources of the Subscriber, Alibaba Group and Ant Financial Group pursuant to the Business Cooperation Framework Agreement. At the date of this announcement, in order to put itself in a strategic position in the market when the mobile and internet channels re-open, the Group is also in the process of acquiring two targets which would potentially provide the Group with online lottery distribution rights in certain provinces.

However, while the potential of the mobile and internet distribution channels is huge, there is uncertainty as to when such channels will be approved and whether the Group will obtain the requisite licenses or acquire the right targets with such license to conduct online sales and distribution of lottery products, as the relevant laws and regulations are relatively new.

Services

Provision of Other Ancillary Services

Incidental to the services set out above, the Group is also from time to time engaged by Lottery Sales Agencies for the provision of other ancillary services such as consulting, marketing, training and channel management.

The PRC Lottery Regulatory Environment Relating to the Group's Business

Lottery Regulatory Authorities

Since 1991, the PRC government has promulgated a series of rules and regulations to administer the lottery industry in the PRC.

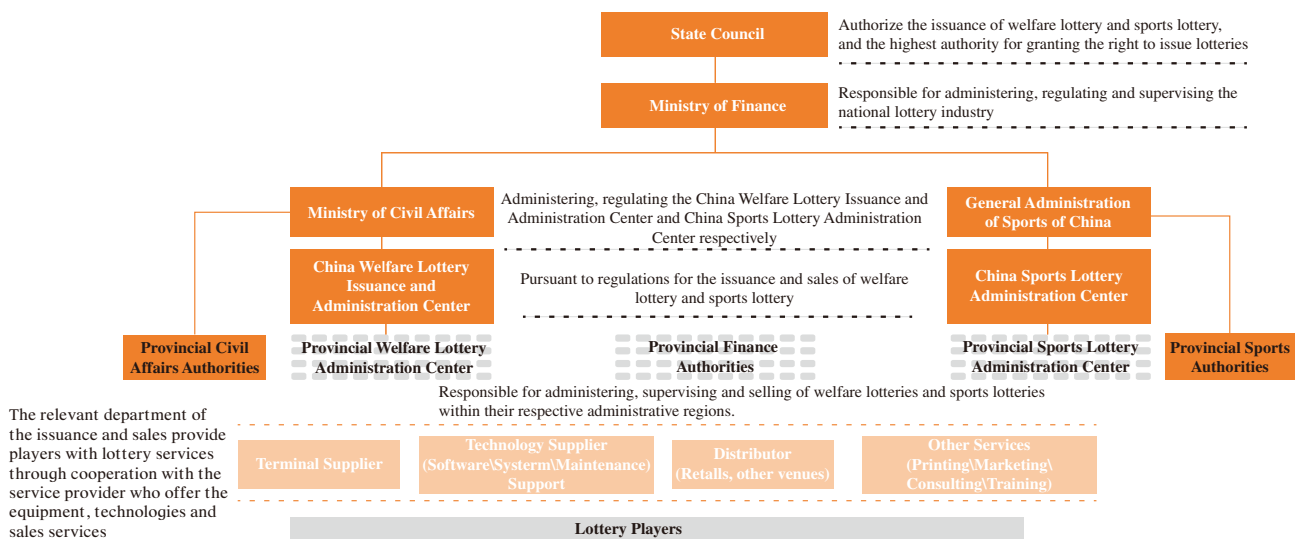
The State Council is vested with the power to authorise the issuance of welfare lottery and sports lottery. The State Council is also the highest authority for granting the right to issue lotteries.

Two categories of lottery products are currently approved by the State Council, namely sports lottery products and welfare lottery products, which are issued by China Sports Lottery Administration Center and China Welfare Lottery Issuance and Administration Center (i.e. the Lottery Issuance Agencies), respectively.

The PRC lottery regulatory regime is administered through the following authorities and institutions:

- The MOF is responsible for administering, regulating and supervising the national lottery industry, whereas the provincial counterparts of the MOF are responsible for administering and supervising the lottery industry within their respective administrative regions.
- The Ministry of Civil Affairs (the **MOCA**) and the General Administration of Sport of China (the **GASC**) are responsible for administering and regulating welfare lottery and sports lottery, respectively.
- The civil affairs departments and sports administration departments of provincial governments are responsible for the administration of welfare lotteries and sports lotteries within their respective administrative regions.
- The China Welfare Lottery Issuance and Administration Center and the China Sports Lottery Administration Center (collectively, the **Lottery Issuance Agencies**) are responsible for the issuance and organisation of sales of welfare lotteries and sports lotteries at the national level.
- Lottery sales offices established by the civil affairs' departments and sports administration departments of the PRC government at the provincial level (the **Lottery Sales Agencies**) are responsible for the sales of the welfare lotteries and sports lotteries that are distributed within their respective administrative regions.

The following organisation chart illustrates the overall governmental administrative authority in the PRC lottery operation:



Approval and Implementation of New Lottery Games

Prior to the launch of a new lottery game, a Lottery Issuance Agency is required to apply to the MOCA or the GASC for creating a specific type of welfare or sports lottery game, for changing approved items of existing games (including game rules) or for abolishing existing games, which application will then be further submitted to the MOF for its examination and approval.

Upon the approval by the MOF, the relevant Lottery Agency will then enter into a technical services agreement with a third party technology provider in relation to the implementation, operation, management and maintenance of the new lottery game.

In addition, a relevant Lottery Sales Agency will prepare a sales implementation plan, which addresses, among other things, the proposed sales commencement date, promotion plans and risk control measures for the new lottery game.

Under the technical service contract entered into by the Lottery Agency with the relevant third party technology provider, the technology supplier provides the Lottery Agency with the lottery game (comprising mainly the design and rules of the game) and the underlying supporting systems for the operation of the game by the Lottery Agency as well as ancillary maintenance services in consideration for the payment of a remuneration or service fee. Under this cooperation model as currently in place in the PRC for the development and operation of lottery games, the third party technology provider also assists the Lottery Agencies in ensuring compliance with relevant reporting and application procedures as required by law.

In practice, a technical service agreements in respect of a new lottery game may be signed before the game is approved by the MOF, in which case, however, the effectiveness of the technical service agreement will be subject to the obtaining of final approvals and consents from the necessary authorities, including, the MOF's approval of the lottery game, and the provincial finance authorities' approval on governmental procurement.

New Lottery Distributorship Approval Procedures

Separate licensing requirements apply in respect of the sale and retail of lottery games.

Generally, under the applicable PRC laws and regulations, a distribution licence for the sale and distribution of lottery games through offline channels, i.e. land-based lottery shops, has to be obtained from the Lottery Agencies, and no approval by the MOF is required. However, the sale of lottery through new channels (including internet sales and telephone sales) requires relevant distribution licenses approved by the MOF. Under the applicable PRC regulations, the sale of lottery through mobile phones is regarded as telephone sales and therefore a telephone distribution license is required for sales and distribution of lottery through mobile applications.

Uncertainties for the Group resulting from the PRC regulatory regime

- Under the current PRC regulatory regime, lottery products offered by provincial lottery administration centers may be discontinued or subject to restriction and regulations by the relevant national lottery administration centers. There is no assurance that the lottery products underlying the system and technology supplied by the Group will be maintained, and if such lottery products are discontinued or restricted, there may be an adverse effect on the revenue, financial condition and results of operations of the Group.
- In addition, the Group's business model in respect of the Group's existing supply of lottery games and the underlying supporting systems is largely based on revenue sharing of the sales of lotteries in certain provinces. There are risks that the administrative authorities might adjust the percentage of issue fees of sales of lotteries. In the case of decrease of issue fees, the technology providers receiving service fees on revenue-sharing basis may be requested to decrease their fees proportionally.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is HK\$20,000,000 divided into 10,000,000,000 Shares, of which 4,684,060,628 Shares have been allotted and issued as fully paid or credited as fully paid. As at the date of this announcement, other than the said 4,684,060,628 Shares and 833,236,249 outstanding share options granted by the Company, the Company does not have any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

In order for the Company to carry out the Subscription and to fulfil its pre-existing obligations involving issue of Shares, the Board proposes to increase the authorised share capital of the Company to HK\$40,000,000 divided into 20,000,000,000 Shares by the creation of an additional 10,000,000,000 Shares (i.e. the Authorised Share Capital Increase). The proposed Authorised Share Capital Increase is subject to the approval of the Shareholders at the SGM.

Immediately after the Authorised Share Capital Increase the authorised share capital of the Company will be HK\$40,000,000 divided into 20,000,000,000 Shares.

An ordinary resolution, to be voted by way of a poll, to approve the proposed increase in the authorised share capital of the Company will be proposed at the SGM. Further information about the Authorised Share Capital Increase will be included in the circular to be issued and dispatched by the Company in relation to the Subscription, the Whitewash Waiver together with the notice of the SGM.

INFORMATION ON THE SUBSCRIBER

The Subscriber is a company incorporated in the British Virgin Islands and indirectly held as to 60% by Alibaba Holding and as to 40% by Ant Financial. The principal activity of the Subscriber is investment holding.

Alibaba Holding is a company incorporated in the Cayman Islands and its American depositary shares are listed on the New York Stock Exchange. As of the date of this announcement, substantial shareholders (as defined in the Takeovers Code) of Alibaba Holding are SoftBank Group Corp., a company listed on the Tokyo Stock Exchange, and Yahoo! Inc. which (directly or indirectly) hold approximately 32.2% and 15.5%, respectively, of the shares in Alibaba Holding.

Alibaba Group's mission is to make it easy to do business anywhere. It is the largest online and mobile commerce company in the world in terms of gross merchandise volume. Founded in 1999, Alibaba Holding provides the fundamental technology infrastructure and marketing reach to help businesses leverage the power of the Internet to establish an online presence and conduct commerce with hundreds of millions of consumers and other businesses.

Alibaba Holding's major businesses include:

- Taobao Marketplace (www.taobao.com), the PRC's largest online shopping destination;
- Tmall.com (www.tmall.com), the PRC's largest third-party platform for brands and retailers;
- Juhuasuan (www.juhuasuan.com), the PRC's most popular online group buying marketplace;
- Alitrip (www.alitrip.com), a leading online travel service platform;
- AliExpress (www.aliexpress.com), a global online marketplace for consumers to buy directly from the PRC;
- Alibaba.com (www.alibaba.com), the PRC's largest global online wholesale platform for small businesses;
- 1688.com (www.1688.com), a leading online wholesale marketplace in the PRC; and
- AliCloud (www.alicloud.com), a provider of cloud computing services to businesses and entrepreneurs.

Ant Financial Group is focused on serving small and micro enterprises as well as consumers. With vision "to turn trust into wealth", Ant Financial Group is dedicated to building an open ecosystem of Internet thinking and technologies while working with other financial institutions to support the future needs of society. Businesses operated by Ant Financial Group include Alipay, Yu'e Bao, Zhao Cai Bao, Ant Micro Loan and Sesame Credit.

As of the date of this announcement, approximately 48.4% of Ant Financial's equity interests are held by Hangzhou Junhan Equity Investment Partnership (**Junhan**), a PRC limited partnership, approximately 38.3% of its equity interests are held by Hangzhou Junao Equity Investment Partnership (**Junao**), a PRC limited partnership, and approximately 13.3% of its equity interests are held by other shareholders. The economic interests in Junhan and Junao are currently owned by Jack Ma, the senior management and other employees of Alibaba Holding Group and Ant Financial Group.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are parties independent of the Company and the connected persons (as defined under the GEM Listing Rules) of the Company.

DEALING AND INTEREST OF THE SUBSCRIBER, ALIBABA HOLDING, ANT FINANCIAL AND PARTIES ACTING IN CONCERT WITH ANY OF THEM IN THE SECURITIES OF THE COMPANY

As at the date of this announcement, save for the Subscription:

- (i) the Subscriber and parties acting in concert with it do not hold, control or have direction over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (ii) the Subscriber and parties acting in concert with it have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (iii) there is no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscriber, which might be material to the Subscription and the Whitewash Waiver, with any other persons;
- (iv) there is no agreement or arrangement to which the Subscriber or any party acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and the Whitewash Waiver; and
- (v) none of the Subscriber or any party acting in concert with it have received any irrevocable commitment to vote for or against the Subscription or the Whitewash Waiver.

Except for the entering into of the Subscription Agreement, none of the Subscriber and parties acting in concert with it, has dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares, during the six months prior to the date of this announcement.

FUTURE INTENTIONS OF THE SUBSCRIBER REGARDING THE GROUP

The Subscriber intends to continue and promote the development of the existing business of the Group leveraging on the experience, expertise and resources of the Subscriber and its Affiliates, including, in particular, Alibaba Group's experience and service offerings in the areas of e-commerce platforms, cloud computing and data processing, and the Subscriber currently does not have the intention to downsize the existing business of the Group. On the terms and conditions of the Business Cooperation Framework Agreement to be entered into at Completion (details of which are set out above), it is further intended that the Group will become the exclusive business platform of Alibaba Group and Ant Financial Group for their respective lottery businesses. Except as contemplated under the Business Cooperation Framework Agreement, as at the date of this announcement, the Subscriber, Alibaba Group and/or Ant Financial Group on the one hand and the Group on the other hand have not entered into, nor are negotiating, any definitive plans, proposals, arrangements or agreements in respect of the injection and sale of assets or businesses by the Subscriber, Alibaba Group and/or Ant Financial Group to the Group.

REASONS FOR THE SUBSCRIPTION

The Directors (excluding the members of the Independent Board Committee who will express their opinion after considering the advice of the independent financial adviser as to the fairness and reasonableness of the terms of the Subscription and the Whitewash Waiver) are of the view that:

- (a) the Subscription is a valuable opportunity for the Group to bring in a solid strategic corporate investor considering that the Subscriber's shareholders are Alibaba Group, the largest online and mobile commerce company in the world in terms of gross merchandise volume, and Ant Financial Group, which operates businesses such as Alipay, Yu'e Bao, Zhao Cai Bao, Ant Micro Loan and Sesame Credit.
- (b) Upon the terms of the Business Cooperation Framework Agreement to be entered into at Completion (details of which are set out above), the Group is intended to become the exclusive business platform of Alibaba Holding and Ant Financial for lottery businesses. In addition, Alibaba Group and Ant Financial Group are expected to provide technical services and resources to the Group, such as in the areas of cloud computing and e-commerce. The Company expects that this will enable the Group to develop and expand its existing offline lottery business and, in particular, the mobile and internet lottery business where the Group sees significant synergy potential.
- (c) Through the Subscription, the Company will raise a substantial amount of additional funds which will improve the financial position and liquidity of the Group and provide the Company with the financial flexibility necessary for the Group's future business development and the capability to capture any prospective acquisition opportunities as and when they arise.
- (d) The Subscription Price and the Conversion Price of HK\$0.3478 represents a premium of approximately 20.43% over the unaudited consolidated net asset per Share as at 30 June 2015 as set out above.

- (e) The trading price of the Shares has been volatile for the past 12 months prior to the date of this announcement, ranging from HK\$0.7400 on 4 March 2015 to HK\$1.9900 on 4 March 2016 and the price per Share has risen by approximately 169% in the past 12 months. Therefore, the Company considers that the recent trading price of the Shares is not a suitable to be seen as a decisive reference for determining the Subscription Price and the Conversion Price.

In light of the factors set out above, the Directors (excluding the members of the Independent Board Committee who will express their opinion after considering the advice of the independent financial adviser as to the fairness and reasonableness of the terms of the Subscription and the Whitewash Waiver) consider that the terms of the Subscription are fair and reasonable and on normal commercial terms and the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the Subscription would amount to approximately HK\$2,388,000,000. The net proceeds, after taking into account the estimated expenses in relation to the Subscription, would be approximately HK\$2,380,000,000, representing a net price of approximately HK\$0.3466 per Subscription Share.

The net proceeds from the Subscription will be used to fund the existing operations and future development of the Company's existing principal businesses. In particular, the proceeds of the Subscription are intended to be allocated for each of the business segments and for general corporate purposes as follows:

- (i) **Games and systems:** approximately HK\$1,200 million (i.e. approximately 50.42%) of the proceeds are intended to be used to fund the expansion of the Group's existing business in relation to the development of lottery games, related software and underlying supporting systems. In particular, proceeds are intended to be allocated towards:
- (a) capital investment in on-going development of new lottery games to be introduced to the market in near future pending regulatory approval. As set out in the table under the section headed "The Group's existing business and development strategy — Games and Systems — Development and supply of lottery games, related software and its underlying supporting systems to Lottery Sales Agencies", the Group has been developing, co-developing, localising or customising lottery games, related software and underlying supporting systems which are intended to be introduced to the market in the near future, subject to the approval of relevant governmental authorities and signing of relevant technical services agreements with Lottery Sales Agencies. Once approved, considerable investments are required in order to enhance the scalability of these games, software and systems before they can be formally launched in the market;

- (b) research and development of new lottery products of the Group. The Group has invested in, and will continue to invest in the R&D activities in respect of new lottery products to expand the Group's product base. Two major international lottery technology and services companies have indicated their willingness to cooperate with the Group and to provide the Group with a considerable number of new games for the Group's localisation and customisation and introduction to the PRC lottery market. The Group expects significant R&D investments to be allocated to towards the localisation and customisation of such new games to the PRC lottery market. Although the amount of funds intended to be used by the Group for R&D is not comparable to that of major global market players, the Company expects that such funds should be sufficient to support the Group's R&D activities in the next two to three years;
- (c) expansion and development of the Group's R&D capability in technology development for games and systems. The Group strives to develop its own R&D capability, and will continuously invest into its existing on-going lottery technology development work, including but not limited to establishing its own R&D centre and recruiting experienced local and international personnel to join its R&D team;
- (d) acquisition of lottery systems and lottery games or companies which have such systems and games. "Lucky Racing", "e-Ball Lottery" as well as several new types of lottery games the Group plans to launch in the near future have been or are being co-developed, localised or customised by the Group based on systems and games originally developed by major international lottery technology and services companies. While the Group will strive to build up its own R&D ability as mentioned in sub-paragraph (c) above, an alternative and at times more efficient option for the Group may be to acquire lottery systems and lottery games from major lottery suppliers in the global market, or to acquire companies which have such products and technologies directly. The Group has been searching for, and will continue to search for, suitable acquisition targets with a view to carry out such acquisitions within the next two years; and
- (e) funding the remaining consideration for the Score Value Transaction contingent upon certain performance targets. As disclosed in the Company's circular dated 8 December 2014 and the announcement of the Company dated 8 January 2015, part of the consideration for the Score Value Transaction shall be payable upon the fulfillment of certain performance targets as set out in the relevant acquisition agreement. Since the major reason for the Score Value Transaction is the technical ability of its subsidiary to develop lottery games for mobile smart phones, if the performance targets in respect of the Score Value Transaction are not met, and as a result, the part of the remaining cash consideration for the Score Value Transaction in the amount of approximately HK\$50 million ceases to be payable, the Group will continue to seek targets which have similar abilities and allocate that part of the fund for such acquisitions accordingly.

- (ii) **Hardware:** approximately HK\$120 million (i.e. approximately 5.04%) of the proceeds are intended to be used to fund R&D activities to upgrade the Group's hardware with more sophisticated technology to keep up with latest technology development. With adequate capital, the Group will be able to develop hardware solutions that can be bundled and integrated with the lottery games and underlying supporting systems, and to expand the existing revenue-sharing model from games and underlying supporting system business to its hardware business in the PRC lottery market;
- (iii) **Distribution:** approximately HK\$850 million (i.e. approximately 35.71%) of the proceeds are intended to be used to fund the expansion of the Group's offline sales and distribution network and the construction of the Group's online sales and distribution network as follows:
- (a) expansion of offline sales and distribution business. The Group considers that offline sales and distribution remains important to promote offline lottery games provided by the Group and/or other third parties, to strengthen the Group's customer-base in preparation of its potential mobile and internet lottery distribution channels, as well as to create an interactive online-offline business model;
 - (b) marketing and advertising campaigns for its existing offline lottery games. Since those games are provided to the Lottery Sales Agencies on revenue-sharing basis, marketing and advertising activities can significant push up the sales volume and benefit the Group. The Group will need to continue to spend on marketing and advertising campaigns to attract and retain offline customers;
 - (c) acquisitions of online and offline distributors. Presently, other than the two offline lottery shops in Jiangsu Province and Hunan Province, the Group does not possess other direct sales and distribution channels. By acquiring licensed online and offline distributors, the Group will be able to expand its footprint in the PRC and extend its sales and distribution network (especially its online distribution network such as internet and mobile channels) as part of the Group's vertical integration into the lottery industry. The Group has identified some suitable targets and plans to carry out the acquisitions in the coming one to two years;
 - (d) online sales and distribution of lottery products (including but not limited to the future cooperation with Taobao Software and Alipay). The Group takes the view that new online distributor licenses (including internet and mobile channels) for lottery sales in the PRC are likely to be approved, and resources will be allocated to cater for technical upgrade of the relevant software and systems. The proposed cooperation between the Group with Taobao Software and Alipay as contemplated under the Business Cooperation Framework Agreement is expected to provide the Group with access to massive online traffic generated by Taobao Software and Alipay. Considerable costs will be involved to enhance capability and scalability of the Group's systems to accommodate such massive online traffic. Furthermore, the Group will need to continue to spend on marketing and advertising campaigns to attract and retain online customers.

- (iv) **General corporate purposes:** approximately HK\$210 million (i.e. approximately 8.82%) of the proceeds are intended to be used to repay existing debts of the Group and as general working capital of the Group. Besides the secured bank borrowing of HK\$11.6 million disclosed in the Group's interim report 2015, the Group has obtained a bank facility in the amount of RMB30 million (as at the date of this announcement, the outstanding amount is RMB30 million) in the PRC in late 2015. The Group intends to allocate part of the proceeds to repay existing bank loans as well as debts owed to its suppliers. The Group is also considering allocating more working capital into certain subsidiaries for the implementation of the aforesaid expansion plan as set out in the paragraphs (i) to (iii) above within the next two years.

Most of those above mentioned activities require significant upfront investment. The Group expects to deploy proceeds from the Subscription in stages over a period of two to three years according to the proportion set out above. Set out below is the Group's plan to utilise approximately HK\$1,330 million (representing approximately 55.88% of the aggregate net proceeds from the Subscription) in the next 12 months from the date of Completion:

Item	Amount (HK\$ million)
(i) Games and systems: Expansion of the Group's existing business relation to the development of lottery games, related software and underlying supporting systems	
(a) <i>capital investment in on-going development of new lottery games to be introduced to the market pending regulatory approval</i>	100
(b) <i>research and development of new lottery products of the Group</i>	100
(c) <i>expansion and development of the Group's R&D capability in technology development for games and systems</i>	50
(d) <i>acquisition of lottery systems and lottery games or companies which have such systems and games</i>	500
(e) <i>funding the remaining consideration for the Score Value Transaction contingent upon certain performance targets</i>	50
Sub-total	800

Item	Amount (HK\$ million)
(ii) Hardware: R&D activities to upgrade the Group's hardware products with more sophisticated technology that are supplied to Lottery Agencies based on a revenue-sharing model	80
(iii) Distribution: Expansion/constructions of the Group's sales and distribution offline/online network by:	
(a) <i>expansion of offline sales and distribution business</i>	50
(b) <i>marketing and advertising campaigns for its existing offline lottery games</i>	50
(c) <i>acquisitions of online and offline distributors</i>	150
(d) <i>online sales and distribution of lottery products (including but not limited to the future cooperation with Taobao Software and Alipay)</i>	100
Sub-total	350
(iv) General corporate purposes: Repay existing debts of the Group and as general working capital of the Group	100
Total	1,330

The above detailed utilisation plan for the use of proceeds was prepared based on the following major assumptions:

- 1) the Group is engaged by the Lottery Sales Agencies as the technical service provider for certain of the lottery games currently pending the regulatory approval within the Group's expected timetable;
- 2) the Group enters into supply agreements with Lottery Agencies for the supply of hardware on a revenue sharing basis;
- 3) the Group acquires lottery games and systems from lottery suppliers in the global market, and/or acquires such suppliers;
- 4) the Group's cooperation with international lottery technology and services companies for the localisation and customisation of lottery products has reached a substantive stage;
- 5) the Group acquires suitable online and offline distributors; and
- 6) there is no material adverse change in the lottery related regulations/laws in the PRC.

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the present financial resources available to the Group and the expected funding needs of the Group, the net proceeds from Subscription will be able to satisfy the Company's expected funding needs for the next 12 months from the date of Completion in the absence of unforeseen circumstances. In addition, the Company currently has no plans to conduct further fund raising activities in the next 12 months.

NO FUND RAISING EXERCISE FOR THE PAST 12 MONTHS

Save for the Subscription, the Company did not undertake any equity fund raising exercise in the past 12 months immediately prior to the date of this announcement.

IMPLICATIONS UNDER THE TAKEOVERS CODE

Immediately after the Completion, assuming that the Convertible Bonds are not converted at all and there is no other change in the issued share capital of the Company, the Subscriber (together with parties acting in concert with it (as defined in the Takeovers Code)) will in aggregate be interested in 4,817,399,245 Shares, representing approximately 102.85% of the issued share capital of the Company as at the date of this announcement and approximately 50.70% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares.

Immediately after the Completion, assuming that the Convertible Bonds are converted in full at the initial Conversion Price of HK\$0.3478 per Conversion Share and there is no other change in the issued share capital of the Company, the Subscriber (together with parties acting in concert with it (as defined in the Takeovers Code)) will in aggregate be interested in 6,866,317,966 Shares, representing approximately 146.59% of the issued share capital of the Company as at the date of this announcement and approximately 59.45% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares and Conversion Shares.

As Mr. Sun and the Subscriber will control 21.40% and 50.70% shareholding interest in the Company immediately upon Completion (assuming that the Convertible Bonds are not converted and there is no other change in the issued share capital of the Company), Mr. Sun would be deemed to be acting in concert with the Subscriber under class (1) in the definition of "acting in concert" under the Takeovers Code following Completion. Accordingly, the Subscriber together with parties acting or presumed to be acting in concert with it will hold an aggregate of 6,850,727,245 Shares, representing approximately 146.26% of the issued share capital of the Company as at the date of this announcement and 72.10% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares. Notwithstanding the foregoing, as at the date of this announcement, Mr. Sun is not acting in concert nor presumed to be acting in concert with the Subscriber.

Under Rule 26.1 of the Takeovers Code, upon the allotment and issuance of the Subscription Shares at Completion (assuming that there is no conversion of any of the Convertible Bonds and no other change of the issued share capital of the Company), the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive. The Subscriber will therefore make an application to the Executive for the Whitewash Waiver in respect of the allotment and issuance of the Subscription Shares.

Furthermore, assuming that there is no further change in the issued share capital of the Company at Completion other than the issuance of the Subscription Shares, it is unlikely that the Subscriber would exercise the conversion rights attached to the Convertible Bonds immediately after Completion as the Company would otherwise fail to comply with the public float requirements under the GEM Listing Rules. As such, following Completion, the Subscriber's shareholding in the Company (which will be approximately 50.70%, assuming that there is no conversion of the Convertible Bonds or any other changes in the issued share capital of the Company) will be subsequently diluted and fall below 50% if Shares are further issued by the Company pursuant to the exercise of outstanding share options under the Share Option Schemes or other options to subscribe for Shares. Accordingly, in such scenario, the allotment and issuance of the Conversion Shares could result in an increase of the Subscriber's shareholding in the Company by more than 2% from the lowest percentage holding in the 12 month period ending on and inclusive of the date of the conversion, in which case the Subscriber would be required to obtain a second Whitewash Waiver from the Executive. As the Subscriber's shareholding in the Company immediately following Completion will barely exceed 50% due to the public float requirements under the GEM Listing Rules which prevent the Company from issuing more Shares to the Subscriber at Completion, and further considering the various outstanding share options under the Share Option Schemes and other options to subscribe for Shares which, if exercised following Completion, will result in the Subscriber's shareholding in the Company to fall below 50%, the Subscriber will make an application to the Executive for the Whitewash Waiver also in respect of the allotment and issuance of the Conversion Shares.

The Whitewash Waiver (in respect of both the Subscription Shares and the Conversion Shares), if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the SGM by way of a poll.

If the Whitewash Waiver is approved by the Independent Shareholders and Completion occurs, the aggregate shareholding of the Subscriber and parties acting in concert with it in the Company will exceed 50%. The Subscriber and parties acting in concert with it may further increase their shareholdings in the Company through the conversion of the Convertible Bonds or otherwise without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

GENERAL

The Independent Board Committee will be formed to advise the Independent Shareholders in relation to the Subscription and the Whitewash Waiver. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard and an announcement will be made upon its appointment.

The SGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the execution, delivery and performance of the Subscription Agreement; (ii) the allotment and issuance of the Subscription Shares and the Convertible Bonds in accordance with the Subscription Agreement; (iii) the specific mandate under which the Subscription Shares and, upon conversion of the Convertible Bonds, the Conversion Shares will be issued; (iv) the Whitewash Waiver; and (v) the Authorised Share Capital Increase.

The resolutions in relation to the Subscription Agreement and the Whitewash Waiver at the SGM will be voted on by the Independent Shareholders by way of a poll.

All Shareholders will be able to vote on the Authorised Share Capital Increase.

The Subscriber and parties acting in concert with it do not currently hold any Shares and accordingly will not vote on any of the resolutions at the SGM.

Mr. Sun and Maxprofit, who are parties to the Subscription Agreement, and Mr. Bai and Mr. Liang, who are involved in the Subscription, and each of their respective associates, will abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver.

As Mr. Cheng, who is involved in the Subscription, and his associates do not currently hold any Shares, none of them will vote on any of the resolutions at the SGM. However, if Mr. Cheng exercises any of his outstanding 44,944,800 share options prior to the date of the SGM, he will abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver.

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges.

A circular containing, among other things, details of the Subscription, the Whitewash Waiver and the Authorised Share Capital Increase, together with the recommendation of the Independent Board Committee to the Independent Shareholders, and the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the Whitewash Waiver and the notice of SGM will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code.

DEFINITIONS

“Affiliate”	in respect of any specified person, means any other person directly or indirectly Controlling or Controlled by or under direct or indirect common Control with such specified person
“AGT”	Asia Gaming Technologies Limited, a company incorporated in Hong Kong owned as to 51% by the Company
“Alibaba Holding”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the New York Stock Exchange
“Alibaba Group”	a group of companies comprising Alibaba Holding and its Subsidiaries, details of which are set out in the section headed “Information on the Subscriber” of this announcement
“Alipay”	Alipay.com Co., Ltd. (支付寶(中國)網絡技術有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Ant Financial
“Ant Financial”	Zhejiang Ant Small and Micro Financial Services Group Co., Ltd., a company incorporated in the PRC
“Ant Financial Group”	a group of companies comprising Ant Financial and its Subsidiaries
“Articles”	the Company’s articles of association from time to time
“Authorised Share Capital Increase”	the proposed increase in the authorised share capital of the Company from HK\$20,000,000 divided into 10,000,000,000 Shares to HK\$40,000,000 divided into 20,000,000,000 Shares
“Board”	the board of directors of the Company
“Bond Instrument”	the instrument to be executed as a deed by the Company constituting the Convertible Bonds in the form set out in the Subscription Agreement
“Business Cooperation Framework Agreement”	the business cooperation framework agreement to be entered between Taobao Software, Alipay and the Company at Completion

“Business Day”	means a day (other than a Saturday or Sunday or public holiday in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rain warning signal is hoisted in Hong Kong) on which commercial banks are open for business in Hong Kong and in the PRC
“Bye-Laws”	means the Company’s bye-laws from time to time
“Company”	AGTech Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the GEM of the Stock Exchange
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	the date of Completion, which shall be the seventh Business Day after the Unconditional Date, or on such other date as the parties may agree
“connected person(s)”	has the meaning ascribed to this term under the GEM Listing Rules
“Consultant Options”	the options granted to consultants of the Company to subscribe for up to 399,232,163 Shares pursuant to the Share Option Schemes
“Control”	<p>means in relation to an undertaking:</p> <ul style="list-style-type: none"> (i) the power to direct the exercise of a majority of the voting rights capable of being exercised at a general meeting of that undertaking; (ii) the right to appoint or remove a majority of the board of directors (or corresponding officers) of that undertaking; or (iii) the right to exercise a dominant influence over that undertaking by virtue of provisions contained in its constitutional documents or under a control contract or otherwise. <p>In each case either directly or indirectly and Controlled and Controlling shall be construed accordingly</p>
“Conversion Price”	the conversion price at which Conversion Shares are issued upon conversion of the Convertible Bonds, being initially HK\$0.3478

“Conversion Shares”	new Shares to be issued upon the exercise of the conversion rights under the terms of the Convertible Bonds
“Convertible Bonds”	subject to the fulfilment of the conditions precedent and the terms of the Subscription Agreement, newly issued convertible bonds in the principal amount of HK\$712,582,483 to be subscribed by the Subscriber upon Completion
“Directors”	members of the board of directors 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
“Fully-diluted Basis”	in calculations of share or shareholding amounts, that the calculation is to be made assuming that all outstanding options, warrants and other equity securities convertible into or exercisable or exchangeable for such shares, as applicable (whether or not by their terms then currently convertible, exercisable or exchangeable), have been so converted, exercised or exchanged
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and each of its Subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Immense Wisdom”	Immense Wisdom Limited, a company incorporated under the laws of the British Virgin Islands
“Independent Board Committee”	an independent board committee, expected to comprise all the non-executive Directors, namely Mr. Ho King Fung, Eric, Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qunyao, to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Subscription Agreement and the Whitewash Waiver

“Independent Shareholders”	shareholders other than the Subscriber, its associates and the parties acting in concert with it and other Shareholders, including Mr. Sun, Mr. Bai, Mr. Liang and their respective associates, who are interested or involved in the Subscription and the Whitewash Waiver
“King Achieve”	King Achieve Limited, a company incorporated under the laws of the British Virgin Islands
“Last Trading Day”	4 March 2016, being the last trading day before the entering into of the Subscription Agreement
“Listing Committee”	has the meaning given to it under the GEM Listing Rules
“Lottery Agencies”	means the Lottery Sales Agencies and the Lottery Issuance Agencies which are both established by the PRC government
“Maturity Date”	third anniversary of the date of issuance of the Convertible Bonds
“Maxprofit”	Maxprofit Global Inc, a company incorporated under the laws of the British Virgin Islands and wholly-owned by Mr. Sun
“Mr. Bai”	Mr. Bai Jinmin, who is an executive director of the Company
“Mr. Cheng”	Mr. Cheng Guoming, who is an executive director and the chief financial officer of the Company
“Mr. Liang”	Mr. Liang Yu, who is an executive director of the Company
“Mr. Sun”	Mr. Sun Ho, who is an executive director of the Company
“PRC”	the People’s Republic of China, and for the purpose of this announcement excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Rainwood Options”	the options which were granted to Rainwood Resources Limited on 3 May 2013 to subscribe for up to 212,879,224 Shares at an exercise price of HK\$0.4 per Share (subject to customary adjustment in the event of capitalisation issue) at any time during a 3-year period from 21 May 2013
“R&D”	research and development

“Score Value Transaction”	the acquisition of the entire equity interest in Score Value Limited by the Company as contemplated under the agreement 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 Immense Wisdom and King Achieve as the sellers dated 17 November 2014, pursuant to which, among other things, (i) Immense Wisdom and King Achieve were granted options to subscribe for up to 166,666,666 Shares at a subscription price of HK\$1.8 per Share and such options are contingent upon certain performance targets and (ii) Immense Wisdom and King Achieve may be issued up to 135,135,135 Shares if certain performance targets are achieved
“SGM”	the special general meeting of the Company to be held to approve, among other things, the Subscription and the Whitewash Waiver
“Share(s)”	ordinary shares with a par value of HK\$0.002 each in the capital of the Company (which include ordinary shares of the Company listed on the Stock Exchange) or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Company
“Share Option Schemes”	the option schemes under which options were granted to the consultants, directors and eligible employees of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Ali Fortune Investment Holding Limited, a company incorporated under the laws of the British Virgin Islands
“Subscription”	the subscription for the Subscription Shares and the Convertible Bonds subject to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 4 March 2016 and entered into between the Company, the Subscriber, Mr. Sun and Maxprofit

“Subscription Price”	the price of HK\$0.3478 for the subscription of each Subscription Share
“Subscription Shares”	subject to the fulfilment of the conditions precedent and the terms of the Subscription Agreement, 4,817,399,245 newly issued Shares to be subscribed by the Subscriber upon Completion
“Subsidiary”	includes, in relation to any person: (i) any company or business entity of which that person owns or controls (either directly or through one or more other subsidiaries) more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or business entity; (ii) any company or business entity of which that person owns or controls (either directly or through one or more other subsidiaries) not more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or business entity but effectively controls (either directly or through one or more other Subsidiaries) the management or the direction of business operations of such company or business entity; and (iii) any company or business entity which at any time has its accounts consolidated with those of that person or which, under Hong Kong law or any other applicable law, regulations or the Hong Kong Financial Reporting Standards or such other applicable generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Taobao Software”	Taobao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司), a company incorporated in the PRC and a subsidiary of Alibaba Holding
“Transfer”	means, in relation to any Shares (and any Shares derived from such Shares upon any consolidation or subdivision of share capital by the Company or any issue of bonus shares by the Company from time to time), directly or indirectly, to: <ul style="list-style-type: none"> (i) sell, assign, transfer, dispose of or otherwise deal with it (including the grant of any option over or in respect of it);

- (ii) create or permit to subsist any charges, encumbrances, security interests, claims of any third party, restrictions on transfer, or restrictions on voting;
- (iii) direct (by way of renunciation or otherwise) that another person should, or assign any right to, receive it;
- (iv) enter into any agreement in respect of the votes or any other rights attached to it (other than by way of proxy for a particular shareholder meeting); or
- (v) agree, whether or not subject to any condition precedent or subsequent, to do any of the foregoing

“Unconditional Date”

the date on which all the conditions to Completion have been satisfied (or waived) in accordance with the Subscription Agreement

“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 the Subscriber to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by the Subscriber or parties acting in concert with it which would, if the Subscription proceeds, otherwise arise as a result of the allotment and issue of the Subscription Shares and Conversion Shares

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

Hong Kong, 4 March 2016

As at the date of this announcement, the Board comprises (i) Mr. Sun Ho, Mr. Bai Jinmin, Mr. Liang Yu and Mr. Cheng Guoming as executive Directors; (ii) Mr. Ho King Fung, Eric as non-executive Director; and (iii) Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qunyao as independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Subscriber) contained in this announcement and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Subscriber) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

The directors of the Subscriber, namely, Mr. Timothy Alexander STEINERT, Mr. YEN Ping Ying, Samuel and Ms. WU Wei jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Group and/or Ant Financial Group) contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Group and/or Ant Financial Group) have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

The directors of Alibaba Holding, namely, (i) Mr. Jack Yun MA, Mr. Joseph C. TSAI, Mr. Jonathan Zhaoxi LU, Mr. Daniel Yong ZHANG, Mr. Masayoshi SON as directors; and (ii) Mr. Chee Hwa TUNG, Mr. Walter Teh Ming KWAUK, Mr. J. Michael EVANS, Mr. Jerry YANG, Mr. Börje E. EKHOLM and Ms. Wan Ling MARTELLO as independent directors, jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Group and/or Ant Financial Group) contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Group and/or Ant Financial Group) have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

The directors of Ant Financial, namely, Ms. Lei PENG, Ms. Shan DAI and Ms. Xiandong JING jointly and severally accept full responsibility for the accuracy of the information relating to Ant Financial Group contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement by Ant Financial Group have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website 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.