



# AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279

FIRST QUARTERLY REPORT

# 2017

Fortune • Happiness • Health • Luck • Responsibility

## **CHARACTERISTICS OF GEM**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

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

**FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED 31 MARCH 2017**

- Total revenue of the Group for the Three-Month Period amounted to approximately HK\$14.9 million (2016: approximately HK\$19.5 million). Most of the revenue was derived from lottery games and systems, hardware, distribution and ancillary services in the PRC.
- The decrease in revenue for the Three-Month Period of approximately 23.6% as compared to that for the same period in 2016 was mainly due to reduced sales of lottery hardware products during the Three-Month Period.
- During the Three-Month Period, increase in gross profit margin from approximately 36.6% in 2016 to approximately 72.0% in 2017 was mainly attributable to the increased sales of higher profit margin sectors, namely (i) repairs and maintenance; and (ii) lottery games and system, in 2017 as compared to the higher sales in terminal which have lower profit margin in 2016.
- The loss for the Three-Month Period was approximately HK\$232.8 million (2016: approximately HK\$14.4 million). This was mainly attributable to the (i) increase in staff costs by approximately HK\$37.5 million due to the Group's business growth and expansion; (ii) loss of approximately HK\$153.9 million from the remeasurement of the fair value of the convertible bonds of the Company; and (iii) loss of approximately HK\$8.4 million from the remeasurement of the fair value of the outstanding contingent consideration payables under the Score Value Transaction.
- The Board does not recommend the payment of a dividend for the Three-Month Period.

**FIRST QUARTERLY RESULTS**

The Board announces the unaudited consolidated results of the Group for the three months ended 31 March 2017 (the “Three-Month Period”), together with the comparative unaudited figures for the corresponding period in 2016 as follows:

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

For the three months ended 31 March 2017

	Notes	Three months ended 31 March	
		2017 HK\$'000	2016 HK\$'000
Revenue	2	<b>14,860</b>	19,452
Cost of sales		<b>(4,157)</b>	(12,337)
Gross profit		<b>10,703</b>	7,115
Investment and other income		<b>10,312</b>	1,178
Selling, general and administrative expenses		<b>(62,322)</b>	(24,777)
Loss from business operations		<b>(41,307)</b>	(16,484)
Share-based payments		<b>(15,218)</b>	(27,059)
Net foreign exchange gain/(loss)		<b>4,754</b>	(2)
Loss on changes in fair value of convertible bonds		<b>(153,942)</b>	–
(Loss)/Gain on changes in fair value of contingent consideration payables		<b>(8,444)</b>	30,449
Finance costs		<b>(17,583)</b>	(373)
Loss before tax		<b>(231,740)</b>	(13,469)
Income tax expense	3	<b>(1,049)</b>	(938)
<b>Loss for the period</b>		<b>(232,789)</b>	(14,407)
Loss attributable to:			
Owners of the Company		<b>(233,260)</b>	(13,810)
Non-controlling interests		<b>471</b>	(597)
		<b>(232,789)</b>	(14,407)
<b>Loss per Share</b>			
Basic and diluted	4	<b>HK3.284 cents</b>	HK0.293 cent

	<b>Three months ended 31 March</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Loss for the period	<b>(232,789)</b>	(14,407)
<b>Other comprehensive income, net of income tax</b>		
Translation differences on translating foreign operations	<b>9,376</b>	14,553
<b>Total comprehensive income for the period</b>	<b>(223,413)</b>	146
Total comprehensive income attributable to:		
Owners of the Company	<b>(224,158)</b>	674
Non-controlling interests	<b>745</b>	(528)
	<b>(223,413)</b>	146

Notes:

#### **1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The unaudited consolidated financial statements have been prepared in accordance with the requirements of GEM Listing Rules, accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, and Hong Kong Accounting Standards and Interpretations issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

The consolidated financial statements have not been audited by the Company's auditors, but have been reviewed and commented on by the Company's audit committee. The principal accounting policies and methods of computation used in preparing these results are consistent with those used in preparing the Group's audited financial statements for the year ended 31 December 2016.

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

**2. REVENUE**

Revenue represents the amounts received and receivable from lottery games and systems, hardware, distribution and ancillary services in the PRC during the Three-Month period.

**3. INCOME TAX EXPENSE**

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

**4. LOSS PER SHARE**

The calculation of basic and diluted loss per share is based on the unaudited loss attributable to owners of the Company for the Three-Month Period of approximately 233,260,000 (2016: approximately HK\$13,810,000) and the weighted average number of approximately 7,103,035,000 Shares (2016: approximately 4,710,439,000 Shares) in issue during the Three-Month Period.

For Three-Month Period, the computation of the diluted loss per share does not assume the exercise of the outstanding share options, the conversion of the outstanding convertible bonds, and the settlement of outstanding contingent consideration payables under the Score Value Transaction as they would decrease the loss per share.

For the period ended 31 March 2016, the computation of the diluted loss per share does not assume the exercise of the outstanding share options and the settlement of the outstanding contingent consideration payables under the Score Value Transaction, as they would decrease the loss per share.

**5. DIVIDEND**

The Board does not recommend the payment of a dividend for the Three-Month Period (2016: nil).

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the period ended 31 March 2017

	Attributable to owners of the Company										Attributable to non-controlling interests	Total
	Share capital	Share premium	Share option reserve	Statutory reserve	Exchange Reserve	Contributed surplus	Property revaluation reserve	Other reserve	Accumulated losses	Subtotal		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2016	9,213	1,540,597	168,549	18,189	128,335	47,191	14,402	60,811	(928,082)	1,059,205	(682)	1,058,523
Loss for the period	-	-	-	-	-	-	-	-	(13,810)	(13,810)	(597)	(14,407)
Other comprehensive income for the period	-	-	-	-	14,484	-	-	-	-	14,484	69	14,553
Total comprehensive income for the period	-	-	-	-	14,484	-	-	-	(13,810)	674	(528)	146
Recognition of equity-settled share-based payments	-	-	27,059	-	-	-	-	-	-	27,059	-	27,059
Shares issued on exercise of part of share options	589	205,091	(63,058)	-	-	-	-	-	-	142,622	-	142,622
Lapse of share options	-	-	(2,223)	-	-	-	-	-	2,223	-	-	-
<b>Balance at 31 March 2016</b>	<b>9,802</b>	<b>1,745,688</b>	<b>130,327</b>	<b>18,189</b>	<b>142,819</b>	<b>47,191</b>	<b>14,402</b>	<b>60,811</b>	<b>(939,668)</b>	<b>1,229,560</b>	<b>(1,210)</b>	<b>1,228,350</b>
Balance at 1 January 2017	20,990	2,478,212	168,292	18,189	59,974	47,191	14,402	51,690	(591,068)	2,267,872	35,873	2,303,745
Loss for the period	-	-	-	-	-	-	-	-	(233,260)	(233,260)	471	(232,789)
Other comprehensive income for the period	-	-	-	-	9,102	-	-	-	-	9,102	274	9,376
Total comprehensive income for the period	-	-	-	-	9,102	-	-	-	(233,260)	(224,158)	745	(223,413)
Issue of shares upon conversion of convertible bonds	1,200	597,934	-	-	-	-	-	-	-	599,134	-	599,134
Buy-back of shares	-	-	-	-	-	-	-	-	(1,559)	(1,559)	-	(1,559)
Recognition of equity-settled share-based payments	-	-	15,218	-	-	-	-	-	-	15,218	-	15,218
Shares issued on exercise of part of share options	38	14,360	(4,368)	-	-	-	-	-	-	10,030	-	10,030
Lapse of share options	-	-	(22,924)	-	-	-	-	-	22,924	-	-	-
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	339	339
Transfer to accumulated losses	-	-	-	(288)	-	-	-	-	288	-	-	-
<b>Balance at 31 March 2017</b>	<b>22,228</b>	<b>3,090,506</b>	<b>156,218</b>	<b>17,901</b>	<b>69,076</b>	<b>47,191</b>	<b>14,402</b>	<b>51,690</b>	<b>(802,675)</b>	<b>2,666,537</b>	<b>36,957</b>	<b>2,703,494</b>

## **DISCUSSION AND ANALYSIS OF THE GROUP'S RESULTS AND BUSINESS**

### **About the Group**

AGTech was incorporated in Bermuda and its shares are listed on the GEM of the Stock Exchange (Stock Code: 8279). The Group is an integrated technology and services company in the lottery and gaming market with a focus on China. AGTech is the exclusive platform of Alibaba Group and Ant Financial Group for lottery, has a team of over 300 employees and the footprint of the Group's business covers multiple provinces and municipalities across China.

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

- **Games and Systems:** the development and supply of lottery and other games, underlying software and advanced supporting systems;
- **Hardware:** the development, sales and maintenance of lottery hardware (terminals and other lottery-related equipment); and
- **Distribution:** the sales and distribution of lottery and other games.

AGTech is committed to applying international management concepts and advanced technologies to the China lottery and gaming industry along the entire value chain, covering systems, hardware, games, internet and mobile smart phone systems and distribution, wireless network and streaming media. AGTech also takes an active part in the promotion of offline and online gaming events, with a view to facilitating the exchange and interaction between offline and online users, and to ensuring a steady revenue growth for AGTech through the provision of an enriched range of entertainment products.

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



## **Corporate Strategy and Objectives**

Our long-term objective is to maintain a leading position as an integrated service provider in the PRC lottery and gaming market. We will continue to support both of the PRC's legal lottery operators, namely the Welfare Lottery and the Sports Lottery, in this respect. In order to achieve our objectives, we are committed to bringing together international and domestic industry expertise, technologies, management, skills and infrastructure into the PRC lottery and gaming markets both through the existing and any new remote (online and mobile) channels. The Group has been working with various world-renowned strategic partners in these efforts for many years.

## **Industry Overview**

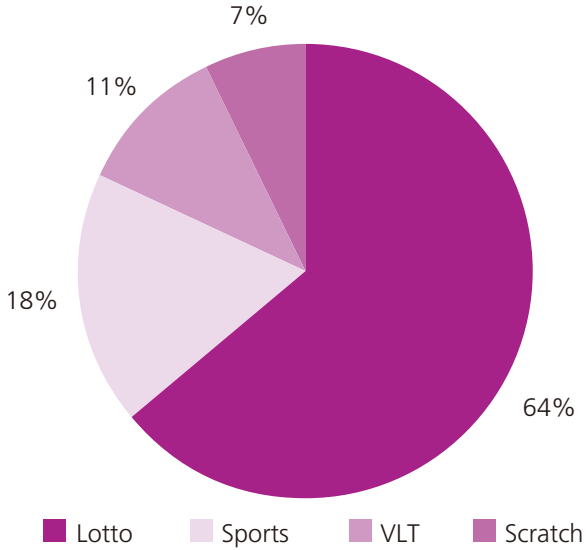
There are two legal lottery operators in the PRC: the Welfare Lottery and the Sports Lottery.

According to information published by the MOF, during the Three-Month Period, the lottery market recorded sales of approximately RMB95.2 billion, an increase of approximately 4.9% compared to the corresponding period in 2016. Of this, Welfare Lottery amounted to approximately RMB51.3 billion (accounting for approximately 53.9% of total lottery sales), representing a year-on-year increase of approximately 3.5%. The Sports Lottery achieved sales of approximately RMB43.9 billion (approximately 46.1% of total lottery sales), an increase of approximately 6.6% compared to the corresponding period in 2016.

The Welfare Lottery and the Sports Lottery have five main product categories: lotto type lottery game product that are either traditional in nature with a daily or weekly draw pattern as well as modern high frequency games featuring multiple draws per hour ("Lotto"), sport betting ("Sports"), video lottery terminals ("VLT"), a keno product ("Keno") and instant scratch cards ("Scratch"). Of these products, Lotto and Scratch have been common to both lottery operators for some years. Historically, VLT has only been permitted in the Welfare Lottery although a trial VLT product was launched in the Sports Lottery during 2015. At present, only the Sports Lottery is permitted to offer Sports (i.e. the sports betting product).

## Product Review

**Market Share of Sales by Product (Jan-Mar 2017)**



*Note: excludes Keno product due to small total sales*

*Source: MOF*

Lotto remains the largest product in the China market representing approximately 64% of sales in the first three months of 2017. The increase in total lottery sales is mostly attributable to growth in Lotto, Sports and VLT.

## **Business Review**

### ***Games and Systems***

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

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

### *Lottery*

#### *Instant Lottery Games*

As announced on 26 April 2017, SF Lottery (Shenzhen) Technology Development Company Limited\* (順豐彩(深圳)科技發展有限責任公司) ("SF Lottery"), a company established by an indirect wholly-owned subsidiary of the Company and an indirect wholly-owned subsidiary of S.F. Holding Co., Ltd.\* (順豐控股股份有限公司) ("SF Holding"), is assisting NSLAC in the design and research of SF Express-themed instant scratch lottery ("SF-Themed Instant Scratch Lottery"). The SF-Themed Instant Scratch Lottery has been examined and approved by the MOF as a national lottery product to be printed and issued and subsequently sold through the relevant channel resources of SF Holding. Furthermore, in order to launch this new product, SF Lottery has entered into four distribution agreements with the Sports Lottery Administration Centres ("SLACs") of Guangdong, Jiangsu, Hunan and Jiangxi Provinces. The details of the cooperation described in the aforesaid distribution agreements are based on a cooperation framework agreement previously entered into between SF Lottery and NSLAC.

SF Lottery's SF-Themed Instant Scratch Lottery is a unique innovation in the lottery industry. It is the first product that is able to achieve comprehensive penetration and integration of the lottery business with a logistics network in the PRC. SF Lottery will distribute SF-Themed Instant Scratch Lottery through the relevant channel resources of SF Holding and provide services such as logistics and distribution, lottery maintenance and prize management. SF Lottery strives to establish a new national vertical logistics and distribution system complementing the SF-Themed Instant Scratch Lottery to realise system synchronisation with NSLAC. This will not only help to enhance the efficiency of the management of lottery business as well as logistics and delivery of the SF-Themed Instant Scratch Lottery, but will also be favourable and complementary to the NSLAC's existing system for instant scratch lottery. Moreover, SF Lottery's innovative self-service redemption model will provide instant scratch lottery players with a brand new

redemption experience, complementing the redemption in traditional physical stores and enhancing the experience of instant scratch lottery services for the public. The cross-sector cooperation and innovative model of the SF-Themed Instant Scratch Lottery is expected to bring a positive impact to the Company in aspects such as product supply, channel expansion, referral of users and revenue streams.

#### Virtual Lottery Games

AGT, which is owned as to 51% by the Company and as to 49% by Ladbroke Group (one of the world's largest sports betting companies), supplies the PRC's only virtual sports lottery platform to China Sports Lottery and has successfully launched two virtual sports games in the PRC. AGT's motor racing-themed virtual game "Lucky Racing" ("幸運賽車") was launched in Hunan Province in 2011 while its football themed game "e-Ball Lottery" ("e球彩") was launched in Jiangsu Province during 2013. "Lucky Racing" and "e-Ball Lottery" are virtual sports lottery games that are broadcast to lottery shops via a central computer and cable television, allowing customers to bet on computer generated car races or football matches respectively. The betting options are like those typically offered for live car racing or live football matches in other countries. To date, "Lucky Racing" and "e-Ball Lottery" have been successfully launched in traditional dedicated Sports Lottery shops in Hunan and Jiangsu Provinces, respectively, and the games are targeted to be deployed to more province(s) via this channel. In addition, in due course, the games could be deployed in selected leisure venues (such as coffee shops and restaurants). Since both games are approved lottery products as defined by MOF, we believe that both "Lucky Racing" and "e-Ball Lottery" could be introduced via the internet and mobile channel across the PRC (subject to regulatory approval) where we would expect them to be highly popular. Virtual sports lottery, pioneered in China by AGTech, is now an established and diversified game category and is fully accepted by the PRC lottery market. Considering this fact and since our technical partners at the Sports Lottery have completed the technical preparation work of the national high frequency game platform and have satisfied the technical requirements necessary to carry our "Lucky Racing" to other provinces beyond Hunan, we target the game to be supplied to more PRC province(s) in due course.

### Other Lottery Games

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

### *Non-lottery*

The Group is active in the research and development of various types of creative, non-lottery social games that are suitable to cater for the evolving tastes of China's consumers. These new games and products which are being/will be distributed via various channels of the Alibaba Group, Ant Financial Group and elsewhere require the Group to develop sophisticated systems to support them. Owing to their play-for-fun or mind sport (skill game) characteristics, these non-lottery products fall outside the remit of lottery regulators.

During the Three-Month Period, AGTech's non-lottery social gaming system has been operational on Alibaba Group's Taobao channel, supporting an encouragingly large number of enthusiastic customers. Initial game titles include social sports and popular local Chinese games. In the coming months AGTech's platform will also be deployed on Alipay channel where customers will be able to play a range of mind game products which reward player skill such as Two-on-One competition poker and Guan Dan competition poker (a regional China poker game). The Group is optimistic about the potential for these non-lottery products.

**Hardware**

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

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

Thanks to the anticipated rapid technology development of the PRC, the Group believes that effective R&D activities are essential to ensure that the Group's hardware business remains up-to-date and equipped with competitive technology. The Group's hardware division plans to focus on R&D, increase its domestic market share and broaden its product spectrum with new hardware ranges such as VLT which would be suitable for both domestic and international users.

**Distribution**

*The sales and distribution of lottery and other games*

**Lottery**

The Group has now launched a Sports Lottery distribution model in certain Village Taobao retail stores and is excited by the initial response from store owners and the public. Village Taobao targets a physical network of massive rural locations in the coming years. Historically, rural areas of China have not been well served with lottery points of sale so there is huge room for expansion of this commission-driven, new physical lottery retail business.

Furthermore, as announced on 26 April 2017 and as mentioned above, SF Lottery has signed distribution agreements with Guangdong, Jiangsu, Hunan and Jiangxi SLACs to distribute SF-Themed Instant Scratch Lottery cards on a commission basis, pursuant to a master framework agreement previously entered into with the NSLAC. This new product will be launched during the coming months.

Thanks to its position as the exclusive lottery and gaming provider on the Alibaba Group and Ant Financial Group lottery platforms, the Group remains very well placed to take advantage of lottery sales via mobile and internet channels as and when they are approved by PRC lottery authorities and the Group receives the appropriate authorisation. To this end, the Group continues to closely monitor policy developments with respect to the government approval of lottery sales via internet and mobile. To date, in line with the relevant lottery regulations, the Group has not conducted any internet lottery sales or maintained any website to conduct such sales.

### *Non-lottery*

During the Three-Month Period, the Group began distributing its non-lottery products on Alibaba Group's Taobao channel. Customers can play a range of play-for-fun games. Initial customer adoption rates are very promising and the Group is excited to continue to grow this non-lottery business. Complementary games and products are being developed for the Alipay channel also and these will include mind games like Two-on-One competition poker, Guan Dan competition poker and other titles popular with Chinese players. All of the products being developed in this division fall outside the purview of the lottery regulators.

### **Business Outlook**

As the exclusive lottery business platform of Alibaba Group and Ant Financial Group, we expect to benefit from significant potential synergies from our cooperation with Alibaba Group and Ant Financial Group in all areas of our business including in particular our distribution business both in terms of physical and remote (online & mobile) channels.

Our Games and Systems division continues to develop, build and deploy regulated lottery content and systems, such as our successful virtual sports system and its first two games Lucky Racing and e-Ball as well as SF-Themed Instant Scratch Lottery. In addition, we are working hard to research, develop and launch various types of creative, non-lottery social games and mind games that can cater for the evolving tastes of China's consumers and we have already launched a number of these on Taobao and are close to launching more on Alipay.com, two of the world's largest consumer applications.

Our Distribution division is in great shape. Apart from distributing the social, non-lottery products on selected Alibaba Group and Ant Financial Group channels, during the Three-Month Period we launched physical distribution of Sports Lottery products in the Village Taobao network and as announced on 26 April 2016, we are soon to launch SF-Themed Instant Scratch Lottery products on behalf of the Sports Lottery in four provinces in China. The Group has been closely monitoring policy developments with respect to the government approval of lottery sales via internet and mobile channels for many years. We believe that new online and mobile channels for lottery sales in the PRC are likely to be approved. We believe 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. We consider that the Group is well positioned to participate in these areas and this is only strengthened by our business partnership with the Alibaba Group and Ant Financial Group.

As announced on 18 January 2017, the Group has made a breakthrough in the area of competition poker when it was awarded an exclusive 5-year priority operation right in China by the Chess and Poker Games Administrative Centre under the General Administration of Sport of China for all competitive play of the Chinese card game Guan Dan through an open tender. Furthermore, AGTech has recently become one of the strategic partners and organisers of the China Competition Two-on-One Poker Championship. This development marks a major milestone for the Group and presents exciting opportunities in the coming months and years for both our Games and Systems and Distribution divisions.

We believe that the PRC lottery market is likely to demand new and more sophisticated hardware solutions over time and that those solutions will increasingly be deployed as bundled products involving the supply of hardware that is integrated with lottery games and underlying software and advanced supporting systems and which would typically be provided on a revenue-sharing basis. Thanks to our leading positions in point of sale and handheld terminals as well as our first class international partnerships and long track-record in the PRC lottery market, we believe that AGTech is very well positioned to take advantage of such new opportunities in hardware.

The underlying revenue growth of the PRC lottery business and the numerous catalysts for strategic growth outlined above as a whole suggest a very positive outlook for the Group for the remaining quarters of 2017 and the years ahead.



### **Financial Performance Review**

Revenue of the Group for the Three-Month Period amounted to approximately HK\$14.9 million (2016: approximately HK\$19.5 million). Such revenue was mainly derived from lottery games and systems, hardware, distribution and ancillary services in the PRC. The decrease in revenue for the Three-Month Period of approximately 23.6% as compared to that for the same period in 2016 was mainly due to the reduced sales of lottery hardware products. The supply of lottery hardware in the PRC is highly regulated with only a small number of approved suppliers. Revenue in this business typically exhibits an irregular pattern and has short term volatility since the customers base are concentrated and the timing of orders from customers varied throughout the year.

During the Three-Month Period, increase in gross profit margin from approximately 36.6% in 2016 to approximately 72.0% in 2017 was mainly attributable to the increased sales of higher profit margin sectors, namely (i) repairs and maintenance; and (ii) lottery games and system, in 2017 as compared to the higher sales in terminal which have lower profit margin in 2016.

The loss for the Three-Month Period was approximately HK\$232.8 million (2016: approximately HK\$14.4 million). This was mainly attributable to the (i) increase in staff costs by approximately HK\$37.5 million due to the Group's business growth and expansion; (ii) loss of approximately HK\$153.9 million from the remeasurement of the fair value of the convertible bonds of the Company; and (iii) loss of approximately HK\$8.4 million from the remeasurement of the fair value of the outstanding contingent consideration payables under the Score Value Transaction.

## USE OF PROCEEDS FROM THE SUBSCRIPTION

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

The Net Proceeds will be used to fund the existing operations and future development of the Company’s existing principal businesses. In particular, the Group plans to utilise approximately HK\$1,330 million (representing approximately 55.88% of the Net Proceeds) within 12 months from 10 August 2016 (i.e. the date of completion of the Subscription (the “Completion”)) and such proceeds shall be allocated to each of the business segments of the Group and for general corporate purposes as set out below and in the section headed “USE OF PROCEEDS” on pages 45 to 51 of the Whitewash Circular:

Business segments of the Group, or general corporate purposes, to which the Net Proceeds are intended to be allocated	Amount intended to be used within 12 months from the date of Completion on 10 August 2016 (as disclosed in the Whitewash Circular)	Aggregate amount actually used from the date of Completion on 10 August 2016 up to and including 31 March 2017	Actual application of Net Proceeds (with explanations for material deviation from intended usage, if any)
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(i) **Games and systems:** Expansion of the Group’s existing business in 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 (approximately HK\$300 million to be allocated)</i>	approximately HK\$100 million	Nil	NA
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Business segments of the Group, or general corporate purposes, to which the Net Proceeds are intended to be allocated	Amount intended to be used within 12 months from the date of Completion on 10 August 2016 (as disclosed in the Whitewash Circular)	Aggregate amount actually used from the date of Completion on 10 August 2016 up to and including 31 March 2017	Actual application of Net Proceeds (with explanations for material deviation from intended usage, if any)
(b) <i>research and development of new lottery products of the Group (approximately HK\$300 million to be allocated)</i>	approximately HK\$100 million	approximately HK\$2.4 million	Development costs for the localisation and customisation of new games system
(c) <i>expansion and development of the Group's research and development ("R&amp;D") capability in technology development for games and systems (approximately HK\$150 million to be allocated)</i>	approximately HK\$50 million	approximately HK\$32.6 million	Staff costs for new expansion of the R&D team of the Group
(d) <i>acquisition of lottery systems and lottery games or companies which have such systems and games (approximately HK\$400 million to HK\$800 million to be allocated)</i>	approximately HK\$500 million	Nil	NA

Business segments of the Group, or general corporate purposes, to which the Net Proceeds are intended to be allocated	Amount intended to be used within 12 months from the date of Completion on 10 August 2016 (as disclosed in the Whitewash Circular)	Aggregate amount actually used from the date of Completion on 10 August 2016 up to and including 31 March 2017	Actual application of Net Proceeds (with explanations for material deviation from intended usage, if any)
(e) <i>funding the remaining consideration for the Score Value Transaction contingent upon certain performance targets (approximately HK\$50 million to be allocated)</i>	approximately HK\$50 million	HK\$15 million	Cash deferred consideration for the achievement of prior year's profit guarantee under the Score Value Transaction
<b>Sub-total for "Games and systems":</b>	<b>approximately HK\$800 million</b>	<b>approximately HK\$50.0 million</b>	
	<ul style="list-style-type: none"> <li>Total amount earmarked for "Games and systems": approximately HK\$1,200 million or approximately 50.42% of Net Proceeds</li> <li>Remaining balance of Net Proceeds still available for "Games and systems" as at 31 March 2017: approximately HK\$1,150.0 million</li> </ul>		
(ii) <b>Hardware:</b>			
<i>R&amp;D activities to upgrade the Group's hardware products with more sophisticated technology that are supplied to customers based on a revenue-sharing model</i>	<b>approximately HK\$80 million</b>	<b>approximately HK\$2.3 million</b>	<b>R&amp;D costs for upgrading the hardware products</b>
	<ul style="list-style-type: none"> <li>Total amount earmarked for "Hardware": approximately HK\$120 million or approximately 5.04% of Net Proceeds</li> <li>Remaining balance of Net Proceeds still available for "Hardware" as at 31 March 2017: approximately HK\$117.7 million</li> </ul>		

Business segments of the Group, or general corporate purposes, to which the Net Proceeds are intended to be allocated	Amount intended to be used within 12 months from the date of Completion on 10 August 2016 (as disclosed in the Whitewash Circular)	Aggregate amount actually used from the date of Completion on 10 August 2016 up to and including 31 March 2017	Actual application of Net Proceeds (with explanations for material deviation from intended usage, if any)	
(iii)	<b>Distribution:</b> Expansion/constructions of the Group's sales and distribution offline/online network			
(a)	expansion of offline sales and distribution business (approximately HK\$100 million to be allocated)	approximately HK\$50 million	approximately HK\$40.6 million	Investment for expansion of offline sales business
(b)	marketing and advertising campaigns for its existing offline lottery games (approximately HK\$100 million to be allocated)	approximately HK\$50 million	Nil	NA
(c)	acquisitions of online and offline distributors (approximately HK\$250 million to be allocated)	approximately HK\$150 million	Nil	NA
(d)	online sales and distribution of lottery products (including but not limited to the future cooperation with Taobao (China) Software Co., Ltd. and Alipay.com Co., Ltd.) (approximately HK\$400 million to be allocated)	approximately HK\$100 million	Nil	NA

Business segments of the Group, or general corporate purposes, to which the Net Proceeds are intended to be allocated	Amount intended to be used within 12 months from the date of Completion on 10 August 2016 (as disclosed in the Whitewash Circular)	Aggregate amount actually used from the date of Completion on 10 August 2016 up to and including 31 March 2017	Actual application of Net Proceeds (with explanations for material deviation from intended usage, if any)
<b>Sub-total for "Distribution":</b>	<b>approximately HK\$350 million</b>	<b>approximately HK\$40.6 million</b>	

- Total amount earmarked for "Distribution": approximately HK\$850 million or approximately 35.71% of Net Proceeds
- Remaining balance of Net Proceeds still available for "Distribution" as at 31 March 2017: approximately HK\$809.4 million

(iv) **General corporate purposes:**

- |  |                              |                                |  |
|--|------------------------------|--------------------------------|--|
| (a) <i>repayment of existing debts of the Group (approximately HK\$60 million to be allocated)</i> | approximately HK\$60 million | approximately HK\$45.3 million | Repayment of bank borrowings of the Group  |
| (b) <i>general working capital of the Group (approximately HK\$150 million to be allocated)</i>    | approximately HK\$40 million | approximately HK\$40 million   | Approximately HK\$40 million were used as general working capital of the PRC subsidiaries of the Company |

	Amount intended to be used within 12 months from the date of Completion on 10 August 2016 (as disclosed in the Whitewash Circular)	Aggregate amount actually used from the date of Completion on 10 August 2016 up to and including 31 March 2017	Actual application of Net Proceeds (with explanations for material deviation from intended usage, if any)
Business segments of the Group, or general corporate purposes, to which the Net Proceeds are intended to be allocated			
<b>Sub-total for "General corporate purposes":</b>	<b>approximately HK\$100 million</b>	<b>approximately HK\$85.3 million</b>	

- Total amount earmarked for "General corporate purposes": approximately HK\$210 million or approximately 8.82% of Net Proceeds
- Remaining balance of Net Proceeds still available for "General corporate purposes" as at 31 March 2017: approximately HK\$124.7 million

<b>Grand total:</b>	<b>approximately HK\$1,330 million</b>	<b>approximately HK\$178.2 million</b>
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- Total remaining balance of Net Proceeds as at 31 March 2017: approximately HK\$2,201.8 million (*Note*)

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

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

As at 31 March 2017, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

a. Interests in Shares:

Name of Director	Number of Shares			Approximate percentage held (Note 1)
	Personal interest	Corporate interest	Total	
Mr. Sun Ho	27,078,000	2,006,250,000 (Note 2)	2,033,328,000	18.29%
Mr. Zhou Haijing	-	-	-	0%
Mr. Zhang Qin	-	-	-	0%
Mr. Yang Guang	-	-	-	0%
Mr. Ji Gang	-	-	-	0%
Mr. Zhang Wei	-	-	-	0%
Ms. Monica Maria Nunes	1,375,000	-	1,375,000	0.01%
Mr. Feng Qing	-	-	-	0%
Dr. Gao Jack Qunyao	-	-	-	0%

Notes:

- Based on a total of 11,114,208,770 Shares in issue as at 31 March 2017.
- These 2,006,250,000 Shares were held in the name of MAXPROFIT GLOBAL INC. As MAXPROFIT GLOBAL INC is beneficially and wholly-owned by Mr. Sun Ho, the chairman, executive Director & chief executive officer ("CEO") of the Company, Mr. Sun was deemed to be interested in such Shares.



- b. Long position in the underlying Shares in respect of the share options of the Company (which were regarded as unlisted physically settled equity derivatives):

<b>Name of Director</b>	<b>Date of grant</b>	<b>Exercise price per Share (HK\$)</b>	<b>Exercisable period (Note 2)</b>	<b>Number of underlying shares</b>	<b>Approximate percentage held (Note 1)</b>
Ms. Monica Maria Nunes	20 June 2013	0.474	20 June 2015 – 19 June 2018	375,000	0.003%
	21 January 2014	1.310	21 January 2015 – 20 January 2019	250,000	0.002%
Mr. Feng Qing	1 June 2015	0.858	1 June 2016 – 31 May 2020	1,500,000	0.013%
Dr. Gao Jack Qunyao	1 June 2015	0.858	1 June 2016 – 31 May 2020	1,500,000	0.013%

*Notes:*

1. Based on a total of 11,114,208,770 Shares in issue as at 31 March 2017.
2. A portion of the option representing 25% of the total underlying Shares entitled under such option when it was initially granted shall be vested in the grantee of the option in each year during the exercisable period. If the grantee does not exercise such portion of the option within one year after it has been vested in him/her, such portion of the option will lapse.

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

<b>Name of Director</b>	<b>Nature of interests</b>	<b>Number of shares/ underlying shares held</b>	<b>Percentage of issued shares of Alibaba Holding</b>
Mr. Zhou Haijing	Beneficial and equity derivative interests	31,200 <i>(Note 1)</i>	0.001%
Mr. Zhang Qin	Beneficial and equity derivative interests	50,000 <i>(Note 2)</i>	0.002%
Mr. Yang Guang	Beneficial and equity derivative interests	34,045 <i>(Note 3)</i>	0.001%
Mr. Ji Gang	Beneficial and equity derivative interests	67,269 <i>(Note 4)</i>	0.003%

*Notes:*

1. It represents 20,000 ordinary shares and 11,200 restricted share units beneficially held by Mr. Zhou Haijing.
2. It represents 20,000 ordinary shares and 30,000 restricted share units beneficially held by Mr. Zhang Qin.
3. It represents 6,920 ordinary shares and 27,125 restricted share units beneficially held by Mr. Yang Guang.
4. It represents 12,219 ordinary shares and 55,050 restricted share units beneficially held by Mr. Ji Gang.

Save as disclosed above, as at 31 March 2017, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares (in respect of share options of the Company which were regarded as unlisted physically settled equity derivatives) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2017, so far as was known to the Directors or chief executive of the Company, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests and long positions in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were expected, directly or indirectly, to be interested in 5% or more of the issued voting shares of any other member of the Group or held any option in respect of such shares and recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares held	Number of underlying Shares entitled	Total number of Shares	Approximate percentage of issued share capital of the Company (Note 1)
Ali Fortune (Notes 2 and 8)	Beneficial owner	6,102,723,993	1,140,018,239	7,242,742,232	65.17%
Alibaba Investment Limited (Note 2)	Interest of controlled corporation	6,102,723,993	1,140,018,239	7,242,742,232 (Note 9)	65.17%
API Holdings Limited (Note 2)	Interest of controlled corporation	6,102,723,993	1,140,018,239	7,242,742,232 (Note 9)	65.17%
Alibaba Holding (Note 3)	Interest of controlled corporation	6,102,723,993	1,140,018,239	7,242,742,232 (Note 9)	65.17%
API (Hong Kong) Investment Limited (Note 4)	Interest of controlled corporation	6,102,723,993	1,140,018,239	7,242,742,232 (Note 9)	65.17%
Shanghai Yunju Venture Capital Investment Co., Ltd. (formerly known as Shanghai Yunju Investment Management Co., Ltd.) (Note 5)	Interest of controlled corporation	6,102,723,993	1,140,018,239	7,242,742,232 (Note 9)	65.17%
Ant Financial (Note 6)	Interest of controlled corporation	6,102,723,993	1,140,018,239	7,242,742,232 (Note 9)	65.17%
Hangzhou Yunbo Investment Consultancy Co., Ltd. (Note 7)	Interest of controlled corporation	6,102,723,993	1,140,018,239	7,242,742,232 (Note 9)	65.17%
Mr. Ma Yun (Note 7)	Interest of controlled corporation	6,102,723,993	1,140,018,239	7,242,742,232 (Note 9)	65.17%
Maxprofit Global Inc (Note 10)	Beneficial owner	2,006,250,000	–	2,006,250,000	18.05%

*Notes:*

1. Based on a total of 11,114,208,770 Shares in issue as at 31 March 2017.
2. Alibaba Investment Limited (“AIL”) and API Holdings Limited (“API Holdings”) hold 60% and 40% of the issued share capital of Ali Fortune, respectively.
3. Alibaba Holding holds 100% of the issued share capital of AIL.
4. API (Hong Kong) Investment Limited holds 100% of the issued share capital of API Holdings.
5. Shanghai Yunju Venture Capital Investment Co., Ltd. (formerly known as Shanghai Yunju Investment Management Co., Ltd.) (“Shanghai Yunju”) holds 100% of the issued share capital of API (Hong Kong) Investment Limited.
6. Ant Financial holds 100% of the equity interests in Shanghai Yunju. Hangzhou Junhan Equity Investment Partnership (Limited Partnership) (“Junhan”) and Hangzhou Junao Equity Investment Partnership (Limited Partnership) (“Junao”) hold approximately 42.28% and 34.15% of the equity interests in Ant Financial, respectively.
7. Hangzhou Yunbo Investment Consultancy Co., Ltd. (“Yunbo”) is the general partner of both Junhan and Junao, and is wholly-owned by Mr. Ma Yun.
8. As at 31 March 2017, Ali Fortune held outstanding convertible bonds of the Company in the aggregate principal amount of HK\$332,328,165 and the maximum number of conversion Shares that would be issued upon full conversion of such outstanding convertible bonds at the then adjusted conversion price of HK\$0.2915 per conversion Share as at 31 March 2017 was 1,140,018,239. The allotment and issue of the subscription Shares and the conversion Shares in respect of the Subscription under a specific mandate, together with the Whitewash Waiver, were approved by the independent Shareholders at the new special general meeting of the Company held on 30 July 2016.
9. Each of AIL, Alibaba Holding, API Holdings, API (Hong Kong) Investment Limited, Shanghai Yunju, Ant Financial, Junhan, Junao, Yunbo, and Mr. Ma Yun are taken to be interested in an aggregate of 7,242,742,232 Shares by virtue of Part XV of the SFO.
10. As disclosed in the section headed “DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES” above, Mr. Sun Ho was deemed to be interested in these 2,006,250,000 Shares by virtue of his interest in MAXPROFIT GLOBAL INC.

### **INTERESTS OF OTHER PERSONS**

As at 31 March 2017, apart from the interests in the Shares, underlying Shares and debentures of the Company and its associated corporations held by the Directors, chief executive and substantial shareholders of the Company stated above, there were no other persons with interests recorded in the register of the Company required to be kept under section 336 of the SFO.

### **INTERESTS IN COMPETING BUSINESS**

During the Three-Month Period, none of the Directors or the controlling shareholder of the Company had an interest in a business, which competes or might compete with the business of the Group.

### **AUDIT COMMITTEE**

The audit committee of the Company comprises three independent non-executive Directors, namely, Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qunyao. The consolidated results of the Group for the Three-Month Period have not been audited by the auditor of the Company but have been reviewed and commented on by the audit committee of the Company.

### **REQUIRED STANDARD OF DEALINGS REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

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

### **SHARE OPTION SCHEME**

During the Three-Month Period, no option was granted by the Company pursuant to the Share Option Scheme. During the Three-Month Period, options for 19,252,500 Shares were exercised and options for 39,247,059 Shares were lapsed. As at 31 March 2017, options for 465,106,215 Shares remained outstanding.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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

### **CHANGE OF NAME OF PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA**

The name of the Company's principal share registrar and transfer office in Bermuda has been changed from Codan Services Limited to Conyers Corporate Services (Bermuda) Limited with effect from 31 March 2017. The address of the Company's principal share registrar and transfer office in Bermuda remains unchanged.

### **PARTIAL CONVERSION OF CONVERTIBLE BONDS**

On 30 March 2017, the conversion rights attaching to the convertible bonds of the Company in the aggregate principal amount of HK\$174,906,763 were exercised and the Company allotted and issued to Ali Fortune an aggregate of 600,000,000 conversion Shares at the then conversion price of HK\$0.2915 per conversion Share. As at the date of this report, convertible bonds of the Company in the aggregate principal amount of HK\$332,328,165 remain outstanding (the "Outstanding Convertible Bonds"). The prevailing conversion price has been adjusted to HK\$0.2780 per Share (the "Prevailing Adjusted Conversion Price"), and the maximum number of Shares that will be issued upon full conversion of the Outstanding Convertible Bonds at the Prevailing Adjusted Conversion Price is 1,195,213,602.

## CONTINUING CONNECTED TRANSACTIONS

During the Three-Month Period, the Company entered into the following continuing connected transactions:

1. The Company entered into the business cooperation agreement (the “Business Cooperation Agreement”) with Alibaba Holding on 25 January 2017, pursuant to which the Group shall (i) utilise certain channels and networks of the Alibaba Group for sales and distribution of the lottery products and other services on a revenue-sharing basis; and (ii) purchase technology services from Alibaba Group. As disclosed in the announcement of the Company dated 25 January 2017, the transactions contemplated under the Business Cooperation Agreement constituted continuing connected transactions (“CCTs”) under Chapter 20 of the GEM Listing Rules and such agreement (together with the maximum amounts in respect of such transactions for the period from the effective date of such agreement to 31 December 2017 and for the two years ending 31 December 2018 and 2019) had been approved by the Shareholders at the special general meeting of the Company held on 8 March 2017. As such CCTs were entered into by the Company in 2017, an annual review of such transactions will be conducted by the independent non-executive Directors and auditor of the Company for the year ending 31 December 2017 and the findings will be disclosed in the annual report of the Company for the year ending 31 December 2017; and
2. The Company and Alipay, a wholly-owned subsidiary of Ant Financial, entered into a business cooperation agreement (“Alipay Framework Agreement”) on 23 March 2017, whereby the Group shall provide online activities and services which are not subject to the applicable PRC lottery laws and regulations, including information subscription and other content, and the sales and distribution of the lottery and its relevant products that the Group has developed or is authorised to operate (in online form), in the event that and so long as it is allowed under applicable laws and regulations in the PRC, on the lottery channel(s) on the online platform(s) of the Alipay and its subsidiaries on a revenue-sharing basis under the Alipay Framework Agreement. As disclosed in the announcement of the Company dated 23 March 2017, Ant Financial Group (including Alipay, a wholly-owned subsidiary of Ant Financial) are deemed by the Stock Exchange as connected persons of the Company pursuant to Rule 20.17 of GEM Listing Rules. Accordingly, the transactions contemplated under the Alipay Framework Agreement constituted continuing connected transactions (“Alipay CCTs”) under Chapter 20 of the GEM Listing Rules. Since one or more of the applicable percentage ratios as defined in the GEM Listing

Rules in respect of the highest maximum amount for the transactions is 0.1% or more but less than 5%, the transactions contemplated under the Alipay Framework Agreement are subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. As such Alipay CCTs were entered into by the Company in 2017, an annual review of such transactions will be conducted by the independent non-executive Directors and auditor of the Company for the year ending 31 December 2017 and the findings will be disclosed in the annual report of the Company for the year ending 31 December 2017.

### **ADOPTION OF SHARE AWARD SCHEME**

The Company has adopted a share award scheme on 17 March 2017 (the "Adoption Date") which will allow the Company to grant award Shares to selected participants as incentives and/or rewards for their contribution to the Group. The aggregate number of award Shares (whether they are new Shares to be allotted and issued by the Company, award Shares that are not vested and/or are forfeited or lapsed under such scheme, or existing Shares to be purchased on-market by the trustee of such scheme) underlying all grants (including grants to connected persons of the Company) made pursuant to such scheme (excluding award Shares that have been forfeited or lapsed in accordance with such scheme) shall not exceed 6% of the total number of issued Shares as at the Adoption Date without shareholders' approval (with the maximum number of new Shares to be issued by the Company for satisfying the award Shares granted under the share award scheme being limited to 3% of the total issued Shares as at the Adoption Date). The total number of non-vested award Shares granted to any one selected participant under such scheme shall not exceed 1% of the total number of issued Shares from time to time. Further details are disclosed in the announcement of the Company dated 17 March 2017.



## DEFINITIONS

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

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

“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director;
“GEM”	the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;
“Macau”	the Macau Special Administrative Region of the PRC;
“MOF”	the Ministry of Finance of China;
“NSLAC”	the National Sports Lottery Administration Centre of the PRC;
“PRC” or “China”	the People’s Republic of China which, for the purpose of this report, excludes Hong Kong, Macau and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Score Value Transaction”	the acquisition of the entire equity interest in Score Value Limited by the Company as contemplated under the agreement dated 17 November 2014 entered into between the Company, Silvercreek Technology Holdings Limited (a wholly-owned subsidiary of the Company) as the purchaser, Score Value Limited as the target, and vendors of Score Value Limited, pursuant to which, among other things, (i) the vendors of Score Value Limited may be granted bonus options to subscribe for up to 166,666,666 Shares at a subscription price of HK\$1.8 per Share and such options are contingent upon certain performance targets; and (ii) the vendors of Score Value Limited may be issued up to 135,135,135 Shares as part of the deferred consideration for the acquisition if certain performance targets are achieved;

“Share Option Scheme”	the share option scheme of the Company adopted on 18 November 2004 (or, after its expiry on 17 November 2014, the share option scheme of the Company adopted on 23 December 2014);
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Sports Lottery”	the national sports lottery of China;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription for 4,817,399,245 new Shares and convertible bonds of the Company in the aggregate principal amount of HK\$712,582,483 by Ali Fortune;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time);
“Welfare Lottery”	the national welfare lottery of China;
“Whitewash Circular”	the circular of the Company dated 25 May 2016 in respect of, among other things, the Subscription and the Whitewash Waiver;
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of Ali Fortune to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by Ali Fortune or parties acting in concert with it which would otherwise arise as a result of (i) the allotment and issue of the Shares under the Subscription at its completion; and/or (ii) the allotment and issue of the Shares that may be issued upon conversion of the convertible bonds of the Company issued under the Subscription;

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong;  
and

“%” per cent.

In this report, the exchange rate of HK\$1.1269 to RMB1.00 has been used for reference only.

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

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

Hong Kong, 12 May 2017

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

*This report will remain on the “Latest Company Announcements” page of the GEM website operated by the Stock Exchange at [www.hkgem.com](http://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](http://www.agtech.com).*