



AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279

INTERIM 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 SIX MONTHS ENDED 30 JUNE 2017

- Revenue of the Group for the Six-Month Period amounted to approximately HK\$54.1 million as compared to the corresponding period in 2016 of approximately HK\$76.6 million. Revenue contributions were mainly derived from sales from the lottery hardware, lottery games and systems, provision of distribution and ancillary services, games and entertainment business.
- The decrease in revenue 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. Hence, revenue in this business typically exhibits an irregular pattern and has short term volatility since the customer base is concentrated and the timing of orders from customers varied throughout the year.
- Importantly, in the Six-Month Period, the Group derived revenues of approximately HK\$17.1 million from new initiatives launched in the games and entertainment business, which partially offset the decrease in revenue from sales of lottery hardware.
- During the Six-Month Period, gross profit margin increased significantly from approximately 29.7% in the six months ended 30 June 2016 to approximately 59.8% mainly attributable to the increased sales with higher margin from (i) games and entertainment business; and (ii) lottery games and systems.
- During the Six-Month Period, selling, general and administrative expenses was approximately HK\$123.8 million, as compared to the corresponding period in 2016 of approximately HK\$53.4 million. The increase was mainly due to the addition of staff across the Group in anticipation of the launch of many new growth initiatives.
- The loss for the Six-Month Period was approximately HK\$437.1 million mainly attributable to the (i) loss of approximately HK\$317.6 million from the remeasurement of the fair value of the Convertible Bonds; (ii) increase in staff costs by approximately HK\$65.4 million due to the Group's business growth and expansion; and (iii) increase in finance costs by approximately HK\$25.3 million. The increase in finance costs was mainly due to accrual of approximately HK\$25.6 million interest expenses on the Convertible Bonds for the Six-Month Period (six months ended 30 June 2016: Nil).
- The Board does not recommend the payment of an interim dividend for the Six-Month Period.

INTERIM RESULTS

The Board announces the unaudited consolidated results of the Group for the three months ended 30 June 2017 (the “Three-Month Period”) and the six months ended 30 June 2017 (the “Six-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 and six months ended 30 June 2017

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	2	39,222	57,179	54,082	76,631
Cost of sales		(17,604)	(41,551)	(21,761)	(53,888)
Gross profit		21,618	15,628	32,321	22,743
Investment and other income		11,222	1,584	21,534	2,762
Selling, general and administrative expenses		(61,439)	(28,610)	(123,761)	(53,387)
Share of losses of a joint venture		-	(3)	-	(3)
Loss from business operations		(28,599)	(11,401)	(69,906)	(27,885)
Share-based payments		(27,766)	(25,758)	(42,984)	(52,817)
Net foreign exchange gain		14,243	1,280	18,997	1,278
Loss on fair value changes of Convertible Bonds		(163,698)	-	(317,640)	-
Gain on fair value changes of contingent consideration payables		11,876	19,553	3,432	50,002
Finance costs		(8,676)	(538)	(26,259)	(911)
Loss before income tax		(202,620)	(16,864)	(434,360)	(30,333)
Income tax expense	3	(1,700)	(2,511)	(2,749)	(3,449)
Loss for the period	4	(204,320)	(19,375)	(437,109)	(33,782)
Loss attributable to:					
Owners of the Company		(203,821)	(19,328)	(437,081)	(33,138)
Non-controlling interests		(499)	(47)	(28)	(644)
		(204,320)	(19,375)	(437,109)	(33,782)
Loss per share					
Basic and diluted	5	HK 1.826 cents	HK 0.393 cent	HK 4.028 cents	HK 0.688 cent

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(204,320)	(19,375)	(437,109)	(33,782)
Other comprehensive income, net of income tax				
Translation differences on translating foreign operations	19,755	(37,852)	29,131	(23,299)
Total comprehensive income for the period	(184,565)	(57,227)	(407,978)	(57,081)
Total comprehensive income attributable to:				
Owners of the Company	(184,836)	(56,935)	(408,994)	(56,261)
Non-controlling interests	271	(292)	1,016	(820)
	(184,565)	(57,227)	(407,978)	(57,081)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2017	2016
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
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Non-current assets			
Property, plant and equipment		5,872	7,447
Investment properties		50,728	49,100
Goodwill		1,090,528	1,067,388
Other intangible assets		1,742	1,742
Investment in an associate		291	–
Other receivables, deposits and prepayments		3,505	6,580
Deferred income tax assets		8,210	7,950
		1,160,876	1,140,207
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Current assets			
Inventories		45,242	18,801
Trade receivables	6	23,424	25,584
Other receivables, deposits and prepayments		114,614	80,587
Fixed deposits held at bank with original maturity over three months		390,220	387,765
Pledged bank deposits	7	44,323	41,676
Cash and cash equivalents		2,176,992	2,339,731
		2,794,815	2,894,144
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Total assets		3,955,691	4,034,351
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Current liabilities			
Trade payables	8	17,641	18,418
Accruals and other payables		84,064	100,172
Amount due to fellow subsidiaries		3,235	–
Current income tax liabilities		1,809	2,700
Secured bank borrowings		32,330	44,957
Contingent consideration payables		158,134	62,471
		297,213	228,718
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		Unaudited	Audited
		As at	As at
		30 June	31 December
		2017	2016
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
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Non-current liabilities			
Deferred income tax liabilities		5,441	5,212
Provision for warranties		54,888	52,998
Convertible Bonds	9	1,073,944	1,329,881
Contingent consideration payables		–	113,797
		1,134,273	1,501,888
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Total liabilities		1,431,486	1,730,606
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Net assets		2,524,205	2,303,745
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Equity attributable to owners of the Company			
Share capital		22,371	20,990
Reserves		2,464,607	2,246,882
		2,486,978	2,267,872
Non-controlling interests		37,227	35,873
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Total equity		2,524,205	2,303,745
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)*For the Six-Month Period*

	Attributable to owners of the Company											Attributable to non-controlling interests	
	Share capital	Share premium	Shares held for share award scheme	Share options reserve	Statutory reserve	Exchange reserve	Contributed surplus	Property revaluation reserve	Other reserve	Accumulated losses	Subtotal		Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	-	-	-	-	-	-	-	-	-	(33,138)	(33,138)	(644)	(33,782)
Other comprehensive income for the period	-	-	-	-	-	(23,123)	-	-	-	-	(23,123)	(176)	(23,299)
Total comprehensive income for the period	-	-	-	-	-	(23,123)	-	-	-	(33,138)	(56,261)	(820)	(57,081)
Recognition of equity-settled share-based payments	-	-	-	52,854	-	-	-	-	-	-	52,854	-	52,854
Shares issued on exercise of part of share options	630	218,494	-	(66,406)	-	-	-	-	-	-	152,718	-	152,718
Issuance of consideration shares	20	9,101	-	-	-	-	-	-	(9,121)	-	-	-	-
Lapse of share options	-	-	-	(37)	-	-	-	-	-	-	(37)	-	(37)
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	12,250	12,250
Transfer to accumulated losses	-	-	-	(2,223)	-	-	-	-	-	2,223	-	-	-
Balance at 30 June 2016	9,863	1,768,192	-	152,737	18,189	105,212	47,191	14,402	51,690	(958,997)	1,208,479	10,748	1,219,227
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	-	-	-	-	-	-	-	-	-	(437,081)	(437,081)	(28)	(437,109)
Other comprehensive income for the period	-	-	-	-	-	28,087	-	-	-	-	28,087	1,044	29,131
Total comprehensive income for the period	-	-	-	-	-	28,087	-	-	-	(437,081)	(408,994)	1,016	(407,978)
Issue of shares upon conversion of Convertible Bonds	1,200	597,934	-	-	-	-	-	-	-	-	599,134	-	599,134
Recognition of equity-settled share-based payments	-	-	-	42,984	-	-	-	-	-	-	42,984	-	42,984
Shares issued on exercise of part of share options	161	75,270	-	(21,363)	-	-	-	-	-	-	54,068	-	54,068
Issuance of consideration shares	20	9,102	-	-	-	-	-	-	(9,122)	-	-	-	-
Lapse of share options	-	-	-	(28,416)	-	-	-	-	-	28,416	-	-	-
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	338	338
Transfer to accumulated losses	-	-	-	-	(288)	-	-	-	-	288	-	-	-
Purchase of shares for share award scheme	-	-	(68,086)	-	-	-	-	-	-	-	(68,086)	-	(68,086)
Balance at 30 June 2017	22,371	3,160,518	(68,086)	161,497	17,901	88,061	47,191	14,402	42,568	(999,445)	2,486,978	37,227	2,524,205

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)*For the Six-Month Period*

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Net cash used in operating activities	(139,214)	(79,800)
Net cash generated by investing activities	15,669	12,612
Net cash (used in)/generated by financing activities	(42,007)	166,991
Net (decrease)/increase in cash and cash equivalents	(165,552)	99,803
Cash and cash equivalents at the beginning of the period	2,339,731	231,647
Effect of foreign exchange rate changes	2,813	(4,150)
Cash and cash equivalents at the end of the period	2,176,992	327,300
Analysis of balances of cash and cash equivalents		
Bank balances and cash	2,176,992	327,300

Notes:

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the requirements of GEM Listing Rules.

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 AND SEGMENT INFORMATION

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

	Three months ended 30 June		Six months ended 30 June	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Lottery hardware	17,425	44,327	24,816	59,534
Lottery games and systems	4,681	2,840	9,111	5,069
Provision of distribution and ancillary services	1,830	10,012	3,073	12,028
Games and entertainment	15,286	–	17,082	–
	39,222	57,179	54,082	76,631

The Group’s revenue and assets were mainly derived from and related to the lottery hardware, lottery games and systems, provision of distribution and ancillary services, games and entertainment business in the PRC. Hence, no geographical segment information is presented.

3. INCOME TAX EXPENSE

Income tax expenses for the Three-Month Period and Six-Month Period represent PRC Enterprise Income Tax.

4. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging/(crediting):

	Three months ended 30 June		Six months ended 30 June	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000
Cost of inventories recognised as expenses	6,133	27,146	6,963	32,917
Provision for warranties	622	3,636	1,069	6,454
Depreciation of property, plant and equipment	2,679	1,921	5,467	5,320
Bank interest income	(9,751)	(666)	(19,112)	(995)
Interest expenses on Convertible Bonds	8,348	–	25,557	–
Operating lease rentals in respect of rented premises	3,569	3,800	7,211	7,775
Research and development costs	2,993	2,305	5,708	4,367
Staff cost (including Directors' remunerations)	41,197	11,902	89,180	23,827

5. LOSS PER SHARE

The calculation of basic and diluted loss per Share for the Three-Month Period and the Six-Month Period is based on the unaudited loss attributable to owners of the Company of approximately HK\$203,821,000 and HK\$437,081,000 respectively (for the three months and six months ended 30 June 2016: approximately HK\$19,328,000 and HK\$33,138,000 respectively), and the weighted average number of approximately 11,162,834,000 Shares and 10,850,631,000 Shares in issue during the Three-Month Period and the Six-Month Period respectively (for the three months and six months ended 30 June 2016: approximately 4,915,365,000 Shares and 4,813,468,000 Shares in issue respectively).

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

For the six months ended 30 June 2016, the computation of the diluted loss per Share does not assume the exercise of the outstanding share options of the Company and the settlement of the outstanding contingent consideration payables under the Score Value Transaction, as they would decrease the loss per Share.

6. TRADE RECEIVABLES

As at 30 June 2017, the ageing analysis of the Group's trade receivables (based on the terms of the related contracts or the invoice/delivery date) is as follows:

	As at 30 June 2017 (unaudited) HK\$'000	As at 31 December 2016 (audited) HK\$'000
0 to 30 days	9,036	25,584
31 to 60 days	3,370	–
61 to 90 days	5,607	–
91 to 120 days	1,946	–
121 to 365 days	3,465	–
	23,424	25,584

7. PLEDGED BANK DEPOSITS

As at 30 June 2017, pledged bank deposits represent deposits pledged with banks to secure bank borrowings and letters of bank guarantee granted to the Group. The pledged bank deposits will be released upon settlement of the relevant bank borrowings and expiry of the relevant letters of bank guarantee.

8. TRADE PAYABLES

The following is an analysis of trade payables by age based on the invoice date:

	As at 30 June 2017 (unaudited) HK\$'000	As at 31 December 2016 (audited) HK\$'000
0 to 30 days	13,433	14,347
31 to 60 days	39	373
61 to 90 days	1,196	378
91 to 120 days	23	20
121 to 365 days	2,576	2,789
Over 365 days	374	511
	17,641	18,418

9. CONVERTIBLE BONDS

As at 30 June 2017, the Convertible Bonds in an aggregate principal amount of HK\$332,328,165 were outstanding. The bonds bear no interest on the principal amount. The bonds mature three years from the issue date or can be converted into Shares at the holder's or the issuer's option on or before the maturity date at the then prevailing conversion price of HK\$0.2728 subject to adjustment.

	Debt instrument (unaudited) <i>HK\$'000</i>	Embedded derivative (unaudited) <i>HK\$'000</i>	Total (unaudited) <i>HK\$'000</i>
At 1 January 2017	341,081	988,800	1,329,881
Conversion during the year (<i>note a</i>)	(122,726)	(476,408)	(599,134)
Loss on fair value changes	–	317,640	317,640
Interest expense	25,557	–	25,557
At 30 June 2017	243,912	830,032	1,073,944

(a) On 30 March 2017, the conversion rights attaching to the Convertible Bonds 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.

The fair value of the conversion option embedded in the Convertible Bonds at 30 June 2017 amounted to approximately HK\$830,032,000 (30 June 2016: Nil).

Valuation techniques

The fair value of conversion option embedded in the Convertible Bonds was determined by using the binominal model.

Information about fair value measurement using significant unobservable inputs (level 3)-Embedded derivative of Convertible Bonds

Description	Fair value <i>(HK\$'000)</i>	Valuation technique	Unobservable inputs	Range (Weighted average)	Relationship of unobservable inputs to fair value
Embedded derivative of Convertible Bonds	830,032	Binominal model	Expected volatility of share price	54.919%	The higher the expected volatility, the higher the fair value

DIVIDEND

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

DISCUSSION AND ANALYSIS OF THE GROUP'S RESULTS AND BUSINESS

About the Group

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

AGTech's businesses are broadly divided into two categories:

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

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

Corporate Strategy and Objectives

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

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

Importantly, we believe our position in both existing and potential new lottery channels is strengthened as we continue to improve upon the appeal and access of lottery products to the end consumers in China, thereby helping to expand the lottery industry as a whole. We are able to achieve this goal by continuously focusing on delivering innovations in lottery products, seeking out suitable third party partners to expand our distribution network, and leveraging our position as the exclusive lottery platform of Alibaba Group and Ant Financial Group, all of which help significantly broaden the reach of lottery products in China.

In anticipation of the approval and authorisation of online distribution of regulated lottery products, the Group is active in building our online presence and customer-base by expanding into Games and Entertainment. We do this by leveraging our technical know-how and operating experience in lottery games and products to develop other games and entertainment content, including various types of creative, non-lottery social games, which are not subject to the lottery laws and regulations in China, and distributing such content on Alibaba Group and Ant Financial Group's vast portfolio of networks and channels.

Looking forward, in addition to building our business within China, AGTech will continue to look for opportunities internationally, strategically working with leading local partners in overseas markets for further business expansion.

Industry Overview

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

According to information published by the MOF, during the Six-Month Period, the lottery market recorded sales of approximately RMB205.03 billion, an increase of approximately 5.5% compared to the corresponding period in 2016. Of this, Welfare Lottery amounted to approximately RMB106.11 billion (accounting for approximately 51.75% of total lottery sales), representing a year-on-year increase of approximately 3.7%. The Sports Lottery achieved sales of approximately RMB98.92 billion (approximately 48.25% of total lottery sales), an increase of approximately 7.6% compared to the corresponding period in 2016.

According to the latest China's Online Games Industry Report*, online game sales in China during the Six-Month Period reached approximately RMB99.8 billion, representing an increase of approximately 26.7%. Notably, mobile games sales grew an impressive 49.8%, representing approximately 56.3% of total online game sales, far outpacing personal computer game sales growth of 13.7%.

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

* Jointly published by Game Publishers Association Publications Committee, Games Research Center and IDC

Business Review

Lottery

Lottery Games and Systems

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

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

Lucky Racing and e-Ball Lottery

AGT, which is owned as to 51% by the Company and as to 49% by Ladbroke Group (one of the world's largest sports betting companies), supplies China's only virtual sports lottery platform to Sports Lottery and has successfully launched two virtual sports games in the country. AGT's motor racing-themed virtual game "Lucky Racing" ("幸運賽車") was launched in Hunan Province in 2011 while its football themed game "e-Ball Lottery" ("e球彩") was launched in Jiangsu Province during 2013. "Lucky Racing" and "e-Ball Lottery" are virtual sports lottery games that are broadcast to lottery shops via a central server 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. Since both games are approved lottery products as defined by MOF, we believe that both "Lucky Racing" and "e-Ball Lottery" could be introduced via the internet and mobile channel across China (subject to regulatory approval). Virtual sports lottery, pioneered in China by AGTech, is now an established and diversified game category and is fully accepted by the Chinese lottery market.

Other Lottery Games

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

Lottery Hardware

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

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

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

Lottery Distribution

The sales and distribution of lottery games and products

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

SF Lottery

Importantly, on 4 July 2017, SF-Themed Instant Scratch Lottery was commercially launched for sale in four pilot cities, namely Shenzhen of Guangdong Province, Nanjing of Jiangsu Province, Changsha of Hunan Province and Nanchang of Jiangxi Province, with the goal of being launched in additional provinces and cities throughout the year.

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 Group 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-Themed Instant Scratch Lottery, which has been examined and approved by the MOF as a national lottery product to be printed, issued and sold through the relevant channel resources of SF Holding.

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 China. SF Lottery will distribute SF-Themed Instant Scratch Lottery through the relevant channel resources of SF Holding and provide services such as logistics and distribution, lottery maintenance and prize management. SF Lottery strives to establish a new national vertical logistics and distribution system 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.

Rural Taobao

The Group has now launched a lottery distribution model in certain Rural Taobao retail stores and is excited by the initial response from store owners and the public. Rural 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.

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

Games and Entertainment

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

To this end, the Group began distributing its non-lottery social games content on Alibaba Group's Taobao channel, supporting an encouragingly large number of enthusiastic customers who can play a range of play-for-fun games. While we are in the beginning stages of building this division, initial customer adoption rates are promising and the Group is excited to continue building on these types of non-regulated casual and social games and entertainment content.

In addition, since becoming one of the strategic partners and organisers of the China Competition Two-on-One Poker Championship earlier this year, the Group began distributing the Two-on-One competition poker mobile game on the Alipay channel, while continuing to seek other channels of distribution marking the Group's official entry into the mind sports field of the China sports industry. This is the reward for the Group's many years of work and investment in the development of its mind sports business, as we have always believed that regulated competition poker is complementary to our regulated lottery activities.

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

Importantly, on 24 July 2017, the Group announced that it has entered into a joint venture agreement with One97 Communications Limited, owner of Paytm, India's leading mobile payment platform, to create a high quality mobile entertainment experience specific to the Indian consumers. This joint venture will enable both companies to tap into the significant potential of the fast growing mobile entertainment market in India. This joint venture plans to engage in the development and operation of website, mobile applications and other distribution channels to offer a variety of entertainment products and services to Paytm's approximately 225 million users. Through this joint venture, the Group plans to create a high quality mobile entertainment experience tailored for the Indian consumers by leveraging its operating experience and technical expertise in products and services such as casual mobile and social games and other user engagement activities. This joint venture is the Group's first significant strategic international expansion and an important milestone, laying the foundation for further international expansion in the future.

Business Outlook

The Group is active in building on our industry leading position in both existing and potential new lottery channels. This is evidenced by our partnering with suitable third party partners to expand our distribution network and by developing innovative lottery products. In addition, as the exclusive lottery business platform of Alibaba Group and Ant Financial Group, we expect to benefit from significant potential synergies from our cooperation with Alibaba Group and Ant Financial Group by accessing their vast portfolio of resources and channels.

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

Our Lottery Distribution division continues to grow in innovative ways, thereby helping to expand the lottery industry in China as a whole. During the Six-Month Period we launched physical distribution of Sports Lottery products in the Rural Taobao network and on 4 July 2017 we commercial launched SF-Themed Instant Scratch Lottery products on behalf of the NSLAC in four pilot provinces in China with the expectation of launching in additional provinces and cities throughout the year. 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 (internet and mobile) channels for lottery sales in China are likely to be approved. We believe that any new lottery games and systems that will be approved for online sales will require robust and scalable technology in order to deliver effective and efficient monitoring and control systems. We consider that the Group is well positioned to participate in these areas and this is further strengthened by our business partnership with the Alibaba Group and Ant Financial Group.

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

In our Games and Entertainment division, where we develop and operate games and entertainment content that are not subject to the applicable lottery laws and regulations in China, we strive to offer various types of casual and creative social games and mind games that cater to the evolving tastes of China's consumers, and have already launched a number of these content across Alibaba Group and Ant Financial Group's network and channels, thereby maximising the value of our business partnership with Alibaba Group and Ant Financial Group in anticipation of the approval and authorisation of online distribution of lottery products in the future.

In addition, the Group announced earlier this year 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. Furthermore, AGTech became one of the strategic partners and organizers of the China Competition Two-on-One Poker Championship. On the back of this development, the Group began distributing the Two-on-One competition poker mobile game on the Alipay channel, marking the Group's official entry into the mind sports field of the China sports industry. This development marks a major milestone for the Group and presents exciting opportunities in the coming years for our Games and Entertainment division.

Notably, the Group announced its first significant strategic international expansion on 24 July 2017 via a joint venture agreement with the owner of Paytm, India's leading mobile payment platform. The Group will leverage years of operating experience and technical expertise and partner with Paytm to create a variety of entertainment products and services for Paytm's large user base, tapping into the fast growing mobile market in India. This important milestone lays the foundation for further international expansion in the future.

The underlying revenue growth of the Chinese lottery market 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 Six-Month Period amounted to approximately HK\$54.1 million as compared to the corresponding period in 2016 of approximately HK\$76.6 million. Revenue contributions were mainly derived from lottery hardware, lottery games and systems, provision of distribution and ancillary services, games and entertainment business in the PRC. The decrease in revenue 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. Hence, 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. However, the decrease was partially offset by the revenue of approximately HK\$17.1 million generated from initiatives launched by the Group in the Six-Month Period in the games and entertainment business.

During the Six-Month Period, gross profit margin increased significantly from approximately 29.7% in the six months ended 30 June 2016 to approximately 59.8% mainly attributable to the increased sales with higher margin from the (i) games and entertainment business; and (ii) lottery games and systems.

The loss for the Six-Month Period was approximately HK\$437.1 million mainly attributable to the (i) loss of approximately HK\$317.6 million from the remeasurement of the fair value of the Convertible Bonds; (ii) increase in staff costs by approximately HK\$65.4 million due to the Group's business growth and expansion; and (iii) increase in finance costs by approximately HK\$25.3 million. The increase in finance costs was mainly due to accrual of approximately HK\$25.6 million interest expenses on the Convertible Bonds for the Six-Month Period (six months ended 30 June 2016: Nil).

Liquidity and financial resources

Net bank balances and cash (defined as total bank balances and cash and pledged bank deposits less total bank borrowing) as at 30 June 2017 were approximately HK\$2,189.0 million (as at 31 December 2016: approximately HK\$2,336.5 million). The total assets and net current assets of the Group as at 30 June 2017 were approximately HK\$3,955.7 million and approximately HK\$2,497.6 million respectively (as at 31 December 2016: approximately HK\$4,034.4 million and approximately HK\$2,665.4 million respectively). Current liabilities of the Group as at 30 June 2017 were approximately HK\$297.2 million (as at 31 December 2016: approximately HK\$228.7 million). The liquidity ratio (defined as current assets divided by current liabilities) of the Group as at 30 June 2017 was approximately 9.4 (as at 31 December 2016: approximately 12.7) which continuously reflect the adequacy of financial resources of the Group.

Capital structure and foreign exchange risk

During the Six-Month Period, the Group financed its capital requirement through its equity, bank borrowings, its internally generated cash flow as well as the proceeds from the Subscription and from the exercising by grantees of the share options granted under the Share Option Schemes. The gearing ratio (defined as bank borrowings divided by equity) of the Group as at 30 June 2017 was approximately 0.01 (as at 31 December 2016: approximately 0.02).

As at 30 June 2017, the bank borrowings of the Group was approximately RMB28.0 million (equivalent to approximately HK\$32.3 million). The bank borrowings are all denominated in RMB and interest bearing at 3.92% per annum. The borrowings are secured by the Group's pledged bank deposits of US\$5.0 million (equivalent to approximately HK\$39.0 million) and repayable within one year from its initial drawdown.

As at 30 June 2017, majority of the Group's bank deposits were denominated in US\$, HK\$ and RMB. Since US\$ is pegged to HK\$, and substantially all of its revenue-generating operations, monetary assets and liabilities of the Group are conducted or transacted in functional currencies, the Group faced minimal foreign exchange risk during the Six-Month Period. The Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during the Six-Month Period.

Contingent liabilities and capital commitment

As at 30 June 2017, the Group did not have any material contingent liabilities and any material capital commitment that constituted "notifiable transactions" under Chapter 19 of the GEM Listing Rules during the Six-Month Period.

Significant investments, material acquisitions and disposals during the Six-Month Period

There were no significant investments, material acquisitions and disposals that constituted "notifiable transactions" under Chapter 19 of the GEM Listing Rules during the Six-Month Period.

Employees' information and remuneration policies

As at 30 June 2017, the Group had 343 (as at 30 June 2016: 251) employees in Hong Kong and the PRC. Total staff costs (excluding Directors' emoluments) for the Six-Month Period amounted to approximately HK\$86.0 million (for the six months ended 30 June 2016: approximately HK\$19.4 million).

The Group's remuneration policies are formulated on the basis of performance and experience of individual employees and are in line with local market practices. In addition to salary, the Group also offers to its employees other fringe benefits including year-end bonus, Share Option Schemes, share award scheme, contributory provident fund, social security fund, medical benefits and training.

Charges on the Group's assets

As at 30 June 2017, bank deposits of HK\$44.3 million (as at 31 December 2016: HK\$41.7 million) were held in designated bank accounts to secure bank borrowings and letters of guarantee granted to the Group. The pledged bank deposits will be released upon the settlement of the relevant borrowings and the release of the relevant letters of guarantee granted to the Group.

Save as disclosed above, as at 30 June 2017, there was no charge on the assets of the Group.

Significant changes to financial position

Inventories of the Group amounted to approximately HK\$45.2 million as at 30 June 2017 (as at 31 December 2016: approximately HK\$18.8 million). The Group's timing for sales has been historically stronger in the second half of the year and therefore the Group will usually stock up higher in the first half of the year in anticipation for the sales in the second half of the year. Inventory turnover period increased from 77 days for the year ended 31 December 2016 to 266 days for the Six-Month Period mainly due to the increase in the purchase of raw materials in the first half of 2017 to manufacture and meet the demand for the committed orders for the upcoming second half of 2017.

Trade receivables of the Group amounted to approximately HK\$23.4 million as at 30 June 2017 (as at 31 December 2016: HK\$25.6 million). Receivables turnover period increased from 40 days for the year ended 31 December 2016 to 82 days for the Six-Month Period mainly due to the fact that the Group's timing of sales has been historically stronger in the second half of the year, thus resulting in more settlement typically being made in the second half of the year which would reduce the receivables turnover days as at the end of the year.

During the Six-Month Period, a loss of approximately HK\$317.6 million was recorded from the remeasurement of the fair value of the Convertible Bonds and a gain of approximately HK\$3.4 million was recorded from the remeasurement of the fair value of the outstanding contingent consideration payables under the Score Value Transaction.

Significant event after the Six-Month Period

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

CONVERTIBLE BONDS

During the Six-Month Period, the conversion rights attaching to the Convertible Bonds in the aggregate principal amount of HK\$174,906,763 were exercised on 30 March 2017 and the Company allotted and issued to Ali Fortune an aggregate of 600,000,000 conversion Shares at the then conversion price of HK\$0.2915 per conversion Share. As at 30 June 2017, Convertible Bonds 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\$0.2728 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 1,218,336,976 (representing approximately 10.89% of the issued share capital of the Company as at 30 June 2017 and approximately 9.82% of the issued share capital of the Company as enlarged by such outstanding conversion Shares).

Assuming that the Outstanding Convertible Bonds were converted in full as at 30 June 2017, the respective shareholdings of the substantial shareholders of the Company would have been changed as follows:

Name of substantial Shareholders	Before conversion of Outstanding Convertible Bonds in full		Immediately after conversion of Outstanding Convertible Bonds in full	
	Number of Shares held	% of total issued Shares	Number of Shares held	% of total issued Shares
Ali Fortune	6,102,723,993	54.56%	7,321,060,969	59.02%
Mr. Sun Ho and his wholly-owned corporation, MAXPROFIT GLOBAL INC	2,033,328,000	18.18%	2,033,328,000	16.39%
Total issued Shares as at 30 June 2017	11,185,717,098		12,404,054,074	

As at 30 June 2017, the Company had cash and bank balances totalling approximately HK\$2,177.0 million, which were more than sufficient to meet its redemption obligations under the Outstanding Convertible Bonds in the aggregate principal amount of HK\$332,328,165.

As the Convertible Bonds bear no interest on the principal amount, it would be equally financially advantageous for the bondholders to convert or redeem the Convertible Bonds (and therefore the bondholders would be indifferent as to whether the Convertible Bonds are converted or redeemed) in the event that the price of each Share traded on the Stock Exchange equals the then adjusted conversion price of the Convertible Bonds.

Key terms of the Convertible Bonds:

- 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.
- The Convertible Bonds may be converted by the Subscriber in full or in part at any time during the period on or after the issuance date of the Convertible Bonds and up to the maturity date (which is the third anniversary of the date of issuance of such bonds), 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.
- On the other hand, 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 aforesaid 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.
- Following the occurrence of any special event as set out in the bond instrument in respect of the Convertible Bonds, 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% of the principal amount of such Convertible Bonds.
- The conversion price of the Convertible Bonds 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.

- 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 of the Convertible Bonds shall be adjusted in a manner so that:
 - (i) the shareholding of the Subscriber (the “Subscriber Shareholding”) 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

is equal to:

- (ii) the Subscriber Shareholding immediately prior to the issuance of such Shares and/or the grant of such options.

Following such adjustment due to the grant of the options under the Score Value Transaction, the conversion price of the Convertible Bonds shall not be further adjusted when such options are exercised.

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 or the Consultant Options, the conversion price of the Convertible Bonds shall be adjusted as if such options had been exercised.

- 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.
- No application will be made for a listing of the Convertible Bonds.

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 30 June 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
(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\$4.6 million	Development costs for the localisation and customisation of new games system

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 30 June 2017	Actual application of Net Proceeds (with explanations for material deviation from intended usage, if any)
(c) <i>expansion and development of the Group's research and development ("R&D") capability in technology development for games and systems (approximately HK\$150 million to be allocated)</i>	approximately HK\$50 million	approximately HK\$50 million	Staff costs for 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
(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\$30 million	Cash deferred consideration for the achievement of prior years' profit guarantee under the Score Value Transaction
Sub-total for "Games and systems":	approximately HK\$800 million	approximately HK\$84.6 million	

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 30 June 2017	Actual application of Net Proceeds (with explanations for material deviation from intended usage, if any)
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- Total amount earmarked for “Games and systems”: approximately HK\$1,200 million or approximately 50.42% of Net Proceeds
- Remaining balance of Net Proceeds still available for “Games and systems” as at 30 June 2017: approximately HK\$1,115.4 million

(ii) **Hardware:**

<i>R&D activities to upgrade the Group’s hardware products with more sophisticated technology that are supplied to customers based on a revenue-sharing model</i>	approximately HK\$80 million	approximately HK\$13.3 million	R&D costs for upgrading the hardware products
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- Total amount earmarked for “Hardware”: approximately HK\$120 million or approximately 5.04% of Net Proceeds
- Remaining balance of Net Proceeds still available for “Hardware” as at 30 June 2017: approximately HK\$106.7 million

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 30 June 2017	Actual application of Net Proceeds (with explanations for material deviation from intended usage, if any)
(iii) Distribution: Expansion/constructions of the Group's sales and distribution offline/online network			
(a) <i>expansion of offline sales and distribution business (approximately HK\$100 million to be allocated)</i>	approximately HK\$50 million	approximately HK\$43.2 million	Investment for expansion of offline sales business
(b) <i>marketing and advertising campaigns for its existing offline lottery games (approximately HK\$100 million to be allocated)</i>	approximately HK\$50 million	Nil	NA
(c) <i>acquisitions of online and offline distributors (approximately HK\$250 million to be allocated)</i>	approximately HK\$150 million	Nil	NA
(d) <i>online sales and distribution of lottery products (including but not limited to the future cooperation with Taobao (China) Software Co., Ltd. and Alipay.com Co., Ltd.) (approximately HK\$400 million to be allocated)</i>	approximately HK\$100 million	Nil	NA
Sub-total for "Distribution":	approximately HK\$350 million	approximately HK\$43.2 million	

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 30 June 2017	Actual application of Net Proceeds (with explanations for material deviation from intended usage, if any)
			<ul style="list-style-type: none"> Total amount earmarked for "Distribution": approximately HK\$850 million or approximately 35.71% of Net Proceeds Remaining balance of Net Proceeds still available for "Distribution" as at 30 June 2017: approximately HK\$806.8 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
Sub-total for "General corporate purposes":	approximately HK\$100 million	approximately HK\$85.3 million	

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 30 June 2017	Actual application of Net Proceeds (with explanations for material deviation from intended usage, if any)
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- Total amount earmarked for "General corporate purposes": approximately HK\$210 million or approximately 8.82% of Net Proceeds
- Remaining balance of Net Proceeds still available for "General corporate purposes" as at 30 June 2017: approximately HK\$124.7 million

Grand total:	approximately HK\$1,330 million	approximately HK\$226.4 million
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- Total remaining balance of Net Proceeds as at 30 June 2017: approximately HK\$2,153.6 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 30 June 2017, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

a. Interests in Shares:

Name of Director	Number of Shares/ underlying Shares held			Approximate percentage held (Note 1)
	Personal interest	Corporate interest	Total	
Mr. Sun Ho	33,078,000 (Note 2)	2,006,250,000 (Note 3)	2,039,328,000	18.23%
Mr. Zhou Haijing	12,200,000 (Note 4)	–	12,200,000	0.11%
Mr. Zhang Qin	–	–	–	0%
Mr. Yang Guang	–	–	–	0%
Mr. Ji Gang	–	–	–	0%
Mr. Zhang Wei	–	–	–	0%
Ms. Monica Maria Nunes	1,375,000	–	1,375,000	0.01%
Mr. Feng Qing	375,000	–	375,000	negligible
Dr. Gao Jack Qunyao	375,000	–	375,000	negligible

Notes:

1. Based on a total of 11,185,717,098 Shares in issue as at 30 June 2017.
 2. It represents 27,078,000 Shares and 6,000,000 restricted share units (granted under the share award scheme of the Company) beneficially held by Mr. Sun Ho.
 3. These 2,006,250,000 Shares were held in the name of MAXPROFIT GLOBAL INC. As MAXPROFIT GLOBAL INC is beneficially and wholly-owned by Mr. Sun Ho, the chairman, executive Director & chief executive officer (“CEO”) of the Company, Mr. Sun was deemed to be interested in such Shares.
 4. It represents 12,200,000 restricted share units (granted under the share award scheme of the Company) beneficially held by Mr. Zhou Haijing.
- b. Long position in the underlying Shares in respect of the share options of the Company (which were regarded as unlisted physically settled equity derivatives):

Name of Director	Date of grant	Exercise price per Share (HK\$)	Exercisable period (Note 2)	Number of underlying shares	Approximate percentage held (Note 1)
Ms. Monica Maria Nunes	20 June 2013	0.474	20 June 2014 – 19 June 2018	375,000	0.003%
	21 January 2014	1.310	21 January 2015 – 20 January 2019	250,000	0.002%
Mr. Feng Qing	1 June 2015	0.858	1 June 2016 – 31 May 2020	1,125,000	0.010%
Dr. Gao Jack Qunyao	1 June 2015	0.858	1 June 2016 – 31 May 2020	1,125,000	0.010%

Notes:

1. Based on a total of 11,185,717,098 Shares in issue as at 30 June 2017.
 2. A portion of the option representing 25% of the total underlying Shares entitled under such option when it was initially granted shall be vested in the grantee of the option in each year during the exercisable period. If the grantee does not exercise such portion of the option within one year after it has been vested in him/her, such portion of the option will lapse.
- c. Long positions in shares and underlying shares of Alibaba Holding, an associated corporation of the Company within the meaning of Part XV of the SFO:

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

Notes:

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

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

Name of Shareholder	Capacity	Number of Shares held	Number of underlying Shares entitled	Total number of Shares	Approximate percentage of issued share capital of the Company (Note 1)
Ali Fortune (Notes 2 and 8)	Beneficial owner	6,102,723,993	1,218,336,976	7,321,060,969	65.45%
Alibaba Investment Limited (Note 2)	Interest of controlled corporation	6,102,723,993	1,218,336,976	7,321,060,969 (Note 9)	65.45%
API Holdings Limited (Note 2)	Interest of controlled corporation	6,102,723,993	1,218,336,976	7,321,060,969 (Note 9)	65.45%
Alibaba Holding (Note 3)	Interest of controlled corporation	6,102,723,993	1,218,336,976	7,321,060,969 (Note 9)	65.45%
API (Hong Kong) Investment Limited (Note 4)	Interest of controlled corporation	6,102,723,993	1,218,336,976	7,321,060,969 (Note 9)	65.45%

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)
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	1,218,336,976	7,321,060,969 (Note 9)	65.45%
Ant Financial (Note 6)	Interest of controlled corporation	6,102,723,993	1,218,336,976	7,321,060,969 (Note 9)	65.45%
Hangzhou Yunbo Investment Consultancy Co., Ltd. (Note 7)	Interest of controlled corporation	6,102,723,993	1,218,336,976	7,321,060,969 (Note 9)	65.45%
Mr. Ma Yun (Note 7)	Interest of controlled corporation	6,102,723,993	1,218,336,976	7,321,060,969 (Note 9)	65.45%
Maxprofit Global Inc (Note 10)	Beneficial owner	2,006,250,000	–	2,006,250,000	17.94%

Notes:

1. Based on a total of 11,185,717,098 Shares in issue as at 30 June 2017.
2. Alibaba Investment Limited (“AIL”) and API Holdings Limited (“API Holdings”) hold 60% and 40% of the issued share capital of Ali Fortune, respectively.
3. Alibaba Holding holds 100% of the issued share capital of AIL.
4. API (Hong Kong) Investment Limited holds 100% of the issued share capital of API Holdings.

5. Shanghai Yunju Venture Capital Investment Co., Ltd. (formerly known as Shanghai Yunju Investment Management Co., Ltd.) (“Shanghai Yunju”) holds 100% of the issued share capital of API (Hong Kong) Investment Limited.
6. Ant Financial holds 100% of the equity interests in Shanghai Yunju. Hangzhou Junhan Equity Investment Partnership (Limited Partnership) (“Junhan”) and Hangzhou Junao Equity Investment Partnership (Limited Partnership) (“Junao”) hold approximately 42.28% and 34.15% of the equity interests in Ant Financial, respectively.
7. Hangzhou Yunbo Investment Consultancy Co., Ltd. (“Yunbo”) is the general partner of both Junhan and Junao, and is wholly-owned by Mr. Ma Yun.
8. As at 30 June 2017, Ali Fortune held outstanding Convertible Bonds in the aggregate principal amount of HK\$332,328,165 and the maximum number of conversion Shares that would be issued upon full conversion of such outstanding Convertible Bonds at the then adjusted conversion price of HK\$0.2728 per conversion Share as at 30 June 2017 was 1,218,336,976. 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 ALL, 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 7,321,060,969 Shares by virtue of Part XV of the SFO.
10. As disclosed in the section headed “DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES” above, Mr. Sun Ho was deemed to be interested in these 2,006,250,000 Shares by virtue of his interest in Maxprofit Global Inc.

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

INTERESTS OF OTHER PERSONS

As at 30 June 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 Six-Month Period, none of the Directors, the controlling shareholder of the Company and their respective close associates had an interest in a business, which competes or might compete with the business of the Group.

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance in order to uphold the transparency of the Group and safeguard interests of the Shareholders.

During the Six-Month Period, the Company has adopted the applicable code provisions in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 15 of the GEM Listing Rules, except for the following deviations:

- (a) under the Code provision A.2.1, the roles of chairman and CEO should be separate and should not be performed by the same individual. The roles of chairman and CEO of the Company were performed by the executive Director, Mr. Sun Ho, during the Six-Month Period. The Company considered that the combination of the roles of chairman and CEO could effectively formulate and implement the strategies of the Company. The Company considered that under the supervision of its Board and its independent non-executive Directors, a balancing mechanism existed so that the interests of the Shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement;

- (b) under the Code provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. However, pursuant to the Bye-laws of the Company, the chairman of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. During the Six-Month Period, the chairman of the Board was not subject to retirement by rotation, as the Board considered that the continuity of the office of the chairman provided the Group with strong and consistent leadership and was of great importance to the smooth operations of the Group;
- (c) under the Code provision A.2.7, the chairman of the Board should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors' presence. During the Six-Month Period, the chairman of the Board did not hold such kind of private meetings with the non-executive Directors. The chairman of the Board considered that it was unnecessary as it would be more transparent to let the non-executive Directors speak out their views to all executive Directors in the full Board meetings which would be held at least four times a year. Besides, the chairman of the Board, being an executive Director himself, always welcomes all non-executive Directors to directly communicate with him via his email or phone to discuss any matters of the Company from time to time;
- (d) under the Code provision A.6.6, each Director should disclose to the Company, among other things, an indication of the time involved by him/her in his/her offices held in other public companies or organisations and other significant commitments. During the Six-Month Period, no such disclosure was made by the Directors to the Company. As the Board had adopted a new corporate governance practice that each Director's contributions to the Group were reviewed and discussed at the Board meeting annually (the "Annual Contributions Review"), the Board considered that assessing the time spent by each Director on his/her commitments outside the Group was not necessary for the purposes of the Annual Contributions Review and that the disclosure of the time spent by a Director in performing his/her duties did not necessarily indicate accurately the efficiency of such Director and the effectiveness of his/her work, and may therefore be misleading;

- (e) under the Code provision B.1.2, the remuneration committee should review and recommend to the Board for approval of the specific remuneration packages of senior management. The remuneration committee of the Company had reviewed its scope of duties and considered that the delegated responsibility to review and recommend to the Board to approve the specific remuneration packages of senior management should be vested in the executive Directors who have a better understanding of the level of expertise, experience and performance expected of the senior management in the daily business operations. Notwithstanding the foregoing, the remuneration committee would continue to be primarily responsible for the review and recommendation of the remuneration packages of the Directors; and

- (f) under the Code provision B.1.5, the Company should disclose details of any remuneration payable to members of senior management by band in its annual report. The Company did not make such disclosure in its annual report as the Board considered that (i) the remuneration of any newly appointed “chief executive” (as defined under the GEM Listing Rules) would have already been disclosed in the announcement previously issued by the Company in respect of such appointment in accordance with GEM Listing Rule 17.50(2)(g); (ii) the five highest paid employees within the Group had already been disclosed in the notes to the consolidated financial statements of the Group in the annual report, and (iii) giving further details of remuneration for each and every senior management staff would result in particulars of excessive length and no additional value to the Shareholders, whilst at the same time may impair the flexibility of the Group in its negotiations of remuneration packages for senior management staff (especially those who are not Directors or chief executives of the Group and hence are not supposed to be subject to the aforesaid disclosure requirement under GEM Listing Rule 17.50(2)(g)) should it need to find replacement staff or recruit additional senior personnel in the future.

(The above deviations (a) to (f) were similarly disclosed on pages 31 and 32 of the Company’s annual report for the year ended 31 December 2016, and on pages 39 to 41 of the Company’s interim report for the six months ended 30 June 2016.)

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 Six-Month Period.

SHARE OPTION SCHEMES

The following table sets out details and movements of the Company's share options held by Directors, eligible employees and other eligible participants of the Group under the share option scheme adopted by the Company on 18 November 2004 (the "2004 Share Option Scheme") and the share option scheme adopted by the Company on 23 December 2014 (the "2014 Share Option Scheme") during the Six-Month Period:

Option type	Number of underlying Shares entitled (in respect of share options of the Company)					Outstanding at 30 June 2017
	Outstanding at 1 January 2017	Granted during the Six-Month Period	Exercised during the Six-Month Period	Expired during the Six-Month Period	Forfeited during the Six-Month Period	
Directors:						
2004 Share Option Scheme	625,000	-	-	-	-	625,000
2014 Share Option Scheme	3,000,000	-	(750,000)	-	-	2,250,000
Eligible employees:						
2004 Share Option Scheme	73,893,679	-	(18,682,500)	(16,122,060)	(3,077,500)	36,011,619
2014 Share Option Scheme	93,251,925	-	(15,378,700)	-	(17,539,625)	60,333,600
Other eligible participants:						
2004 Share Option Scheme	64,287,922	-	(30,768,961)	(125,000)	(20,000,000)	13,393,961
2014 Share Option Scheme	288,547,248	-	(15,045,532)	-	-	273,501,716
Total	523,605,774	-	(80,625,693)	(16,247,060)	(40,617,125)	386,115,896

Number of underlying Shares entitled
(in respect of share options of the Company)

Option type	Outstanding at 1 January 2017	Granted during the Six-Month Period	Exercised during the Six-Month Period	Expired during the Six-Month Period	Forfeited during the Six-Month Period	Outstanding at 30 June 2017
Exercisable at the end of the period	96,524,884					56,948,161
Weighted average exercise price	HK\$1.0076					HK\$1.0480

During the Six-Month Period, no options were granted. Options in respect of 40,617,125 Shares were forfeited while options in respect of 16,247,060 Shares had expired during the Six-Month Period.

As a result of the options exercised during the Six-Month Period, 80,625,693 Shares were issued by the Company. The weighted average closing price of the Shares immediately before the dates on which these options were exercised is HK\$1.5342 per Share.

As at 30 June 2017, the number of Shares in respect of which options had been granted and remained outstanding under (i) the 2004 Share Option Scheme was 50,030,580 Shares (as at 31 December 2016: 138,806,601 Shares), representing approximately 0.4% (as at 31 December 2016: approximately 1.3%) of the Company's issued share capital as at 30 June 2017; and (ii) the 2014 Share Option Scheme was 336,085,316 Shares (as at 31 December 2016: 384,799,173 Shares), representing approximately 3.0% (as at 31 December 2016: approximately 3.7%) of the Company's issued share capital as at 30 June 2017.

Expected volatility was determined by using the historical volatility of the share prices of other companies in the similar industry over the expected life of the options. No other feature of the options granted was incorporated into the measurement of fair values. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

The variables and assumptions used in computing the fair values of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

GRANT OF AWARD SHARES PURSUANT TO SHARE AWARD SCHEME

As disclosed in the announcement of the Company dated 17 March 2017, the Company has adopted a share award scheme (the "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.

On 15 May 2017, the Board resolved to grant a total of 100,618,500 award Shares on the same date as follows:

- (i) a total of 6,000,000 award Shares to Mr. Sun Ho, an executive Director;
- (ii) a total of 12,200,000 award Shares to Mr. Zhou Haijing, an executive Director;
- (iii) a total of 9,300,000 award Shares to 4 directors of the subsidiaries of the Company; and
- (iv) a total of 73,118,500 award Shares to 123 employees of the Group who are independent of the Company and its connected persons (as defined under the GEM Listing Rules).

The 100,618,500 award Shares granted represent approximately 0.90% of the issued share capital of the Company as at the date of this report. Based on the closing price of HK\$1.33 per Share on the date of the grant of the award Shares, the market value of the 100,618,500 award Shares in aggregate is HK\$133,822,605.

All of the 100,618,500 award Shares shall be granted by way of acquisition of existing Shares through on-market transactions by the trustee of the Share Award Scheme (the "Trustee"). The Board shall cause to pay the Trustee the purchase price and the related expenses from the Company's cash resources. The Trustee shall purchase from the market the relevant number of award Shares and shall hold the award Shares on trust for the relevant selected participants until they are vested in such selected participants and delivered in accordance with the terms of the Share Award Scheme. There is no condition, performance target or lock up restriction attached to the award Shares.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Six-Month Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company, save for the fact that the Trustee has purchased a total of 51,248,000 Shares on the Stock Exchange at a total consideration of approximately HK\$68.1 million to satisfy award Shares granted under the Share Award Scheme up to and including 30 June 2017.

STATUS OF DEFERRED CONSIDERATION FOR ACQUISITION OF SCORE VALUE

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

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

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

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

CHANGE IN INFORMATION REGARDING DIRECTORS

Pursuant to the disclosure requirement under Rule 17.50A(1) of the GEM Listing Rules, there are certain changes in the information regarding the following Directors as follows:

Name of Director	Details of the change in information regarding such Director
Mr. Sun Ho ("Mr. Sun")	Following the adoption of the Share Award Scheme by the Company on 17 March 2017, Mr. Sun shall be entitled to award Shares which may be granted from time to time by the Company under the Share Award Scheme at the absolute discretion of the Board (based on his annual performance). Mr. Sun's annual fixed salary amounts to HK\$4,290,000 effective from 1 April 2017. In addition, Mr. Sun was appointed as Chairman of the IMSA Advisory Board on 30 May 2017.
Mr. Zhou Haijing ("Mr. Zhou")	Following the adoption of the Share Award Scheme by the Company on 17 March 2017, Mr. Zhou shall be entitled to award Shares which may be granted from time to time by the Company under the Share Award Scheme at the absolute discretion of the Board (based on his annual performance). Mr. Zhou's annual fixed salary amounts to HK\$1,650,000 effective from 1 April 2017.

Name of Director	Details of the change in information regarding such Director
Ms. Monica Maria Nunes ("Ms. Nunes")	<p>Ms. Nunes, being an independent non-executive Director, has renewed a service contract with the Company for a term of two years commencing from 12 May 2017 and is subject to retirement and re-election at annual general meeting of the Company pursuant to the Bye-laws of the Company. Her annual director's fee is HK\$200,000 effective from 12 May 2017.</p> <p>Ms. Nunes' titles in Vodatel Networks Holdings Limited have been changed as managing director, finance director and compliance officer (former titles: executive director, finance director and compliance officer).</p>
Mr. Feng Qing ("Mr. Feng")	<p>Mr. Feng, being an independent non-executive Director, has renewed a service contract with the Company for a term of two years commencing from 4 May 2017 and is subject to retirement and re-election at annual general meeting of the Company pursuant to the Bye-laws of the Company. His annual director's fee is HK\$200,000 effective from 4 May 2017.</p>
Dr. Gao Jack Qunyao ("Dr. Gao")	<p>Dr. Gao, being an independent non-executive Director, has renewed a service contract with the Company for a term of two years commencing from 6 May 2017 and is subject to retirement and re-election at annual general meeting of the Company pursuant to the Bye-laws of the Company. His annual director's fee is HK\$200,000 effective from 6 May 2017.</p>

Name of Director	Details of the change in information regarding such Director
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Dr. Gao's positions in Wanda Group companies have also been changed as follows:

- He is currently the Group Senior Vice President and CEO of International Investments and Business Operation Department (former title: the Group Vice President and CEO of International Investments and Business Department) of 北京萬達文化產業集團有限公司 (Beijing Wanda Culture Industry Group Co., Ltd.#);
- He is the director of several Wanda Group companies including AMC Entertainment Holdings, Inc. (which operates the AMC Theatres) and Sunseeker International Limited, and is the director for the EuropaCity (巴黎歐洲城) project; and
- He is no longer the Vice Chairman of Infront Sports & Media AG.

Save as disclosed above, no other information in respect of the Directors is required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

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;
“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;
“Circular”	the circular of the Company dated 8 December 2014 in respect of the Score Value Transaction;

“Company” or “AGTech”	AGTech Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM;
“Consultant Options”	the options granted to consultants of the Company to subscribe for up to 386,115,896 Shares as at the date hereof pursuant to the Share Option Schemes;
“Convertible Bonds”	the convertible bonds of the Company issued to Ali Fortune under the Subscription;
“Director(s)”	the director(s) of the Company;
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director;
“GEM”	the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;
“Macau”	the Macau Special Administrative Region of the PRC;
“MOF”	the Ministry of Finance of China;
“NSLAC”	the National Sports Lottery Administration Centre of the PRC;

“PRC” or “China”	the People’s Republic of China which, for the purpose of this report, excludes Hong Kong, Macau and Taiwan;
“Rainwood Options”	the options granted to Rainwood Resources Limited 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, which had been exercised in full on 16 March 2016;
“RMB”	Renminbi, the lawful currency of the PRC;
“Score Value”	Score Value Limited which is an indirect wholly-owned subsidiary of the Company;
“Score Value Transaction”	the acquisition of the entire equity interest in Score Value by the Company as contemplated under the agreement dated 17 November 2014 entered into between the Company, Silvercreek Technology Holdings Limited (a wholly-owned subsidiary of the Company) as the purchaser, Score Value as the target, and vendors of Score Value, pursuant to which, among other things, (i) the vendors of Score Value may be granted bonus options to subscribe for up to 166,666,666 Shares at a subscription price of HK\$1.8 per Share contingent upon certain performance targets (and such bonus options had already lapsed in November 2016); and (ii) the vendors of Score Value may be issued up to 135,135,135 Shares as part of the deferred consideration for the acquisition if certain performance targets are achieved;
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company;

“Shareholder(s)”	holder(s) of the Share(s);
“Share Option Schemes”	the share option schemes of the Company adopted on 18 November 2004 and 23 December 2014 respectively;
“Shenzhen Subsidiary”	Shenzhen Zoom Read Tech Co., Ltd. [#] , a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of Score Value;
“Sports Lottery”	the national sports lottery of China;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription for 4,817,399,245 new Shares and Convertible Bonds in the aggregate principal amount of HK\$712,582,483 by Ali Fortune, which was completed on 10 August 2016;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time);
“Welfare Lottery”	the national welfare lottery of China;
“Whitewash Circular”	the circular of the Company dated 25 May 2016 in respect of, among other things, the Subscription and the Whitewash Waiver;
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of Ali Fortune to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by Ali Fortune or parties acting in concert with it which would otherwise arise as a result of (i) the allotment and issue of the Shares under the Subscription at its completion; and/or (ii) the allotment and issue of the Shares that may be issued upon conversion of the Convertible Bonds issued under the Subscription; and

“ % ” per cent.

In this report, the exchange rate of HK\$1.1469 to RMB1.00 has been used for reference only.

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

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

Hong Kong, 11 August 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 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.