



# AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279



# 2019 FIRST QUARTERLY REPORT

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## **CHARACTERISTICS OF GEM**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the 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.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

### **FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED 31 MARCH 2019**

- Revenue of the Group for the Three-Month Period amounted to approximately HK\$20.2 million (Three months ended 31 March 2018: approximately HK\$17.7 million), representing an increase of approximately 14.1% over the corresponding period in 2018. Revenue contributions were mainly derived from lottery hardware, lottery games and systems, provision of lottery distribution and ancillary services, games and entertainment business in the PRC. The increase in revenue for the Three-Month Period was caused by the increase in sales of lottery hardware of approximately HK\$3.5 million, and increase of approximately HK\$0.9 million from the lottery games and systems, which increases were partially offset by a decrease of approximately HK\$1.7 million in revenue from the provision of lottery distribution and ancillary services.
- The loss for the Three-Month Period was approximately HK\$71.0 million (Three months ended 31 March 2018: profit of approximately HK\$170.7 million). The change from profit to loss for the Three-Month Period was mainly attributable to several non-cash and non-operating items relating to the fair value changes of the Convertible Bonds and the contingent consideration payables under the Score Value Transaction.
- The Board does not recommend the payment of an interim dividend for the Three-Month Period.

## FIRST QUARTERLY RESULTS

The Board announces the unaudited consolidated results of the Group for the three months ended 31 March 2019 (the “**Three-Month Period**”), together with the unaudited comparative figures for the corresponding period in 2018 as follows:

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

For the three months ended 31 March 2019

	Notes	Three months ended 31 March	
		2019 HK\$'000	2018 HK\$'000
Revenue	2	20,165	17,668
Other income		1,341	1,179
Net other gains		13,024	16,805
Employee benefits expenses		(59,758)	(68,491)
Purchase of and changes in inventories		(4,308)	(9)
Operating lease rental expenses		(6,755)	(5,707)
Depreciation expense		(607)	(627)
Other operating expenses		(15,579)	(34,898)
<b>Operating loss</b>		<b>(52,477)</b>	(74,080)
(Loss)/Gain on fair value changes of convertible bonds		(13,672)	224,664
(Loss)/Gain on fair value changes of contingent consideration payables		(3,349)	18,196
Net finance income		5,495	3,280
Share of results of investments accounted for using equity method		(5,869)	–
<b>(Loss)/Profit before income tax</b>		<b>(69,872)</b>	172,060
Income tax expense	3	(1,090)	(1,322)
<b>(Loss)/Profit for the period</b>		<b>(70,962)</b>	170,738

		<b>Three months ended</b>	
		<b>31 March</b>	
		<b>2019</b>	2018
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Other comprehensive income:</b>			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Currency translation differences		<b>17,143</b>	35,728
Other comprehensive income for the period, net of tax		<b>17,143</b>	35,728
<b>Total comprehensive income for the period</b>		<b>(53,819)</b>	206,466
<b>(Loss)/Profit attributable to:</b>			
Owners of the Company		<b>(72,194)</b>	172,971
Non-controlling interests		<b>1,232</b>	(2,233)
		<b>(70,962)</b>	170,738
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>(56,300)</b>	206,794
Non-controlling interests		<b>2,481</b>	(328)
		<b>(53,819)</b>	206,466
<b>Earning/(Loss) per share</b>			
Basic	4	<b>(HK0.65 cent)</b>	HK1.56 cents
Diluted	4	<b>(HK0.65 cent)</b>	(HK0.49 cent)

Notes:

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial information has been prepared in accordance with the applicable Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and disclosure requirements of GEM Listing Rules.

The consolidated financial information has not been audited by the Company’s auditors, but has been reviewed and commented on by the Company’s audit committee. The accounting policies applied and significant judgements made by management in applying the Group’s accounting policies are consistent with those of the Group’s annual financial statements for the year ended 31 December 2018.

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

#### Comparative figures

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

### 2. REVENUE

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

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2019</b>	2018
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$’000</b>	<b>HK\$’000</b>
Lottery hardware	<b>8,968</b>	5,452
Lottery games and systems	<b>7,165</b>	6,228
Provision of lottery distribution and ancillary services	<b>3,424</b>	5,104
Games and entertainment	<b>608</b>	884
	<b>20,165</b>	17,668

### 3. INCOME TAX EXPENSE

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

#### 4. EARNING/(LOSS) PER SHARE

##### (a) Basic

Basic earning or loss per share is calculated by dividing the unaudited loss attributable to owners of the Company for the Three-Month Period of approximately HK\$72,194,000 (for the three months ended 31 March 2018: profit of approximately HK\$172,971,000) by the weighted average number of ordinary shares outstanding during the period of approximately 11,272,342,000 (for the three months ended 31 March 2018: approximately 11,248,240,000) shares and excluding the weighted average number of shares held for share award scheme of approximately 108,860,000 (for the three months ended 31 March 2018: approximately 127,466,000) shares.

##### (b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has four categories of dilutive potential ordinary shares: Convertible Bonds, contingent considerations, share options and share awards. The Convertible Bonds are assumed to have been converted into ordinary shares, and the loss or profit attributable to owners of the Company is adjusted to eliminate the relevant interest expense and fair value changes. The contingent considerations are assumed to have been settled in ordinary shares, and the loss or profit attributable to owners of the Company is adjusted to eliminate the relevant fair value changes. For the share options and share awards, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and share awards.

For the Three-Month Period, the diluted loss per share is the same as the basic loss per share. The computation of the diluted loss per share does not assume the conversion of the outstanding Convertible Bonds, the exercise of the outstanding share options and the vesting of the outstanding share awards, as they would decrease the loss per share. Contingent considerations are not treated as outstanding and are excluded from the computation of the diluted loss per share as the conditions are not satisfied as at 31 March 2019.

For the period ended 31 March 2018, diluted loss per share is calculated by dividing the adjusted unaudited loss attributable to owners of the Company of approximately HK\$60,589,000 by the adjusted weighted average number of ordinary shares outstanding during the period of approximately 12,375,701,000 shares. The computation of the diluted loss per share does not assume the exercise of the outstanding share options and the vesting of the outstanding share awards, as they would decrease the loss per share.

#### 5. DIVIDEND

The Board does not recommend the payment of an interim dividend for the Three-Month Period (2018: nil).

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the Three-Month Period

	Attributable to owners of the Company											Attributable to non-controlling interests		Total	
	Share capital	Share premium	Shares held for share award scheme	Share options reserve	Share awards reserve	Statutory reserve	Exchange reserve	Contributed surplus	Property revaluation reserve	Other reserve	Accumulated losses	Subtotal			
	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	HK\$'000	HK\$'000
<b>Balance at</b>															
1 January 2019	22,544	3,269,729	(148,805)	97,384	61,311	21,139	87,687	47,191	14,402	75,788	(564,388)	2,983,982	48,749	3,032,731	
Loss for the period	-	-	-	-	-	-	-	-	-	-	(72,194)	(72,194)	1,232	(70,962)	
Other comprehensive income for the period	-	-	-	-	-	-	15,894	-	-	-	-	15,894	1,249	17,143	
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	15,894	-	-	-	(72,194)	(56,300)	2,481	(53,819)	
Recognition of equity settled share-based payments	-	-	-	2,589	7,654	-	-	-	-	-	-	10,243	-	10,243	
Lapse of share options	-	-	-	(17,967)	-	-	-	-	-	-	17,967	-	-	-	
Transfer of shares upon vesting of share awards under share award scheme	-	(65)	3,523	-	(3,458)	-	-	-	-	-	-	-	-	-	
<b>Balance at</b>															
31 March 2019	22,544	3,269,664	(145,282)	82,006	65,507	21,139	103,581	47,191	14,402	75,788	(618,615)	2,937,925	51,230	2,989,155	
<b>Balance at</b>															
1 January 2018	22,494	3,249,914	(167,407)	136,954	41,582	19,121	124,514	47,191	14,402	93,575	(923,966)	2,658,374	47,190	2,705,564	
Profit for the period	-	-	-	-	-	-	-	-	-	-	172,971	172,971	(2,233)	170,738	
Other comprehensive income for the period	-	-	-	-	-	-	33,823	-	-	-	-	33,823	1,905	35,728	
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	33,823	-	-	-	172,971	206,794	(328)	206,466	
Recognition of equity settled share-based payments	-	-	-	7,249	14,526	-	-	-	-	-	-	21,775	-	21,775	
Issue of shares upon exercise of share options under share option scheme	4	1,738	-	(561)	-	-	-	-	-	-	-	1,181	-	1,181	
Purchase of shares under share award scheme	-	-	(9,502)	-	-	-	-	-	-	-	-	(9,502)	-	(9,502)	
<b>Balance at</b>															
31 March 2018	22,498	3,251,652	(176,909)	143,642	56,108	19,121	158,337	47,191	14,402	93,575	(750,995)	2,878,622	46,862	2,925,484	



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

### **ABOUT THE GROUP**

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

AGTech's businesses are broadly divided into two categories:

- Lottery (including hardware, games and systems and provision of distribution and ancillary services); and
- Games and Entertainment.

AGTech is a Gold Contributor of the World Lottery Association (WLA), an associate member of the Asia Pacific Lottery Association (APLA), and an official partner of the International Mind Sports Association (IMSA).

### **CORPORATE STRATEGY AND OBJECTIVES**

AGTech is committed to evolving its business into a comprehensive lottery, mobile games and entertainment content and technology provider to customers around the world.

As the exclusive lottery platform of Alibaba Group and Ant Financial Group, lottery technology and services will continue to be AGTech's domain expertise. The Group continues to leverage its lottery industry experience and innovation to support lottery authorities in areas including product development, physical channel expansion, innovative hardware, marketing services and promotions, all in assisting to broaden the reach of lottery products in China and to advance the industry as a whole.

The Group will continue to develop differentiated games and entertainment platforms with the goal of integrating unique social games and sports entertainment content, ultimately to create an innovative business model to increase the Group's commercial value.

Looking forward, AGTech will continue to pursue overseas opportunities and globalize our business through offering our proprietary systems and platforms, as well as operational and technical expertise, in addition to seeking strategic partnership with local partners in overseas markets such as India, South East Asia and beyond.

## **INDUSTRY OVERVIEW**

### ***Lottery***

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

According to MOF figures\*, during the Three-Month Period, lottery market recorded sales of approximately RMB106.3 billion, an increase of approximately 2.1% compared to the corresponding period in 2018. Of this, Welfare Lottery amounted to approximately RMB49 billion (approximately 46.1% of total lottery sales), representing a decrease of approximately 6.1% compared to the corresponding period in 2018. The Sports Lottery achieved sales of approximately RMB57.2 billion (approximately 53.9% of total lottery sales), representing an increase of approximately 10.3% compared to the corresponding period in 2018.

At the beginning of 2019, Chinese lottery authorities advised on a series of operating and governing recommendations with aim to improve on risk management supervision and to promote responsible lottery. Market supervision will be strengthened to ensure the healthy development of the lottery industry.

\* Source: Ministry of Finance of the PRC

### ***Games and Entertainment***

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

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

## **BUSINESS REVIEW**

### ***New Lottery Services***

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

During the Three-Month Period, the Group has secured cooperation by way of lottery services with the following provincial sports lottery centres:

- (a) cooperation with Guangdong SLAC to apply an enterprise intelligent office service platform to the Guangdong SLAC "network service platform" project, thus satisfying the demand on its digital management. We aim to spread the platform service to other provinces and regions in China in future; and
- (b) collaboration with Tianjin SLAC to carry out corresponding marketing planning and implementation for the comprehensive range of sports lottery products according to Tianjin SLAC's timeline, and to achieve the objectives of assisting Tianjin SLAC in brand building, efficient dissemination, and expansion of new user groups, by means of multi-category media promotions of responsible lottery and public welfare.

### ***Lottery Resources Channel***

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

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

### **Lottery Games and Systems**

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

The Lottery Games and Systems division has a reserve of rich and attractive lottery content designed to fulfill the demands of the market and players.

### **Lucky Racing and e-Ball Lottery**

AGT, which is owned as to 51% by the Group and as to 49% by Ladbroke Group (one of the world's largest sports betting companies), supplies China's only virtual sports lottery platform to Sports Lottery, and continues to operate the two virtual sports games in the country, after having launched its motor racing-themed virtual game "Lucky Racing" ("幸運賽車") in Hunan Province of the PRC in 2011, and its football themed game "e-Ball Lottery" ("e球彩") in Jiangsu Province of the PRC in 2013. "Lucky Racing" and "e-Ball Lottery" are virtual sports lottery games that are broadcasted to lottery shops via a central server and cable television, allowing customers to bet on computer generated car races or football matches respectively.

As announced by the Company on 14 November 2018, 亞博泰科科技(北京)有限公司 (Asia Gaming Technologies (Beijing) Co., Ltd.) ("AGT Beijing"), a subsidiary owned as to 51% by the Group, has been awarded the technical cooperation contract in respect of e-Ball Lottery for Jiangsu SLAC. Under such contract, AGT Beijing is responsible for setting up and developing the distribution and sales management system for e-Ball Lottery for a further five-year term, including its maintenance, installation, testing, ongoing development and system upgrade as requested by Jiangsu SLAC.

### **Lottery Hardware**

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

During the Three-Month Period, the Group has won two lottery hardware tenders to supply lottery terminals to the Sports Lottery Administration Centres in Tianjin and Hainan province of the PRC. This demonstrates the Group's continued industry leading position and commitment in China's lottery hardware market.

### **Games and Entertainment**

#### *Online non-lottery games and entertainment content*

The Group is dedicated to evolving our business into a comprehensive lottery, mobile games and entertainment content and technology provider to customers around the world. With this in mind, and in preparation for any potential approval and authorisation of online distribution of regulated lottery products, the Group has been active in building our online presence and customer-base through various online channels by offering various types of proprietary non-lottery games and entertainment content.

During the course of 2018, we noted that certain PRC government's directives were issued to closely regulate the administration of the online games industry and the PRC government had paid attention to the internet industry. This may cause uncertainties to China's overall games industry. We will closely monitor any such latest government directives but believe that we are able to leverage our technical know-how and operating expertise in lottery to create various games and entertainment content and platforms, integrating different and unique resources and elements of e-commerce and e-payment platforms, to create a fun and healthy experience that aims to enrich online users' experience.

We continue to believe that our businesses in the Games and Entertainment division are complementary to our regulated lottery activities, and they are synergistic from a business model, market development, technical infrastructure and user experience perspective. Given that many of the initiatives of our Games and Entertainment division are relatively new, coupled with the PRC government's directives to closely regulate the administration of the online games industry as mentioned above, this division faces inherent short-term adjustments with new business initiatives. The Group will continue to refine and improve the value proposition of this Games and Entertainment business in order to achieve sustainable scalability and growth over the long term.

### **International Market**

#### *Strategic expansion in selected markets overseas*

A joint venture of the Group with One97 Communications Limited successfully launched the mobile games and entertainment platform, Gamepind, in January 2018. Gamepind offers online users a unique online experience combining high quality and diverse set of games. Gamepind continues to grow its user base through various marketing and promotional activities, and populating games in popular categories such as quiz and cricket-related games. As user experience continues to improve, and with the addition of more high quality games content in various categories, as demonstrated by the launch of a dedicated cricket channel in March 2019, the Group is hopeful that Gamepind will continue to build its user base, paving the way to monetize this unique platform, thus capitalizing on the significant potential of the fast growing mobile entertainment market in India.

#### *Sporting Events Entertainment Content*

The Group collaborated with AliExpress, the global retail platform of Alibaba Group, to launch a new product of "e-commerce + sports interactive entertainment" in Europe. Through choosing the correct outcome of the European Cup qualifiers, this events-based product connects sporting events with entertainment element, linked with social media features and offers attractive rewards, providing our partner an effective way to engage with customers. The Group will continue to aim and meet the diversified needs of users through entertainment content such as sports competition games and events. The Group will continue to develop unique sports entertainment products according to demands of the rapid growing e-commerce market.

## **BUSINESS OUTLOOK**

The Group continues to actively build on our leading position within the Chinese lottery industry. As the exclusive lottery business platform of Alibaba Group and Ant Financial Group, we expect to benefit from significant potential synergies from our cooperation with Alibaba Group and Ant Financial Group by accessing their vast portfolio of resources and channels.

The Group's continues to innovate channel distribution and leverage Alibaba Group's vast offline retail network of physical retail stores to integrate lottery products and services where appropriate. In addition, we aim to help Guangdong Sports Lottery Center to enable the digital management of its network service platform and spread the platform service and smart lottery ancillary services to other regions of the nation, thus satisfying the demand on digital transformation of the lottery industry of PRC. The Group expects to partner with additional provincial lottery authorities in areas such as business innovation, channel expansion, smart hardware terminal, technology and data service, marketing and promotion and more.

The Group launched lottery resources channel on mobile Taobao and mobile Alipay, which serves as an important one-stop platform for many relevant lottery information and resources for existing and potential lottery customers. In addition to useful features such as lottery results display and self-claiming of lottery winnings, the Group plans to develop additional features in order to improve user experience.

Our Lottery Hardware division continues to be well positioned to take advantage of any new opportunities in hardware, given our position in point of sale and handheld terminals and long track-record in the Chinese lottery market, which we believe is likely to demand new and more sophisticated hardware solutions in the foreseeable future.

The Group is also leveraging on our existing products and technology capability to innovate, develop and improve how sports come to the life of digital. We believe having a robust sports-oriented solution will help the Group to capture opportunities in the fast-evolving sports-entertainment sector as well as international popular sporting events such as the ICC Cricket World Cup and the Euro Cup going forward.

With respect to our international business, the Group will continue to work with Gamepind to introduce more product offerings tailored for India market across categories such as quiz and cricket-related contents, and will continue to refine and improve upon its user experience. Gamepind also plans to pave the way to monetize this unique platform, thus capitalizing on the significant potential of the fast growing mobile entertainment market in India.

Outside of India, the Group will continue to seek for strong suitable partners in selected international markets to leverage our platforms of games and entertainment offerings and various user engagement products, as well as technical and operation abilities, to further globalise our business.

Lastly, the Group continues to invest in enhancing our technology infrastructure and develop our in-house capabilities through games and lottery entertainment as a medium, working to pull together our technical resources, customer behavioral data, our games, entertainment and lottery content as well as distribution channels into a fully integrated platform, thereby generating long term sustainable growth for our shareholders.

### **Financial Performance Review**

Revenue of the Group for the Three-Month Period amounted to approximately HK\$20.2 million (Three months ended 31 March 2018: approximately HK\$17.7 million), representing an increase of approximately 14.1% over the corresponding period in 2018. Revenue contributions were mainly derived from lottery hardware, lottery games and systems, provision of lottery distribution and ancillary services, games and entertainment business in the PRC. Such increase was mainly due to an increase in revenue of approximately HK\$3.5 million from the sales of lottery hardware, and an increase in revenue of approximately HK\$0.9 million from lottery games and systems, primarily caused by the increase in sales volume from virtual sports lottery games. The aforesaid increases in revenue were partially offset by a decrease of approximately HK\$1.7 million in revenue from the provision of lottery distribution and ancillary services.



The loss for the Three-Month Period was approximately HK\$71.0 million (Three months ended 31 March 2018: profit of approximately HK\$170.7 million). The change from profit to loss for the Three-Month Period was mainly attributable to several non-cash and non-operating items relating to the fair value changes of the Convertible Bonds and contingent consideration payables under the Score Value Transaction.

During the Three-Month Period, other operating expenses were approximately HK\$15.6 million (Three months ended 31 March 2018: approximately HK\$34.9 million). The decrease was primarily due to the decrease in marketing and various operating expenses.

### **STATUS OF USE OF THE NET PROCEEDS FROM THE SUBSCRIPTION**

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

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

From 10 August 2016 (being the date of Completion) up to and including 31 January 2018, approximately HK\$348 million in total has been used by the Group (For breakdowns of the usage of such Net Proceeds up to and including 31 January 2018, please refer to pages 2 and 3 of the Re-allocation Announcement). From 1 February 2018 up to and including 31 March 2019, approximately HK\$452.3 million in total has been used by the Group in each of the business divisions of the Group and for investment, acquisition and general corporate purposes in the manner as set out in the table below. Net Proceeds in the sum of approximately HK\$1,579.7 million remained as at 31 March 2019, which were placed in the bank accounts of the Group.

Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated	Amount brought forward from 31 January 2018, re-allocated and intended to be used (as disclosed in the Re-allocation Announcement)	Amount actually used from 1 February 2018 up to and including 31 March 2019	Actual application of the Remaining Net Proceeds (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
<b>(i) Games and Entertainment:</b>	<b>approximately HK\$746 million</b>	<b>approximately HK\$66.0 million</b>	The Remaining Net Proceeds were used in items(i)(a) to (i)(e).
(a) development, operation and promotion of the Chinese card game, GuanDan, and Two-on-One Poker	(or approximately 37% of Remaining Net Proceeds)		No material difference from intended usage noted.
(b) development, operation and promotion of the mind sports, leisure games and entertainment			The Remaining Net Proceeds allocated to "Games and Entertainment" are expected to be used on or before 31 December 2020.
(c) research and development ("R&D") of games and entertainment content that are not subject to the applicable lottery laws and regulations in the PRC or other overseas markets			
(d) expansion and development of the Group's R&D capability in technology development for games and systems			
(e) payment of marketing fees to merchants to promote and boost online activities by online users			

Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated	Amount brought forward from 31 January 2018, re-allocated and intended to be used (as disclosed in the Re-allocation Announcement)	Amount actually used from 1 February 2018 up to and including 31 March 2019	Actual application of the Remaining Net Proceeds (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
<b>(ii) Lottery Hardware, Lottery Games &amp; Systems:</b>	<b>approximately HK\$200 million</b> (or approximately 10% of Remaining Net Proceeds)	<b>approximately HK\$96.0 million</b>	The Remaining Net Proceeds were used in items (ii)(a) to (ii)(e).
(a) operation and development of lottery hardware and terminal production			No material difference from intended usage noted.
(b) operation and development of lottery software systems			The Remaining Net Proceeds allocated to "Lottery Hardware, Lottery Games & Systems" are expected to be used on or before 31 December 2020.
(c) development of ancillary parts for lottery hardware and terminal production			
(d) investment for lottery games			
(e) funding the remaining consideration for the Score Value Transaction contingent upon certain performance targets			

Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated	Amount brought forward from 31 January 2018, re-allocated and intended to be used (as disclosed in the Re-allocation Announcement)	Amount actually used from 1 February 2018 up to and including 31 March 2019	Actual application of the Remaining Net Proceeds (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
<b>(iii) Lottery distribution:</b>	<b>approximately HK\$300 million</b> (or approximately 15% of Remaining Net Proceeds)	<b>approximately HK\$88.9 million</b>	The Remaining Net Proceeds were primarily used in items (iii)(a) to (iii)(d).
(a) sales, marketing and distribution of virtual lottery games			No material difference from intended usage noted.
(b) sales, marketing and distribution of instant scratch lottery games			The Remaining Net Proceeds allocated to "Lottery Distribution" are expected to be used on or before 31 December 2020.
(c) sales, marketing and distribution of other categories of lottery games			
(d) online sales, marketing and distribution of lottery products (including but not limited to the future cooperation with Taobao (China) Software Co., Ltd. and Alipay.com Co., Ltd.)			

Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated	Amount brought forward from 31 January 2018, re-allocated and intended to be used (as disclosed in the Re-allocation Announcement)	Amount actually used from 1 February 2018 up to and including 31 March 2019	Actual application of the Remaining Net Proceeds (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
<b>(iv) Investment project(s) and acquisition(s):</b>	<b>approximately HK\$450 million</b> (or approximately 22% of Remaining Net Proceeds)	<b>approximately HK\$67.1 million</b>	The Remaining Net Proceeds were used in items (iv)(a) to (iv)(d).
(a) potential investment project(s) in overseas markets in areas of lottery business and games and entertainment business			The Group has been in the process of identifying suitable acquisition targets and has been discussing with various targets on such potential acquisitions. No acquisition has been materialised yet, thus causing the delay in the use of proceeds for potential acquisition(s).
(b) potential acquisition(s) of businesses engaged in lottery business and games and entertainment business			
(c) capital investments in the Group's joint venture company established with One 97 Communications Limited in India			No material difference from intended usage noted.
(d) funding provided by the Group to support business expansion and ongoing operation in overseas markets			The Remaining Net Proceeds allocated to "Investment project(s) and acquisition(s)" are expected to be used on or before 31 December 2020.

Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated	Amount brought forward from 31 January 2018, re-allocated and intended to be used (as disclosed in the Re-allocation Announcement)	Amount actually used from 1 February 2018 up to and including 31 March 2019	Actual application of the Remaining Net Proceeds (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(v) General corporate purposes:	approximately HK\$336 million (or approximately 16% of Remaining Net Proceeds)	approximately HK\$134.3 million	The Remaining Net Proceeds were used in items (v)(a) to (v)(b).
(a) staff costs and other administrative expenses of the Group (including the costs relating to the Share Award Scheme)			No material difference from intended usage noted.
(b) general working capital of the Group			The Remaining Net Proceeds allocated to "General corporate purposes" are expected to be used on or before 31 December 2020.
<b>Grand total:</b>	approximately HK\$2,032 million	approximately HK\$452.3 million	

## STATUS OF OUTSTANDING DEFERRED CONSIDERATION FOR THE SCORE VALUE TRANSACTION

Pursuant to the Score Value 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 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 (“**Game Approval Pre-condition**”) and meeting the profit guarantees of an average of RMB20.0 million (equivalent to approximately HK\$25.2 million, according to the then exchange rate of HK\$1.26 to RMB1.00) per year provided by such vendors in respect of the Shenzhen Subsidiary of Score Value for each of the three financial years ended 31 December 2015, 2016 and 2017 as described in the paragraph headed “Deferred Consideration” on pages 9 and 10 of the Score Value Circular.

As of the date hereof, the Game Approval Pre-condition has not yet been fulfilled but the parties to the Score Value Agreement have mutually agreed to further extend the deadline for fulfilment of such pre-condition to 31 December 2019. 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 Score Value Circular have not been paid to the vendors of Score Value.

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

## CONVERTIBLE BONDS

On 4 March 2016, the Company entered into a subscription agreement with the Ali Fortune, pursuant to which the Company agreed to allot and issue to Ali Fortune and Ali Fortune agreed to subscribe for an aggregate of 4,817,399,245 new Shares and Convertible Bonds in the aggregate principal amount of HK\$712,582,483. The Subscription was completed on 10 August 2016.

As at 31 March 2019, Convertible Bonds in the aggregate principal amount of HK\$332,328,165 remained outstanding (the "**Outstanding Convertible Bonds**"). The prevailing conversion price had been adjusted to HK\$0.2493 per Share (the "**Prevailing Adjusted Conversion Price**"), and the maximum number of Shares that would be issued upon full conversion of the Outstanding Convertible Bonds at the Prevailing Adjusted Conversion Price was 1,332,960,447 (representing approximately 11.83% of the issued share capital of the Company as at 31 March 2019 and approximately 10.57% of the issued share capital of the Company as enlarged by such outstanding Conversion Shares).

During the Three-Month Period, no conversion rights attaching to the Convertible Bonds were exercised by Ali Fortune.



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

As at 31 March 2019, 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 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/restricted Share units:

Name of Director	Number of Shares/restricted Share units held			Approximate percentage held (Note 1)
	Personal interest	Corporate interest	Total	
Mr. Sun Ho	40,158,000 (Note 2)	2,006,250,000 (Note 3)	2,046,408,000	18.15%
Ms. Hu Taoye	–	–	–	0%
Mr. Yang Guang	–	–	–	0%
Mr. Li Faguang	–	–	–	0%
Mr. Ji Gang	–	–	–	0%
Mr. Zou Liang	–	–	–	0%
Ms. Monica Maria Nunes	1,750,000	–	1,750,000	0.016%
Mr. Feng Qing	375,000	–	375,000	0.003%
Dr. Gao Jack Qunyao	750,000	–	750,000	0.007%

#### Notes:

- Based on a total of 11,272,342,235 Shares in issue as at 31 March 2019.
- It represents 28,578,000 Shares and 11,580,000 restricted Share units (granted under the Share Award Scheme) beneficially held by Mr. Sun Ho.
- 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 under the SFO.

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

<b>Name of Director</b>	<b>Date of grant</b>	<b>Exercise price per Share (HK\$)</b>	<b>Exercisable period (Note 2)</b>	<b>Number of underlying Shares</b>	<b>Approximate percentage held (Note 1)</b>
Mr. Feng Qing	1 June 2015	0.858	1 June 2016 – 31 May 2020	750,000	0.007%
Dr. Gao Jack Qunyao	1 June 2015	0.858	1 June 2016 – 31 May 2020	750,000	0.007%

*Notes:*

1. Based on a total of 11,272,342,235 Shares in issue as at 31 March 2019.
2. A portion of the option representing 25% of the total underlying Shares entitled under such option when it was initially granted shall be vested in the grantee of the option in each year during the exercisable period. If the grantee does not exercise such portion of the option within one year after it has been vested in him/her, such portion of the option will lapse.

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

<b>Name of Director</b>	<b>Nature of interests</b>	<b>Number of shares/ underlying shares of Alibaba Holding held</b>	<b>Percentage of issued shares of Alibaba Holding</b>
Ms. Hu Taoye	Beneficial and equity derivative interests	15,943 (Note 1)	0.001%
Mr. Yang Guang	Beneficial and equity derivative interests	21,515 (Note 2)	0.001%
Mr. Li Faguang	Beneficial and equity derivative interests	14,450 (Note 3)	0.001%
Mr. Ji Gang	Beneficial and equity derivative interests	6,865 (Note 4)	negligible
Mr. Zou Liang	Beneficial and equity derivative interests	2,490 (Note 5)	negligible

*Notes:*

1. It represents 9,743 ordinary shares and 6,200 restricted share units of Alibaba Holding beneficially held by Ms. Hu Taoye.
2. It represents 1,765 ordinary shares and 19,750 restricted share units of Alibaba Holding beneficially held by Mr. Yang Guang.
3. It represents 1,450 ordinary shares and 13,000 restricted share units of Alibaba Holding beneficially held by Mr. Li Faguang.
4. It represents 915 ordinary shares and 5,950 restricted share units of Alibaba Holding beneficially held by Mr. Ji Gang.
5. It represents 2,490 restricted share units of Alibaba Holding beneficially held by Mr. Zou Liang.

- d. Long positions in shares and underlying shares of Alibaba Pictures Group Limited (“Ali Pictures”), an associated corporation of the Company within the meaning of Part XV of the SFO:

<b>Name of Director</b>	<b>Nature of interests</b>	<b>Number of shares of Ali Pictures held</b>	<b>Percentage of issued shares of Ali Pictures</b>
Mr. Zou Liang	Beneficial owner	90,000	negligible

Save as disclosed above, as at 31 March 2019, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

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

As at 31 March 2019, 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	1,332,960,447	7,435,684,440	65.96%
Alibaba Investment Limited (Note 2)	Interest of controlled corporation	6,102,723,993	1,332,960,447	7,435,684,440 (Note 9)	65.96%
API Holdings Limited (Note 2)	Interest of controlled corporation	6,102,723,993	1,332,960,447	7,435,684,440 (Note 9)	65.96%
Alibaba Holding (Note 3)	Interest of controlled corporation	6,102,723,993	1,332,960,447	7,435,684,440 (Note 9)	65.96%
API (Hong Kong) Investment Limited (Note 4)	Interest of controlled corporation	6,102,723,993	1,332,960,447	7,435,684,440 (Note 9)	65.96%
Shanghai Yunju Venture Capital Investment Co., Ltd. (formerly known as Shanghai Yunju Investment Management Co., Ltd.) (Note 5)	Interest of controlled corporation	6,102,723,993	1,332,960,447	7,435,684,440 (Note 9)	65.96%
Ant Financial (Note 6)	Interest of controlled corporation	6,102,723,993	1,332,960,447	7,435,684,440 (Note 9)	65.96%
Hangzhou Yunbo Investment Consultancy Co., Ltd. (Note 7)	Interest of controlled corporation	6,102,723,993	1,332,960,447	7,435,684,440 (Note 9)	65.96%
Mr. Ma Yun (Note 7)	Interest of controlled corporation	6,102,723,993	1,332,960,447	7,435,684,440 (Note 9)	65.96%
MAXPROFIT GLOBAL INC (Note 10)	Beneficial owner	2,006,250,000	-	2,006,250,000	17.80%

## Notes:

1. Based on a total of 11,272,342,235 Shares in issue as at 31 March 2019.
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 42.4602% and 32.1409% of the equity interests in Ant Financial, respectively.
7. Hangzhou Yunbo Investment Consultancy Co., Ltd. (“**Yunbo**”) is the general partner of both Junhan and Junao, and is wholly-owned by Mr. Ma Yun.
8. Ali Fortune holds outstanding Convertible Bonds in the aggregate principal amount of HK\$332,328,165 and the maximum number of Conversion Shares that would be issued upon full conversion of such outstanding Convertible Bonds at the then prevailing adjusted conversion price of HK\$0.2493 per Conversion Share as at 31 March 2019 was 1,332,960,447. The allotment and issue of the new Shares under the Subscription and the Conversion Shares under a specific mandate, together with the Whitewash Waiver, were approved by the independent Shareholders at the special general meeting of the Company held on 30 July 2016.
9. Each of AIL, Alibaba Holding, API Holdings, API (Hong Kong) Investment Limited, Shanghai Yunju, Ant Financial, Junhan, Junao, Yunbo, and Mr. Ma Yun are taken to be interested in an aggregate of 7,435,684,440 Shares by virtue of Part XV of the SFO.
10. As disclosed in the section headed “DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES” above, Mr. Sun Ho was deemed to be interested in these 2,006,250,000 Shares under the SFO by virtue of his interest in MAXPROFIT GLOBAL INC.

Save as disclosed above, as at 31 March 2019, the Directors or chief executive of the Company were not aware of any other persons (not being a Director or chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or was directly or indirectly interested in 5% or more of the issued voting shares of any other member of the Group or held any option in respect of such shares and recorded in the register kept by the Company pursuant to section 336 of the SFO.

### **INTERESTS OF OTHER PERSONS**

As at 31 March 2019, apart from the interests in the Shares, underlying Shares and debentures of the Company and its associated corporations held by the Directors, chief executive and substantial shareholders of the Company stated above, there were no other persons with interests recorded in the register of the Company required to be kept under section 336 of the SFO.

### **INTERESTS IN COMPETING BUSINESS**

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

### **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely, Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qunyao. The Audit Committee is chaired by Ms. Monica Maria Nunes. The Group’s unaudited condensed consolidated financial statements for the Three-Month Period have not been audited by the Company’s auditor but have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

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

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

## **SHARE OPTION SCHEMES**

During the Three-Month Period, no option was granted by the Company pursuant to the Share Option Schemes. During the Three-Month Period, no options were exercised and forfeited while options in respect of 26,384,560 Shares had expired during the Three-Month Period. As at 31 March 2019, options for 151,883,890 Shares remained outstanding.

## **SHARE AWARD SCHEME**

During the Three-Month Period, no award Shares were granted to eligible persons under the Share Award Scheme. During the Three-Month Period, 2,600,000 award Shares were vested in the grantees and 13,050,000 award Shares were forfeited.

During the Three-Month Period, no Shares were purchased on the Stock Exchange by the trustee of the Share Award Scheme. 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, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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



## DEFINITIONS

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

“Adoption Date”	17 March 2017, being the date on which the Company adopted the Share Award Scheme;
“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, a company incorporated in the British Virgin Island and 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”	支付寶(中國)網絡技術有限公司(Alipay.com Co., Ltd.#), a company incorporated in the PRC, and a wholly-owned subsidiary of Ant Financial;
“Alipay.com”	the online and mobile payment solution operated by Alipay;
“Ant Financial”	浙江螞蟻小微金融服務集團股份有限公司 (Ant Small and Micro Financial Services Group Co., Ltd.#)(formerly known as 浙江螞蟻小微金融服務集團有限公司 (Zhejiang Ant Small and Micro Financial Services Group Co., Ltd.#)), a company incorporated in the PRC;

“Ant Financial Group”	Ant Financial and its subsidiaries;
“Board”	the board of Directors;
“Company” or “AGTech”	AGTech Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM;
“Conversion Shares”	new Shares to be issued upon the exercise of the conversion rights under the Convertible Bonds;
“Convertible Bonds”	the convertible bonds of the Company issued to Ali Fortune under the Subscription;
“Director(s)”	the director(s) of the Company;
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director;
“GEM”	GEM operated by the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;
“Macau”	the Macau Special Administrative Region of the PRC;
“MOF”	the Ministry of Finance of China;
“PRC” or “China”	the People’s Republic of China which, for the purpose of this report, excludes Hong Kong, Macau and Taiwan;

“Purchaser”	Silvercreek Technology Holdings Limited, a wholly-owned subsidiary of the Company, the purchaser in respect of the Score Value Transaction;
“RMB”	Renminbi, the lawful currency of the PRC;
“Score Value”	Score Value Limited, an indirect wholly-owned subsidiary of the Company, the target in respect of the Score Value Transaction;
“Score Value Agreement”	the sale and purchase agreement dated 17 November 2014 entered into between the Company, the Purchaser, Score Value and the Vendors in respect of the Score Value Transaction;
“Score Value Circular”	the circular of the Company dated 8 December 2014 in respect of the Score Value Transaction;
“Score Value Transaction”	the acquisition of the entire equity interest in Score Value by the Company as contemplated under the Score Value Agreement;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company;
“Share Award Scheme”	the share award scheme of the Company adopted on 17 March 2017;
“Share Option Schemes”	the share option schemes of the Company adopted on 18 November 2004 and 23 December 2014 respectively;
“Shareholder(s)”	holder(s) of the Share(s);

“Shenzhen Subsidiary”	深圳中林瑞德科技有限公司 (Shenzhen Zoom Read Tech Co., Ltd.#), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of Score Value;
“SLAC”	sports lottery administration centre;
“Sports Lottery”	the national sports lottery of China;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription for 4,817,399,245 new Shares and Convertible Bonds in the aggregate principal amount of HK\$712,582,483 by Ali Fortune, which was completed on 10 August 2016;
“Taobao”	淘寶(中國)軟件有限公司 (Taobao (China) Software Co., Ltd.#), a company incorporated in the PRC and a subsidiary of Alibaba Holding;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time);
“Vendors”	Immense Wisdom Limited and King Achieve Limited, the vendors in respect of the Score Value Transaction;
“Welfare Lottery”	the national welfare lottery of China;

“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of Ali Fortune to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by Ali Fortune or parties acting in concert with it which would otherwise arise as a result of (i) the allotment and issue of the Shares under the Subscription at its completion; and/or (ii) the allotment and issue of the Shares that may be issued upon conversion of the Convertible Bonds issued under the Subscription;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

In this report, the exchange rate of HK\$1.1627 to RMB1.00 has been used for reference only.

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

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

Hong Kong, 10 May 2019

*As at the date of this report, the Board comprises (i) Mr. Sun Ho and Ms. Hu Taoye as executive Directors; (ii) Mr. Yang Guang, Mr. Li Faguang, Mr. Ji Gang and Mr. Zou Liang as non-executive Directors; and (iii) Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qunyao as independent non-executive Directors.*

*This report will remain on the “Latest Company Announcements” page of the GEM website operated by the Stock Exchange at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the day of its posting and will be published on the website of the Company at [www.agtech.com](http://www.agtech.com).*