



AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279



2019

THIRD QUARTERLY REPORT

Fortune · Happiness · Health · Luck · Responsibility

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 NINE MONTHS ENDED 30 SEPTEMBER 2019

- Revenue of the Group for the Nine-Month Period amounted to approximately HK\$118.1 million (Nine months ended 30 September 2018: approximately HK\$129.6 million), representing a decrease of approximately 8.9% 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 decrease in revenue for the Nine-Month Period was primarily caused by the decrease in sales of lottery hardware of approximately HK\$14.5 million, partially offset by the increase of approximately HK\$6.1 million in revenue from the lottery games and systems.
- Operating loss for the Nine-Month Period was approximately HK\$151.0 million (Nine months ended 30 September 2018: approximately HK\$225.5 million), representing a decrease of approximately 33.0% over the corresponding period in 2018. The loss for the Nine-Month Period was approximately HK\$73.1 million (Nine months ended 30 September 2018: profit of approximately HK\$234.5 million). The change from profit to loss for the Nine-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 Nine-Month Period.

THIRD QUARTERLY RESULTS

The Board announces the unaudited consolidated results of the Group for the three months ended 30 September 2019 (the “Three-Month Period”) and the nine months ended 30 September 2019 (the “Nine-Month Period”), together with the comparative unaudited 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 and nine months ended 30 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	2	70,342	67,965	118,064	129,622
Other income		1,753	1,614	4,535	5,164
Net other losses		(2,781)	(18,769)	(9,128)	(16,144)
Employee benefits expenses		(46,842)	(62,078)	(153,612)	(193,583)
Purchases of and changes in inventories		(28,787)	(30,023)	(35,552)	(43,213)
Depreciation expenses of property, plant and equipment		(605)	(687)	(1,844)	(1,947)
Depreciation expenses of right-of-use assets – properties		(5,165)	–	(15,648)	–
Operating lease rental expenses		–	(6,580)	–	(19,227)
Other operating expenses		(18,751)	(26,326)	(57,846)	(86,210)
Operating loss		(30,836)	(74,884)	(151,031)	(225,538)
Gain on fair value changes of convertible bonds		76,465	138,179	85,190	419,479
Gain on fair value changes of contingent consideration payables		6,122	12,567	3,819	38,220
Net finance income		8,550	5,884	18,035	11,696
Share of results of investments accounted for using equity method		(16,794)	(2,780)	(27,041)	(4,991)
(Loss)/profit before income tax		43,507	78,966	(71,028)	238,866
Income tax expense	3	(502)	(1,803)	(2,085)	(4,383)
(Loss)/profit for the period		43,005	77,163	(73,113)	234,483

		Three months ended		Nine months ended	
		30 September		30 September	
		2019	2018	2019	2018
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive income:					
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Currency translation differences		(17,852)	(31,450)	(17,019)	(41,834)
Other comprehensive income for the period, net of tax		(17,852)	(31,450)	(17,019)	(41,834)
Total comprehensive income for the period		25,153	45,713	(90,132)	192,649
(Loss)/profit attributable to:					
Owners of the company		41,178	74,610	(77,851)	234,755
Non-controlling interests		1,827	2,553	4,738	(272)
		43,005	77,163	(73,113)	234,483
Total comprehensive income attributable to:					
Owners of the company		24,292	45,138	(93,746)	195,494
Non-controlling interests		861	575	3,614	(2,845)
		25,153	45,713	(90,132)	192,649
(Loss)/earning per share					
Basic	4	HK0.36 cent	HK0.67 cent	(HK0.69 cent)	HK2.11 cents
Diluted	4	HK0.36 cent	(HK0.52 cent)	(HK0.69 cent)	(HK1.54 cents)

Notes:

1. BASIS OF PREPARATION

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

The consolidated financial information has not been audited by the Company’s auditors, but has been reviewed and commented on by the Company’s audit committee. The accounting policies applied and significant judgements made by management in applying the Group’s accounting policies are consistent with those of the Group’s annual financial statements for the year ended 31 December 2018, except for the adoption of new or revised standards, amendments and interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2019.

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

Comparative figures

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

2. REVENUE

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

	Three months ended 30 September		Nine months ended 30 September	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Lottery hardware	49,700	47,655	68,764	83,261
Lottery games and systems	11,846	11,646	30,600	24,477
Provision of lottery distribution and ancillary services	5,141	5,874	12,997	14,789
Games and entertainment	3,655	2,790	5,703	7,095
	70,342	67,965	118,064	129,622

3 INCOME TAX EXPENSE

Income tax expenses for the Three-Month Period and Nine-Month Period represent PRC Enterprise Income Tax and Hong Kong Profits Tax.

4. (LOSS)/EARNING PER SHARE

(a) Basic

Basic earning or loss per share is calculated by dividing the unaudited profit attributable to owners of the Company for the Three-Month Period of approximately HK\$41,178,000 and unaudited loss attributable to owners of the Company for the Nine-Month Period of approximately HK\$77,851,000 (for the three months and nine months ended 30 September 2018: profit of approximately HK\$74,610,000 and HK\$234,755,000 respectively) by the weighted average number of ordinary shares outstanding during the Three-Month Period and Nine-Month Period of approximately 11,581,038,000 shares and 11,376,372,000 shares respectively (for the three months and nine months ended 30 September 2018: approximately 11,272,252,000 shares and 11,258,795,000 shares respectively) and excluding the weighted average number of shares held for share award scheme during the Three-Month Period and Nine-Month Period of approximately 102,645,000 shares and 102,291,000 shares respectively (for the three months and nine months ended 30 September 2018: approximately 112,631,000 shares and 118,436,000 shares respectively).

(b) Diluted

Diluted earning or 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 three categories of dilutive potential ordinary shares: contingent considerations, share options and share awards. The contingent considerations are assumed to have been settled in ordinary shares, and the profit or loss attributable to owners of the Company is adjusted to eliminate the relevant fair value changes. For the 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 Nine-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 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 were not satisfied as at 30 September 2019.

For the Three-Month Period, diluted earning per share is calculated by dividing the adjusted unaudited profit attributable to owners of the Company of approximately HK\$41,178,000 by the adjusted weighted average number of ordinary shares outstanding during the Three-Month Period of approximately 11,537,433,000 shares. The outstanding share options granted by the Company did not have any dilutive effect on the earning per share during the Three-Month Period. Contingent considerations are not treated as outstanding and are excluded from the computation of the diluted earning per share as the conditions were not satisfied as at 30 September 2019.

For the three months and nine months ended 30 September 2018, diluted loss per share is calculated by dividing the adjusted unaudited loss attributable to owners of the Company of approximately HK\$65,936,000 and HK\$193,707,000 respectively by the adjusted weighted average number of ordinary shares outstanding during the three months and nine months ended 30 September 2018 of approximately 12,607,446,000 shares and 12,581,651,000 shares respectively. The computation of the diluted loss per share does not assume the exercise of the outstanding share options and the vesting of the outstanding share awards, as they would decrease the loss per share.

5. DIVIDEND

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the Nine-Month Period

	Attributable to owners of the Company											Attributable to non-controlling interests		Total
	Share capital	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
Balance at 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	-	-	-	-	-	-	-	-	-	-	234,755	234,755	(272)	234,483
Other comprehensive income for the period	-	-	-	-	-	-	(39,261)	-	-	-	-	(39,261)	(2,573)	(41,834)
Total comprehensive income for the period	-	-	-	-	-	-	(39,261)	-	-	-	234,755	195,494	(2,845)	192,649
Recognition of equity settled share-based payments	-	-	-	16,864	40,500	-	-	-	-	-	-	57,364	-	57,364
Issue of shares upon exercise of share options under share option scheme	23	8,839	-	(2,820)	-	-	-	-	-	-	-	6,042	-	6,042
Lapse of share options	-	-	-	(46,490)	-	-	-	-	-	-	46,490	-	-	-
Issue of shares upon settlement of contingent consideration	27	12,135	-	-	-	-	-	-	-	(12,162)	-	-	-	-
Purchase of shares under share award scheme	-	-	(9,892)	-	-	-	-	-	-	-	-	(9,892)	-	(9,892)
Transfer of shares upon vesting of share awards under share award scheme	-	(2,206)	25,047	-	(22,841)	-	-	-	-	-	-	-	-	-
Lapse of share awards	-	-	-	-	(4,992)	-	-	-	-	-	4,992	-	-	-
Transaction with non-controlling interests	-	-	-	-	-	-	-	-	-	(5,625)	-	(5,625)	2,075	(3,550)
Balance at 30 September 2018	22,544	3,268,682	(152,252)	104,508	54,249	19,121	85,253	47,191	14,402	75,788	(637,729)	2,901,757	46,420	2,948,177
Balance at 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	-	-	-	-	-	-	-	-	-	-	(77,851)	(77,851)	4,738	(73,113)
Other comprehensive income for the period	-	-	-	-	-	-	(15,895)	-	-	-	-	(15,895)	(1,124)	(17,019)
Total comprehensive income for the period	-	-	-	-	-	-	(15,895)	-	-	-	(77,851)	(93,746)	3,614	(90,132)
Recognition of equity settled share-based payments	-	-	-	5,217	17,822	-	-	-	-	-	-	23,039	-	23,039
Issue of shares upon conversion of convertible bonds	800	127,681	-	-	-	-	-	-	-	-	-	128,481	-	128,481
Lapse of share options	-	-	-	(55,054)	-	-	-	-	-	-	55,054	-	-	-
Purchase of shares under share award scheme	-	-	(9,988)	-	-	-	-	-	-	-	-	(9,988)	-	(9,988)
Transfer of shares upon vesting of share awards under share award scheme	-	(7,693)	37,082	-	(29,389)	-	-	-	-	-	-	-	-	-
Transaction with shareholder	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Employee share-based compensation	-	-	-	-	-	-	-	-	-	510	-	510	-	510
Employee share-based compensation recharge	-	-	-	-	-	-	-	-	-	(672)	-	(672)	-	(672)
Balance at 30 September 2019	23,344	3,389,717	(121,711)	47,547	49,744	21,139	71,792	47,191	14,402	75,626	(587,185)	3,031,606	52,363	3,083,969

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 360 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 Nine-Month Period, lottery market recorded sales of approximately RMB315.8 billion, a decrease of approximately 17.7% compared to the corresponding period in 2018. Of this, Welfare Lottery amounted to approximately RMB143.1 billion (approximately 45.3% of total lottery sales), representing a decrease of approximately 13.4% compared to the corresponding period in 2018. The Sports Lottery achieved sales of approximately RMB172.7 billion (approximately 54.7% of total lottery sales), representing a decrease of approximately 20.8% 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 Nine-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;
- (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;

- (c) collaboration with 中國福利彩票發行管理中心 (China Welfare Lottery Issuance and Administration Center*) on the research and application of notarizable electronic lottery draw technology based on blockchain smart contract technology. Ant Financial Group's blockchain technology will be applied in this project; and
- (d) collaboration with 中國國家體育總局體育彩票管理中心 (SLAC of General Administration of Sport of the PRC*) to provide services on research, development and operation of AR (augmented reality) technology for China Sports Lottery's online promotion activities, to promote sports lottery products and expand its younger customer base.

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 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.

The Group will continue to leverage and explore on collaboration with Alibaba Group's retail ecosystem to enhance on lottery distribution models where appropriate. Current retail networks include Lingshoutong, Alibaba's mom-and-pop convenience stores, rural Taobao, the physical network of rural locations in China, and Cainiao Post, community-based pick-up drop-off physical stations. We believe that the integration of lottery services and products through Alibaba's physical new retail distribution channel and networks under New Retail strategy will continue to create opportunities 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. To date, "Lucky Racing" and "e-Ball Lottery" have been successfully launched in traditional dedicated Sports Lottery shops in Hunan and Jiangsu provinces of the PRC 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 Nine-Month Period, the Group won eleven lottery hardware tenders to supply lottery terminals to the SLACs in Tianjin, Hainan, Guangxi, Guizhou, Anhui, Beijing, Guangdong, Jiangsu, Heilongjiang, Zhejiang 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 have 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. 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 continued to develop its mobile games and entertainment platform in India, Paytm First Games (formerly known as “Gamepind”). Paytm First Games offers players a unique online experience with popular games contents such as social games, quiz, card games and cricket-related games. The platform continues to grow its user base and user activity that benefit from Paytm and other well selected marketing channels. As the brand influence of the platform continues to grow, together with the addition of competitive games contents particularly in sports category, as demonstrated by the launch of a dedicated cricket channel in March 2019 and fantasy cricket (known as “Paytm First Captains”) in May 2019, the Group is hopeful that Paytm First Games will continue to grow its user base, paving the way to monetize this unique platform, thus capitalizing on the significant potential of the fast growing mobile games and entertainment market in India.

Sporting Events Entertainment Content

During March 2019, the Group collaborated with AliExpress, the global retail platform of Alibaba Group, on 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 connected 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 develop unique sports entertainment products and digital solutions according to demands of the rapid growing e-commerce market internationally.

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 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 Centre 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 will work 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 leading 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 on digitalization of sporting content. We believe having a robust sports-oriented solution will help the Group to capture opportunities and gain an edge in the fast-evolving sports-entertainment sector, as well as popular international sporting events such as the Euro Cup going forward.

With respect to our international business, the Group will continue to invest in and develop fast growing mobile games and entertainment markets such as India through utilizing the Group's extensive experience on sports products, technology, and knowledge.

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 activities, as well as technical and operation abilities, to further globalise our business.

With regards to our investment relating to the formation of Ant Bank (Macao) Limited (formerly known as “Xinghui Bank Limited”) (the “JV Company”), the Group’s increase in share capital contribution to the JV Company demonstrates our commitment to grow the business and pursue further development opportunities in Macau and overseas. For details, please refer to the announcements of the Company dated 3 September 2018 and 28 August 2019 respectively.

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 Nine-Month Period amounted to approximately HK\$118.1 million (Nine months ended 30 September 2018: approximately HK\$129.6 million), representing a decrease of approximately 8.9% 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. Sales of lottery hardware decreased by approximately HK\$14.5 million as compared to the corresponding period in 2018. The supply of lottery hardware in the PRC is highly correlated with the replacement cycle of lottery hardware for lottery authorities. Hence, revenue in this business typically exhibits an irregular pattern and has short-term volatility. The decreases in revenue were partially offset by an increase of approximately HK\$6.1 million in revenue from the lottery games and systems.

Operating loss for the Nine-Month Period was approximately HK\$151.0 million (Nine months ended 30 September 2018: approximately HK\$225.5 million). The decrease was primarily due to the Group's various measures to optimize business strategy such as chasing better profit margins rather than maximising market share in the Group's lottery hardware business, as well as strengthening cost controls over operating costs and expenses to enhance our competitive position in the industry.

The loss for the Nine-Month Period was approximately HK\$73.1 million (Nine months ended 30 September 2018: profit of approximately HK\$234.5 million). The change from profit to loss for the Nine-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.

During the Nine-Month Period, other operating expenses were approximately HK\$57.8 million (Nine months ended 30 September 2018: approximately HK\$86.2 million). The decrease was primarily due to the decrease in marketing and various operating expenses.

STATUS OF THE USE OF PROCEEDS FROM THE SUBSCRIPTION

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

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

The amount of the Remaining Net Proceeds was calculated based on the assumption that the Convertible Bonds would be converted in full by Ali Fortune. However, in order to maintain a public float of not less than 25% of the Company's total number of issued Shares and to allow some buffer for the Company to grant and/or vest further award Shares under the Share Award Scheme to/in the directors of the Group who are regarded as "connected persons" of the Company under the GEM Listing Rules, not all the conversion rights attaching to the Convertible Bonds had been exercised by Ali Fortune on or before their maturity date on 10 August 2019 (the "**Maturity Date**"), and the Company redeemed the remaining Convertible Bonds in an aggregate principal amount of HK\$232,608,165 on the Maturity Date pursuant to the instrument of the Convertible Bonds (the "**CB Redemption**"). Accordingly, the Remaining Net Proceeds have been adjusted downwards to approximately HK\$1,799 million (the "**Adjusted Remaining Net Proceeds**") to take into account the effect of the CB Redemption.

From 10 August 2016 (being the date of Completion) up to and including 31 January 2018, approximately HK\$348 million in total has been used by the Group (For breakdowns of the usage of such Net Proceeds up to and including 31 January 2018, please refer to pages 2 and 3 of the Re-allocation Announcement). From 1 February 2018 up to and including 30 September 2019, approximately HK\$646.8 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\$1,152.2 million remained as at 30 September 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 Adjusted 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 and adjusted for the CB Redemption, where applicable)	Amount actually used from 1 February 2018 up to and including 30 September 2019	Actual application of the Adjusted Remaining Net Proceeds (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(i) Games and Entertainment:	approximately HK\$513 million	approximately HK\$87.5 million	The Adjusted 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 28.5% of Adjusted Remaining Net Proceeds) (Note)		No material difference from intended usage noted.
(b) development, operation and promotion of the mind sports, leisure games and entertainment			The Adjusted 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 Adjusted 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 and adjusted for the CB Redemption, where applicable)	Amount actually used from 1 February 2018 up to and including 30 September 2019	Actual application of the Adjusted Remaining Net Proceeds (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(ii) Lottery Hardware, Lottery Games & Systems:	approximately HK\$200 million	approximately HK\$153.4 million	The Adjusted Remaining Net Proceeds were used in items (ii)(a) to (ii)(e).
(a) operation and development of lottery hardware and terminal production	(or approximately 11.1% of Adjusted Remaining Net Proceeds)		No material difference from intended usage noted.
(b) operation and development of lottery software systems			The Adjusted 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 Adjusted 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 and adjusted for the CB Redemption, where applicable)	Amount actually used from 1 February 2018 up to and including 30 September 2019	Actual application of the Adjusted Remaining Net Proceeds (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(iii) Lottery Distribution:	approximately HK\$300 million	approximately HK\$124.1 million	The Adjusted Remaining Net Proceeds were primarily used in items (iii)(a) to (iii)(d).
(a) sales, marketing and distribution of virtual lottery games	(or approximately 16.7% of Adjusted Remaining Net Proceeds)		
(b) sales, marketing and distribution of instant scratch lottery games			No material difference from intended usage noted.
(c) sales, marketing and distribution of other categories of lottery games			The Adjusted Remaining Net Proceeds allocated to "Lottery Distribution" are expected to be used on or before 31 December 2020.
(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 Adjusted 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 and adjusted for the CB Redemption, where applicable)	Amount actually used from 1 February 2018 up to and including 30 September 2019	Actual application of the Adjusted Remaining Net Proceeds (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(iv) Investment project(s) and acquisition(s):	approximately HK\$450 million (or approximately 25.0% of Adjusted Remaining Net Proceeds)	approximately HK\$86.3 million	The Adjusted 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			No material difference from intended usage noted.
(b) potential acquisition(s) of businesses engaged in lottery business and games and entertainment business			The Adjusted Remaining Net Proceeds allocated to "Investment project(s) and acquisition(s)" are expected to be used on or before 31 December 2020.
(c) capital investments in the Group's joint venture company established with One 97 Communications Limited in India			
(d) funding provided by the Group to support business expansion and ongoing operation in overseas markets			

Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Adjusted 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 and adjusted for the CB Redemption, where applicable)	Amount actually used from 1 February 2018 up to and including 30 September 2019	Actual application of the Adjusted 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	approximately HK\$195.5 million	The Adjusted 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)	(or approximately 18.7% of Adjusted Remaining Net Proceeds)		No material difference from intended usage noted.
(b) general working capital of the Group			The Adjusted Remaining Net Proceeds allocated to "General corporate purposes" are expected to be used on or before 31 December 2020.
Grand total:	approximately HK\$1,799 million	approximately HK\$646.8 million	

Note: This amount has been adjusted downwards from approximately HK\$746 million as stated in the Re-allocation Announcement to approximately HK\$513 million as a result of the CB Redemption in the sum of approximately HK\$233 million.

STATUS OF THE CONVERTIBLE BONDS

On 19 July 2019, the Company received a conversion notice from Ali Fortune in respect of the exercise of conversion rights attaching to the Convertible Bonds in an aggregate principal amount of HK\$99,720,000. Accordingly, the Company has allotted and issued an aggregate of 400,000,000 Conversion Shares to Ali Fortune at the conversion price of HK\$0.2493 per Conversion Share on 22 July 2019. For details, please refer to the announcement of the Company dated 22 July 2019.

As no further conversion rights attaching to the Convertible Bonds were exercised by Ali Fortune on or before the Maturity Date, the Company redeemed the remaining Convertible Bonds in an aggregate principal amount of HK\$232,608,165 on the Maturity Date pursuant to the instrument of the Convertible Bonds. Further details can be found in the announcement of the Company dated 9 August 2019.

After the redemption of the Convertible Bonds on the Maturity Date, there were no more Convertible Bonds outstanding.

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

As at 30 September 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 and restricted share units of the Company:

Name of Director	Number of Shares/restricted share units of the Company 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	17.53%
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	0.02%
Mr. Feng Qing	375,000	–	375,000	negligible
Dr. Gao Jack Qunyao	750,000	–	750,000	0.01%

Notes:

1. Based on a total of 11,672,342,235 Shares in issue as at 30 September 2019.
2. It represents 31,848,000 Shares and 8,310,000 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 by virtue of Part XV of 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):

Name of Director	Date of grant	Exercise price per Share (HK\$)	Exercisable Period (Note 2)	Number of underlying Shares	Approximate percentage held (Note 1)
Mr. Feng Qing	1 June 2015	0.858	1 June 2016 – 31 May 2020	375,000	0.003%
Dr. Gao Jack Qunyao	1 June 2015	0.858	1 June 2016 – 31 May 2020	375,000	0.003%

Notes:

1. Based on a total of 11,672,342,235 Shares in issue as at 30 September 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:

Name of Director	Nature of interests	Number of shares/ underlying shares of Alibaba Holding held [#]	Percentage of issued shares of Alibaba Holding
Ms. Hu Taoye	Beneficial and equity derivative interests	132,056 (Note 1)	0.001%
Mr. Yang Guang	Beneficial and equity derivative interests	216,976 (Note 2)	0.001%
Mr. Li Faguang	Beneficial and equity derivative interests	149,296 (Note 3)	0.001%
Mr. Ji Gang	Beneficial and equity derivative interests	56,912 (Note 4)	negligible
Mr. Zou Liang	Beneficial and equity derivative interests	27,920 (Note 5)	negligible

Notes:

1. It represents 88,056 ordinary shares and 44,000 restricted share units of Alibaba Holding beneficially held by Ms. Hu Taoye.
2. It represents 38,976 ordinary shares and 178,000 restricted share units of Alibaba Holding beneficially held by Mr. Yang Guang.
3. It represents 19,296 ordinary shares and 130,000 restricted share units of Alibaba Holding beneficially held by Mr. Li Faguang.
4. It represents 20,512 ordinary shares and 36,400 restricted share units of Alibaba Holding beneficially held by Mr. Ji Gang.
5. It represents 8,080 ordinary shares and 19,840 restricted share units of Alibaba Holding beneficially held by Mr. Zou Liang.

- # The shareholders of Alibaba Holding approved an increase in the number of authorized ordinary shares and a one-to-eight share subdivision of Alibaba Holding's ordinary shares, including all outstanding options, restricted share units and share awards at the annual general meeting held on 15 July 2019 (the "Share Subdivision"). Simultaneous with the Share Subdivision, Alibaba Holding will change its ratio of ordinary shares to American depositary share ("ADSs") from the current one ADS representing one ordinary share to one ADS representing eight ordinary shares. The number of shares/underlying shares held by each of the relevant Directors shown above has been adjusted to take into account the effect of the Share Subdivision.

- 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:

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

Save as disclosed above, as at 30 September 2019, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares (in respect of share options of the Company which were regarded as unlisted physically settled equity derivatives) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required, (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 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	Approximate percentage of issued share capital of the Company
			(Note 1)
Ali Fortune (Notes 2)	Beneficial owner	6,502,723,993 (Note 8)	55.71%
Alibaba Investment Limited (Note 2)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
API Holdings Limited (Note 2)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
Alibaba Holding (Note 3)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
API (Hong Kong) Investment Limited (Note 4)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
Shanghai Yunju Venture Capital Investment Co., Ltd. (Note 5)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
Ant Financial (Note 6)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
Hangzhou Yunbo Investment Consultancy Co., Ltd. (Note 7)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
Mr. Ma Yun (Note 7)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
Maxprofit Global Inc (Note 9)	Beneficial owner	2,006,250,000	17.19%

Notes:

1. Based on a total of 11,672,342,235 Shares in issue as at 30 September 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. ("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 28.45% and 21.53% 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. Each of AIL, Alibaba Holding, API Holdings, API (Hong Kong) Investment Limited, Shanghai Yunju, Ant Financial, Junhan, Junao, Yunbo, and Mr. Ma Yun are deemed to be interested in an aggregate of 6,502,723,993 Shares by virtue of Part XV of the SFO.
9. 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 pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 September 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 IN COMPETING BUSINESS

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

AUDIT COMMITTEE

The audit committee of the Company (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 condensed consolidated financial statements for the Nine-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 a code of conduct regarding Directors' securities transactions on terms no less exacting than the standard of dealings as 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 had complied with the required standard of dealings set out in the Code of Conduct during the Nine-Month Period.

SHARE OPTION SCHEMES

During the Nine-Month Period, no options were granted by the Company pursuant to the Share Option Schemes. No options were exercised and options in respect of 200,000 Shares were forfeited while options in respect of 97,407,752 Shares had expired during the Nine-Month Period. As at 30 September 2019, options for 80,660,698 Shares remained outstanding.

SHARE AWARD SCHEME

On 17 May 2019, the Board granted a total of 55,200,000 award Shares to certain eligible employees under the Share Award Scheme. The 55,200,000 award Shares granted represent approximately 0.47% of the issued share capital of the Company as at the date of this report. Based on the closing price of HK\$0.45 per Share on the date of grant of the award Shares, the market value of the 55,200,000 award Shares in aggregate is HK\$24,840,000.

During the Nine-Month Period, the trustee of the Share Award Scheme (the "Trustee") has purchased a total of 23,680,000 Shares on the Stock Exchange at a total consideration of approximately HK\$10.0 million to satisfy award Shares granted under the Share Award Scheme.

During the Nine-Month Period, 55,200,000 award Shares were granted by the Company pursuant to the Share Award Scheme, 27,823,425 award Shares were vested in the grantees and 29,427,400 award Shares were forfeited.

All of the 55,200,000 award Shares were granted by way of acquisition of existing Shares through on-market transactions by the Trustee. The Board shall cause to pay the Trustee the purchase price and the related expenses from the Company's cash resources. The Trustee shall purchase from the market the relevant number of award Shares and shall hold the award Shares on trust for the relevant selected participants until they are vested in such selected participants and delivered in accordance with the terms of the Share Award Scheme. There is no condition, performance target or lock up restriction attached to the award Shares.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

STATUS OF DEFERRED CONSIDERATION FOR ACQUISITION OF SCORE VALUE

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 (the “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 other outstanding deferred consideration settlements can be ascertained.

DEFINITIONS

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

“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”	Ali Fortune Investment Holding Limited, the controlling shareholder of the Company;
“Alibaba Group”	Alibaba Holding and its subsidiaries;
“Alibaba Holding”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands and the American depositary shares of which are listed on the New York Stock Exchange;
“Alipay”	支付寶(中國)網絡技術有限公司 (Alipay.com Co., Ltd.*), a company incorporated in the PRC, and a wholly-owned subsidiary of Ant Financial;
“Ant Financial”	浙江螞蟻小微金融服務集團股份有限公司 (Ant Small and Micro Financial Services Group Co., Ltd.*) (formerly known as 浙江螞蟻小微金融服務集團有限公司 (Zhejiang Ant Small and Micro Financial Services Group Co., Ltd.*)), a company incorporated in the PRC;
“Ant Financial Group”	Ant Financial and its subsidiaries;
“Board”	the board of Directors;
“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;
"GEM"	GEM of Stock Exchange;
"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 Macao 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;
"Shareholder(s)"	holder(s) of the Share(s);
"Share Award Scheme"	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;
"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;
“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; and
“ % ”	per cent.

In this report, the exchange rate of HK\$1.1425 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, 13 November 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 Listed Company Information” 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.