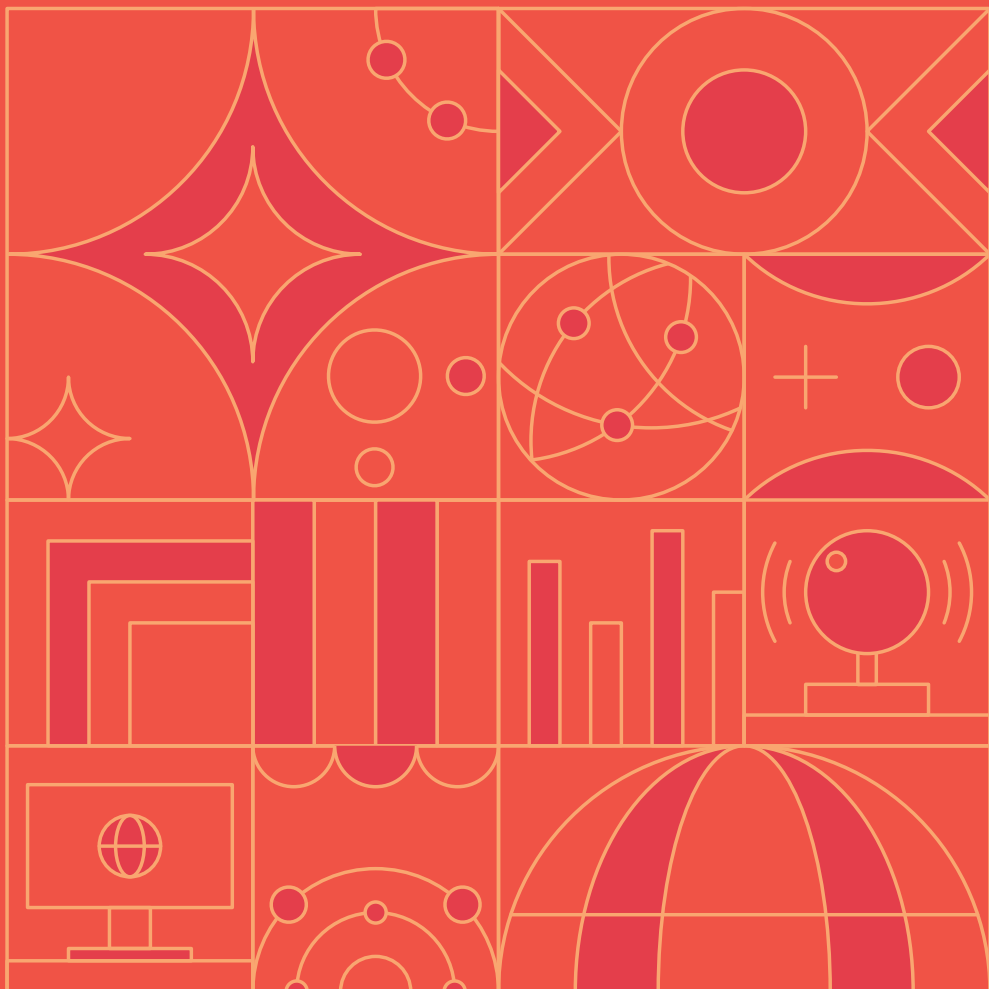


2020 FIRST QUARTERLY REPORT



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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 2020

- Revenue of the Group for the Three-Month Period amounted to approximately HK\$13.7 million (Three months ended 31 March 2019: approximately HK\$20.2 million), representing a decrease of approximately 32.2% over the corresponding period in 2019. 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 Three-Month Period was primarily caused by the decrease in sales of lottery hardware of approximately HK\$3.4 million, decrease of approximately HK\$1.5 million in revenue from the provision of lottery distribution and ancillary services and decrease of approximately HK\$1.2 million from the lottery games and systems. Such decrease in revenue was mainly due to the prolonged closure of domestic lottery market which lasted nearly 40 days and delay in lottery hardware tender and delivery as a result of the COVID-19 pandemic. Under the market closure arrangements for Chinese New Year holiday, the PRC's lottery market was closed from 22 January 2020 to 31 January 2020 and was originally scheduled to resume sales on 1 February 2020. Amidst prevention and control of the pandemic, reopening of the PRC's lottery market was postponed to 11 March 2020, since then sales of welfare lottery and sports lottery have begun to gradually resume subject to different arrangements in different regions.
- Operating loss for the Three-Month Period was approximately HK\$72.0 million (Three months ended 31 March 2019: approximately HK\$52.5 million). Such increase was mainly due to a change from net other gains of approximately HK\$13.0 million to net other losses of approximately HK\$13.8 million arising from the depreciation of United States dollars ("US\$") and RMB against HK\$ during the Three-Month Period and accordingly exchange losses arose from translating the US\$/RMB denominated bank deposits and other balances to the Group's presentation currency.
- The loss for the Three-Month Period was approximately HK\$64.6 million (Three months ended 31 March 2019: approximately HK\$71.0 million), representing a decrease of approximately 9.0% over the corresponding period in 2019.
- 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 2020 (the “**Three-Month Period**”), together with the unaudited comparative figures for the corresponding period in 2019 as follows:

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

For the three months ended 31 March 2020

| | | Three months ended 31 March | |
|--|-------|--------------------------------|----------|
| | | 2020 | 2019 |
| | Notes | HK\$'000 | HK\$'000 |
| Revenue | 2 | 13,696 | 20,165 |
| Other income | | 3,957 | 1,341 |
| Net other (losses)/gains | | (13,808) | 13,024 |
| Employee benefits expenses | | (51,199) | (59,758) |
| Purchase of and changes in inventories | | (5,927) | (4,308) |
| Depreciation expenses | | (5,831) | (6,158) |
| Other operating expenses | | (12,934) | (16,783) |
| Operating loss | | (72,046) | (52,477) |
| Loss on fair value changes of convertible bonds | | – | (13,672) |
| Gain/(loss) on fair value changes of contingent consideration payables | | 9,219 | (3,349) |
| Net finance income | | 12,835 | 5,495 |
| Share of results of investments accounted for using equity method | | (13,178) | (5,869) |
| Loss before income tax | | (63,170) | (69,872) |
| Income tax expense | 3 | (1,475) | (1,090) |
| Loss for the period | | (64,645) | (70,962) |

| | Notes | Three months ended | |
|--|-------|--------------------|---------------|
| | | 31 March | |
| | | 2020 | 2019 |
| | | HK\$'000 | HK\$'000 |
| Other comprehensive income: | | | |
| <i>Item that will not be reclassified subsequently to profit or loss</i> | | | |
| Currency translation differences | | (8,935) | 17,143 |
| Other comprehensive income for the period, net of tax | | (8,935) | 17,143 |
| Total comprehensive income for the period | | (73,580) | (53,819) |
| (Loss)/Profit attributable to: | | | |
| Owners of the Company | | (66,537) | (72,194) |
| Non-controlling interests | | 1,892 | 1,232 |
| | | (64,645) | (70,962) |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | (74,817) | (56,300) |
| Non-controlling interests | | 1,237 | 2,481 |
| | | (73,580) | (53,819) |
| Loss per share | | | |
| Basic | 4 | (HK0.58 cent) | (HK0.65 cent) |
| Diluted | 4 | (HK0.58 cent) | (HK0.65 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 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.

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:

| | Three months ended | |
|--|---------------------------------|---------------------------------|
| | 31 March | |
| | 2020 (unaudited) HK\$'000 | 2019 (unaudited) HK\$'000 |
| Lottery hardware | 5,550 | 8,968 |
| Lottery games and systems | 5,929 | 7,165 |
| Provision of lottery distribution and ancillary services | 1,893 | 3,424 |
| Games and entertainment | 324 | 608 |
| | 13,696 | 20,165 |

3. INCOME TAX EXPENSE

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

4. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company for the Three-Month Period of approximately HK\$66,537,000 (for the three months ended 31 March 2019: approximately HK\$72,194,000) by the weighted average number of ordinary shares outstanding during the period of approximately 11,672,342,000 (for the three months ended 31 March 2019: approximately 11,272,342,000) shares and excluding the weighted average number of shares held for share award scheme of approximately 167,861,000 (for the three months ended 31 March 2019: approximately 108,860,000) 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 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 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, Convertible Bonds are excluded from the computation of the diluted loss per share as there were no Convertible Bonds outstanding as at 31 March 2020. 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 diluted 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 2020.

For the period ended 31 March 2019, the computation of the diluted loss per share does not assume the conversion of outstanding Convertible Bonds, exercise of the outstanding share options and the vesting of the outstanding share awards, as they would decrease the diluted 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.

5. DIVIDEND

The Board does not recommend the payment of an interim dividend for the Three-Month Period (2019: 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 HK\$'000 | Share premium HK\$'000 | Shares held for share award scheme HK\$'000 | Share options reserve HK\$'000 | Share awards reserve HK\$'000 | Statutory reserve HK\$'000 | Exchange reserve HK\$'000 | Contributed surplus HK\$'000 | Property revaluation reserve HK\$'000 | Other reserve HK\$'000 | Accumulated losses HK\$'000 | Subtotal HK\$'000 | HK\$'000 | |
| Balance at | | | | | | | | | | | | | | |
| 1 January 2020 | 23,344 | 3,389,886 | (131,811) | 47,547 | 50,366 | 24,253 | 77,971 | 47,191 | 14,402 | 75,406 | (636,331) | 2,982,224 | 32,998 | 3,015,222 |
| Loss for the period | - | - | - | - | - | - | - | - | - | - | (66,537) | (66,537) | 1,892 | (64,645) |
| Other comprehensive income for the period | - | - | - | - | - | - | (8,280) | - | - | - | - | (8,280) | (655) | (8,935) |
| Total comprehensive income for the period | - | - | - | - | - | - | (8,280) | - | - | - | (66,537) | (74,817) | 1,237 | (73,580) |
| Recognition of equity settled share-based payments | - | - | - | - | 9,137 | - | - | - | - | - | - | 9,137 | - | 9,137 |
| Lapse of share options | - | - | - | (5,050) | - | - | - | - | - | - | 5,050 | - | - | - |
| Purchase of shares under share award scheme | - | - | (7,382) | - | - | - | - | - | - | - | - | (7,382) | - | (7,382) |
| Transfer of shares upon vesting of share awards under share award scheme | - | (350) | 3,321 | - | (2,971) | - | - | - | - | - | - | - | - | - |
| Transactions with a shareholder | | | | | | | | | | | | | | |
| - Employee share-based compensation | - | - | - | - | - | - | - | - | - | 282 | - | 282 | - | 282 |
| - Employee share-based compensation recharge | - | - | - | - | - | - | - | - | - | (349) | - | (349) | - | (349) |
| Balance at | | | | | | | | | | | | | | |
| 31 March 2020 | 23,344 | 3,389,536 | (135,872) | 42,497 | 56,532 | 24,253 | 69,691 | 47,191 | 14,402 | 75,339 | (697,818) | 2,909,095 | 34,235 | 2,943,330 |
| 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 | - | - | - | - | - | - | - | - | - | - | (72,194) | (72,194) | 1,232 | (70,962) |
| Other comprehensive income for the period | - | - | - | - | - | - | 15,894 | - | - | - | - | 15,894 | 1,249 | 17,143 |
| Total comprehensive income for the period | - | - | - | - | - | - | 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) | - | - | - | - | - | - | - | - | - |
| Balance at | | | | | | | | | | | | | | |
| 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 |

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 Three-Month Period, lottery market recorded sales of approximately RMB37.7 billion, a decrease of approximately 64.5% compared to the corresponding period in 2019. Of this, Welfare Lottery amounted to approximately RMB18.06 billion, representing a decrease of approximately 63.2% compared to the corresponding period in 2019. The Sports Lottery achieved sales of approximately RMB19.65 billion, representing a decrease of approximately 65.7% compared to the corresponding period in 2019. Other than the closure of national lottery market during Chinese Lunar New Year, the drop in sales was mainly due to the impact of Novel Coronavirus (“COVID-19”) outbreak while the business hours of lottery sales outlets were significantly reduced.

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, have increased mobile games consumption significantly. New technologies, improved network infrastructure, less expensive access to high-speed data and 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 2018 and 2019, 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

Lottery sales and operations in China have been suspended since the end of January 2020. The Group is closely monitoring the latest development and impact of the COVID-19 as certain provinces have recently resumed lottery sales in March.

Lottery Resources Channel

The Group has 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 an 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 on and explore opportunities for collaboration with Alibaba Group's retail ecosystem to enhance on lottery distribution models where appropriate. We believe that the integration of lottery services and products through Alibaba Group's physical retail distribution channel and networks under its new retail strategy will continue to create synergy and 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 broadcast 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.

Hardware

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

AGTech's Hardware division primarily supplies the Sports Lottery and the Welfare Lottery and has hardware deployed in multiple provinces, cities, municipalities and autonomous regions 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)"). The Group's Hardware division continues to focus on research and development in order to broaden and improve its product spectrum and develop new hardware ranges.



The Group will continue to pursue tenders to supply to the lottery and other hardware market and bid for new contracts after resumption of tenders post COVID-19 delays.

Games and Entertainment

Online non-lottery games and entertainment content

The Group is dedicated to evolving its 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 and 2019, 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 continued to develop its mobile games and entertainment platform in India. Paytm First Games (formerly known as “Gamepind”), offers players a unique online experience with popular games content such as social games, card games and fantasy sports games. The platform has grown its user base significantly and will continue to 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 the sports category, as demonstrated by the launch of a dedicated cricket channel in 2019 and fantasy cricket (known as “Paytm First Captains”), 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.

BUSINESS OUTLOOK

Despite current headwinds and uncertainties with regards to the COVID-19 situation, the Group continues to proactively transform and 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.

Our continuing efforts to partner with additional provincial lottery authorities of China in areas such as technology and business innovation, channel expansion and distribution, smart hardware terminals, data services, and other value added ancillary services are all part of our lottery initiatives. We also anticipate a gradual rollout of our SaaS (Software-as-a-Service) platform aiming to serve and benefit users from all sectors within the lottery supply chain. Our platform is expected to be well equipped for applications within the Alibaba digital ecosystem, in addition to any potential change in distribution channels other than the current retail model. While the Group believes that the potential of internet and mobile distribution channels in the PRC lottery markets are promising, there is still uncertainty as to the timing of the potential re-opening of the online lottery distribution market under the applicable PRC laws and regulations. In this respect we will continue to closely monitor policy developments.



The Group continues to operate the lottery channel on mobile Taobao and mobile Alipay to serve as a one-stop platform on lottery related information for existing and potential customers. We expect to roll out further engagement features and tools to improve user experience and engagement.


From a lottery products point of view, we have identified instant scratch lottery games to be an important product initiative for the coming year, as we will be dedicating resources to open up this market within the lottery sector.

Transition to new retail models presents a great opportunity for the further development of the Group's hardware business. Many of the hardware supplies required under such new retail concept share similar technology and components that underlie the lottery hardware products supplied by the Group throughout the years. We believe our Hardware division continues to be well positioned to take advantage of such opportunities in the foreseeable future.

The Group is also leveraging on our existing products and technology to innovate and improve on digitalization of sporting content. Building off the successful launch of our fantasy sports products on the Paytm First Games platform, we will continue to serve as the technical service provider to the joint venture. We believe that having a robust sports-oriented solution will help the Group to capture opportunities and gain an edge in the fast-evolving sports-entertainment sector.

With respect to our international business, the Group is fully devoted and will continue to invest in and develop fast growing markets such as India through utilizing our experience on sports betting products, technology, and expertise on risk management.

Outside of India, the Group will continue to seek for strong suitable partners in selected international markets to leverage on 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”) and the official launch of operations in 2019, the Group’s increase in share capital contribution to Ant Bank (Macao) Limited demonstrates our commitment to grow the business and further capitalise on opportunities in Macau and overseas.

The Group has also been seeking expansion opportunities in overseas markets through acquisitions and investments. To this end, the Group has been in the process of identifying suitable acquisition targets and has been in discussion on various ongoing opportunities.

Lastly, the Group’s continuing investment to enhance our technology infrastructure and develop our in-house capabilities through games and lottery entertainment as a medium continues to be a demonstration of our commitment to generate long term sustainable growth for the Shareholders.

Financial Performance Review

Revenue of the Group for the Three-Month Period amounted to approximately HK\$13.7 million (Three months ended 31 March 2019: approximately HK\$20.2 million), representing a decrease of approximately 32.2% over the corresponding period in 2019. 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 Three-Month Period was primarily caused by the decrease in sales of lottery hardware of approximately HK\$3.4 million, decrease of approximately HK\$1.5 million in revenue from the provision of lottery distribution and ancillary services and decrease of approximately HK\$1.2 million from the lottery games and systems. Such decrease in revenue was mainly due to the prolonged closure of domestic lottery market which lasted nearly 40 days and delay in lottery hardware tender and delivery as a result of the COVID-19 pandemic. Under the market closure arrangements for Chinese New Year holiday, the PRC’s lottery market was closed from 22 January 2020 to 31 January 2020 and was originally scheduled to resume sales on 1 February 2020. Amidst prevention and control of the pandemic, reopening of the PRC’s lottery market was postponed to 11 March 2020, since then sales of welfare lottery and sports lottery have begun to gradually resume subject to different arrangements in different regions.



Operating loss for the Three-Month Period was approximately HK\$72.0 million (Three months ended 31 March 2019: approximately HK\$52.5 million). Such increase was mainly due to a change from net other gains of approximately HK\$13.0 million to net other losses of approximately HK\$13.8 million arising from the depreciation of US\$ and RMB against HK\$ during the Three-Month Period and accordingly exchange losses arose from translating the US\$/RMB denominated bank deposits and other balances to the Group's presentation currency.

The loss for the Three-Month Period was approximately HK\$64.6 million (Three months ended 31 March 2019: approximately HK\$71.0 million). During the Three-Month Period, a gain of approximately HK\$9.2 million (Three months ended 31 March 2019: loss of approximately HK\$3.3 million) was recorded from the remeasurement of the fair value of the outstanding contingent consideration payables under the Score Value Transaction. The significant inputs in the fair value measurement primarily included the published closing price per share. In addition, Convertible Bonds were matured in August 2019 and since then no more fair value change and interest expenses were recognised for the Three-Month Period.

Share of results of investments accounted for using equity method for the Three-Month Period primarily represented the share of loss of the Group's joint venture with One97 Communications of approximately HK\$13.2 million. The joint venture commenced operation in 2018 and is still in rapid growth and investment phase. The joint venture invested in developing new games, strengthening mobile platform, extending the user base and capturing more market share in India.

Other operating expenses for the Three-Month Period were approximately HK\$12.9 million (Three months ended 31 March 2019: approximately HK\$16.8 million). The decrease was primarily due to the decrease in share-based payments for other eligible participants of approximately HK\$1.8 million and the decrease in operating expenses related to lottery distribution and lottery games and systems of approximately HK\$1.0 million.



USE OF PROCEEDS FROM THE SUBSCRIPTION

As disclosed in the section headed “USE OF PROCEEDS FROM THE SUBSCRIPTION” on pages 90 to 93 of the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”), approximately HK\$1,128.3 million in total of net proceeds from the Subscription (the “**Net Proceeds**”) was used by the Group up to and including 31 December 2019 and Net Proceeds in the sum of approximately HK\$1,018.7 million remained as at 31 December 2019. From 1 January 2020 up to and including 31 March 2020, approximately HK\$114.2 million in total was used by the Group for 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\$904.5 million remained as at 31 March 2020 (the “**Remaining Net Proceeds**”), 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 Net Proceeds are intended to be allocated | Amount of Net Proceeds allocated and remained to be used as of 31 December 2019 | Amount of Net Proceeds actually used from 1 January 2020 up to and including 31 March 2020 | Actual application of Net Proceeds from 1 January 2020 up to and including 31 March 2020 (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any) |
|---|---|--|---|
| (i) Games and Entertainment: | approximately HK\$415.3 million | approximately HK\$10.8 million | The Net Proceeds were used in items (i)(a) to (i)(c). |
| (a) development, operation and promotion of the Chinese card game, GuanDan, and Two-on-One Poker | (or approximately 40.8% of total remaining as at 31 December 2019) | | Over the course of 2018 and 2019, 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, which raised uncertainties to the PRC's overall games industry and hence the Group's "Games and Entertainment" business in the PRC. As a result of the foregoing, the usage of the Net Proceeds allocated to "Games and Entertainment" business has generally been slower than planned. |

| Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Net Proceeds are intended to be allocated | Amount of Net Proceeds allocated and remained to be used as of 31 December 2019 | Amount of Net Proceeds actually used from 1 January 2020 up to and including 31 March 2020 | Actual application of Net Proceeds from 1 January 2020 up to and including 31 March 2020 (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any) |
|--|---|--|---|
| (b) development, operation and promotion of the mind sports, leisure games and entertainment | | | The Net Proceeds allocated to "Games and Entertainment" are expected to be used on or before 31 December 2020, subject to the continuous monitoring and measures of the Group in response to the potential impact of the COVID-19 on the expected timeline of the Net Proceeds. |
| (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 Net Proceeds are intended to be allocated | Amount of Net Proceeds allocated and remained to be used as of 31 December 2019 | Amount of Net Proceeds actually used from 1 January 2020 up to and including 31 March 2020 | Actual application of Net Proceeds from 1 January 2020 up to and including 31 March 2020 (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\$12.8 million (or approximately 1.3% of total remaining as at 31 December 2019) | approximately HK\$12.8 million | The Net Proceeds were used in items (ii)(a) to (ii)(b). |
| (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 Net Proceeds allocated to "Lottery Hardware, Lottery Games & Systems" are expected to be used on or before 31 December 2020, subject to the continuous monitoring and measures of the Group in response to the potential impact of the COVID-19 on the expected timeline of the Net Proceeds. |
| (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 Net Proceeds are intended to be allocated | Amount of Net Proceeds allocated and remained to be used as of 31 December 2019 | Amount of Net Proceeds actually used from 1 January 2020 up to and including 31 March 2020 | Actual application of Net Proceeds from 1 January 2020 up to and including 31 March 2020 (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any) |
|---|--|--|---|
| <p>(iii) Lottery distribution:</p> <p>(a) sales, marketing and distribution of virtual lottery games</p> <p>(b) sales, marketing and distribution of instant scratch lottery games</p> <p>(c) sales, marketing and distribution of other categories of lottery games</p> <p>(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.)</p> | <p>approximately HK\$166.1 million (or approximately 16.3% of total remaining as at 31 December 2019)</p> | <p>approximately HK\$9.5 million</p> | <p>The Net Proceeds were primarily used in items (iii)(b) to (iii)(d).</p> <p>No material difference from intended usage noted.</p> <p>The Net Proceeds allocated to "Lottery Distribution" are expected to be used on or before 31 December 2020, subject to the continuous monitoring and measures of the Group in response to the potential impact of the COVID-19 on the expected timeline of the Net Proceeds.</p> |

| Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Net Proceeds are intended to be allocated | Amount of Net Proceeds allocated and remained to be used as of 31 December 2019 | Amount of Net Proceeds actually used from 1 January 2020 up to and including 31 March 2020 | Actual application of Net Proceeds from 1 January 2020 up to and including 31 March 2020 (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\$326.4 million (or approximately 32.0% of total remaining as at 31 December 2019) | approximately HK\$42.2 million | The Net Proceeds were used in items (iv)(c). |
| (a) potential investment project(s) in overseas markets in areas of lottery business and games and entertainment business | | | The Group has been continuing its efforts in identifying suitable acquisition targets and has been in discussion with potential acquisition targets. It was found that such targets may not be able to achieve the level of strategic synergy and growth value expected by the Group. As a result, the progress of such potential acquisitions has been slowed down. Therefore, the usage of the Net Proceeds allocated to "Investment project(s) and acquisition(s)" has generally been slower than planned. |
| (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 | | | |
| (d) funding provided by the Group to support business expansion and ongoing operation in overseas markets | | | |
| | | | The Net Proceeds allocated to "Investment project(s) and acquisition(s)" are expected to be used on or before 31 December 2020, subject to the continuous monitoring and measures of the Group in response to the potential impact of the COVID-19 on the expected timeline of the Net Proceeds. |

| Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Net Proceeds are intended to be allocated | Amount of Net Proceeds allocated and remained to be used as of 31 December 2019 | Amount of Net Proceeds actually used from 1 January 2020 up to and including 31 March 2020 | Actual application of Net Proceeds from 1 January 2020 up to and including 31 March 2020 (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any) |
|---|---|--|--|
| (v) General corporate purposes: | approximately HK\$98.1 million (or approximately 9.6% of total remaining as at 31 December 2019) | approximately HK\$38.9 million | The 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 Net Proceeds allocated to “General corporate purposes” are expected to be used on or before 31 December 2020, subject to the continuous monitoring and measures of the Group in response to the potential impact of the COVID-19 on the expected timeline of the Net Proceeds. |
| Grand total: | approximately HK\$1,018.7 million | approximately HK\$114.2 million | |



RE-ALLOCATION OF THE REMAINING NET PROCEEDS

The following disclosure in relation to the re-allocation of the Remaining Net Proceeds is made by the Company pursuant to Rule 17.10(2)(a) of the GEM Listing Rules and the Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

As disclosed in the 2019 Annual Report, the continuing spread of the COVID-19 may have an impact on the business environment and operations of the Group and the expected usage and timeline of utilizing the Remaining Net Proceeds, and the Group will continuously monitor the development of the COVID-19 and take necessary measures for the benefit of the Group.

In view of the foregoing and the factors stated below, the Board has conducted a review on the use of the Remaining Net Proceeds. In particular, the Board has carefully reviewed the Group's current planning in relation of the use of the Remaining Net Proceeds and concluded that, for the reasons set out below, it would be appropriate to re-allocate the Remaining Net Proceeds in the following manner in order to improve the efficiency of the use of the Remaining Net Proceeds and to cope up with the challenging business environment ahead:

Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated

Existing allocation of the Remaining Net Proceeds

New allocation of the Remaining Net Proceeds

Reason(s) for the re-allocation

(i) Games and Entertainment:

approximately HK\$404.5 million

approximately HK\$104.5 million

(a) development, operation and promotion of the Chinese card game, Guan Dan, and Two-on-One Poker

(or approximately 44.7% of the Remaining Net Proceeds)

(or approximately 11.6% of the Remaining Net Proceeds)

(b) development, operation and promotion of the mind sports, leisure games and entertainment

(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

The Group initially planned to expand into the non-lottery "Games and Entertainment" business in 2017. However, as mentioned in the Group's previous reports, over the course of 2018 and 2019, 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. As a result, the usage of the Net Proceeds in this segment has generally been slower than planned.

On the other hand, the Group anticipates that additional funds are required for the business development in "Hardware, Lottery Games & Systems" and "Lottery Distribution".

In particular, the major income driver for the Group remained to be its hardware business, which contributed approximately 60.5% and approximately 59.9% of the Group's total revenue in 2018 and 2019 respectively. Furthermore, the Group's lottery games and systems business also sees an encouraging increase in annual revenue by approximately 27.5% in 2019 over 2018.



Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated

Existing allocation of the Remaining Net Proceeds

New allocation of the Remaining Net Proceeds

Reason(s) for the re-allocation

In addition, in relation to the development of "Lottery Distribution", as discussed in the "BUSINESS OUTLOOK" section of this report and the 2019 Annual Report, the Group (i) has identified instant scratch lottery games to be an important product initiative for the coming year; and (ii) anticipates a gradual rollout of the Software-as-a-Service (SaaS) platform.

Thus, amidst this highly uncertain and difficult time of the global and PRC business environment caused by the COVID-19 pandemic, coupled with the fact that all Remaining Net Proceeds currently allocated to the "Hardware, Lottery Games & Systems" business had been used up as of 31 March 2020 and the business opportunities presented in the "Lottery Distribution" business aforementioned, it would be prudent for the Group to re-direct more resources from its "Games and Entertainment" business to its more stable and core "Hardware, Lottery Games & Systems" and "Lottery Distribution" businesses.

Accordingly, approximately HK\$300 million will be deducted from the existing allocation to the "Games and Entertainment" business, amongst which approximately HK\$250 million and HK\$50 million will be re-allocated to the "Hardware, Lottery Games & Systems" and "Lottery Distribution" businesses, respectively.

Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated

Existing allocation of the Remaining Net Proceeds

New allocation of the Remaining Net Proceeds

Reason(s) for the re-allocation

| | | | |
|--|--|---|---|
| (ii) Hardware, Lottery Games & Systems: | approximately HK\$0 (or approximately 0% of the Remaining Net Proceeds) | approximately HK\$250 million (or approximately 27.6% of the Remaining Net Proceeds) | Please refer to the reasons set out for segment (i) above. |
| (a) operation and development of lottery hardware and terminal production | | | In addition, as mentioned in the "Business Outlook" section above, the Group believes that many hardware supplies required under new retail initiatives would share similar designs, technologies and components that underlie the lottery hardware products supplied by the Group, and therefore present direct opportunities to the Group for further developing its domain expertise in hardware, technology and services. |
| (b) operation and development of lottery software systems | | | |
| (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 | | | |
| (f) sourcing, manufacturing, operation and development of smart hardware and ancillary equipment and provision of related after-sales maintenance services | | | |

Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated

Existing allocation of the Remaining Net Proceeds

New allocation of the Remaining Net Proceeds

Reason(s) for the re-allocation

(iii) Lottery Distribution:

approximately HK\$156.6 million

approximately HK\$206.6 million

Please refer to the reasons set out for segment (i) above.

- | | | |
|--|---|---|
| <ul style="list-style-type: none"> (a) sales, marketing and distribution of virtual lottery games (b) sales, marketing and distribution of instant scratch lottery games (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.) | <p>(or approximately 17.3% of the Remaining Net Proceeds)</p> | <p>(or approximately 22.8% of the Remaining Net Proceeds)</p> |
|--|---|---|

Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated

Existing allocation of the Remaining Net Proceeds

New allocation of the Remaining Net Proceeds

Reason(s) for the re-allocation

(iv) Investment project(s) and acquisition(s):

approximately HK\$284.2 million
(or approximately 31.4% of the Remaining Net Proceeds)

approximately HK\$104.2 million
(or approximately 11.5% of the Remaining Net Proceeds)

- (a) potential investment project(s) in overseas markets in areas of lottery business and games and entertainment business
- (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
- (d) funding provided by the Group to support business expansion and ongoing operation in overseas markets

While it has been part of the Group's corporate strategies to globalize its business, in view of the challenges facing the global economy and the likely adverse impact on global consumer spending, coupled with the expected difficulties in conducting due diligence on potential acquisition target(s) or investment project(s) and carrying out negotiations in overseas countries amidst the COVID-19 pandemic, the Company expects that the progress of the Group's potential acquisitions and investments will inevitably slow down and there is uncertainty as to when the situation will improve.

Accordingly, it would be prudent for the Group to re-direct more resources and re-allocate approximately HK\$180 million from "Investment project(s) and acquisition(s)" to its "General corporate purposes" to enable the Group to maintain a healthy cash position in the future.

Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated

Existing allocation of the Remaining Net Proceeds

New allocation of the Remaining Net Proceeds

Reason(s) for the re-allocation

(v) **General corporate purposes:**

approximately HK\$59.2 million
(or approximately 6.6% of the Remaining Net Proceeds)

approximately HK\$239.2 million
(or approximately 26.5% of the Remaining Net Proceeds)

Please refer to the reasons set out for segment (iv) above.

(a) staff costs and other administrative expenses of the Group (including the costs relating to the Share Award Scheme)

In addition, approximately HK\$38.9 million out of the remaining balance of approximately HK\$98.1 million allocated to the "General corporate purposes" segment had been used up as of 31 March 2020, and additional proceeds should be allocated to this segment in order to support the continuing operations of the Group.

(b) general working capital of the Group

Grand total:

approximately HK\$904.5 million

approximately HK\$904.5 million

The aforesaid re-allocation of the Remaining Net proceeds will be implemented and reflected in the table under the "USE OF PROCEEDS FROM THE SUBSCRIPTION" section in the forthcoming interim results and report of the Company for the six months ending 30 June 2020.

The Directors (including the independent non-executive Directors) consider that the re-allocation of the Remaining Net Proceeds is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Group will continue its efforts to fully utilize the Remaining Net Proceeds on or before 31 December 2020 in accordance with the new allocations as set out above. Nevertheless, in view of the highly uncertain and difficult global and PRC business environment caused by the COVID-19 pandemic, there may be a delay in the full usage of the Remaining Net Proceeds and the Group cannot at this stage provide a reasonably reliable estimated timeline. The Group will continuously monitor the development of the pandemic and the Group's business development and will take necessary measures for the benefit of the Group and, if needed, make an announcement regarding the expected timeline at an appropriate time.

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 2020. 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 yet 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.

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

As at 31 March 2020, 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 | 46,158,000 (Note 2) | 2,006,250,000 (Note 3) | 2,052,408,000 | 17.58% |
| 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 | 0.015% |
| Mr. Feng Qing | 375,000 | - | 375,000 | 0.003% |
| Dr. Gao Jack Qunyao | 750,000 | - | 750,000 | 0.006% |

Notes:

1. Based on a total of 11,672,342,235 Shares in issue as at 31 March 2020.
2. It represents 31,848,000 Shares and 14,310,000 restricted Share units (granted under the Share Award Scheme) 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 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):

| 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 31 March 2020.
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 | 299,328 (Note 2) | 0.001% |
| Mr. Li Faguang | Beneficial and equity derivative interests | 127,488 (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 | 23,840 (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 41,328 ordinary shares and 258,000 restricted share units of Alibaba Holding beneficially held by Mr. Yang Guang.
3. It represents 26,488 ordinary shares and 101,000 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 4,000 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**"). As a result of the Share Subdivision, one American depository share of Alibaba Holding shall represent 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 31 March 2020, 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 2020, 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 | 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. (formerly known as Shanghai Yunju Investment Management 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 31 March 2020.
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 29.10% and 20.88% 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 taken 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 under the SFO by virtue of his interest in MAXPROFIT GLOBAL INC.



Save as disclosed above, as at 31 March 2020, 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 2020, 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 9,637,500 Shares had expired during the Three-Month Period. As at 31 March 2020, options for 71,023,198 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, 3,700,000 award Shares were vested in the grantees and 3,050,000 award Shares were forfeited.

During the Three-Month Period, 23,512,000 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:

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| “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, 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, with its American depository shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA) and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988); |
| “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.*), a company incorporated in the PRC; |
| “Ant Financial Group” | Ant Financial and its subsidiaries; |
| “Board” | the board of Directors; |

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| “Company” or “AGTech” | AGTech Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM; |
| “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 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; |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong; |
| “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; |

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| “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; |

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| “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\$1.1137 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, 11 May 2020



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.