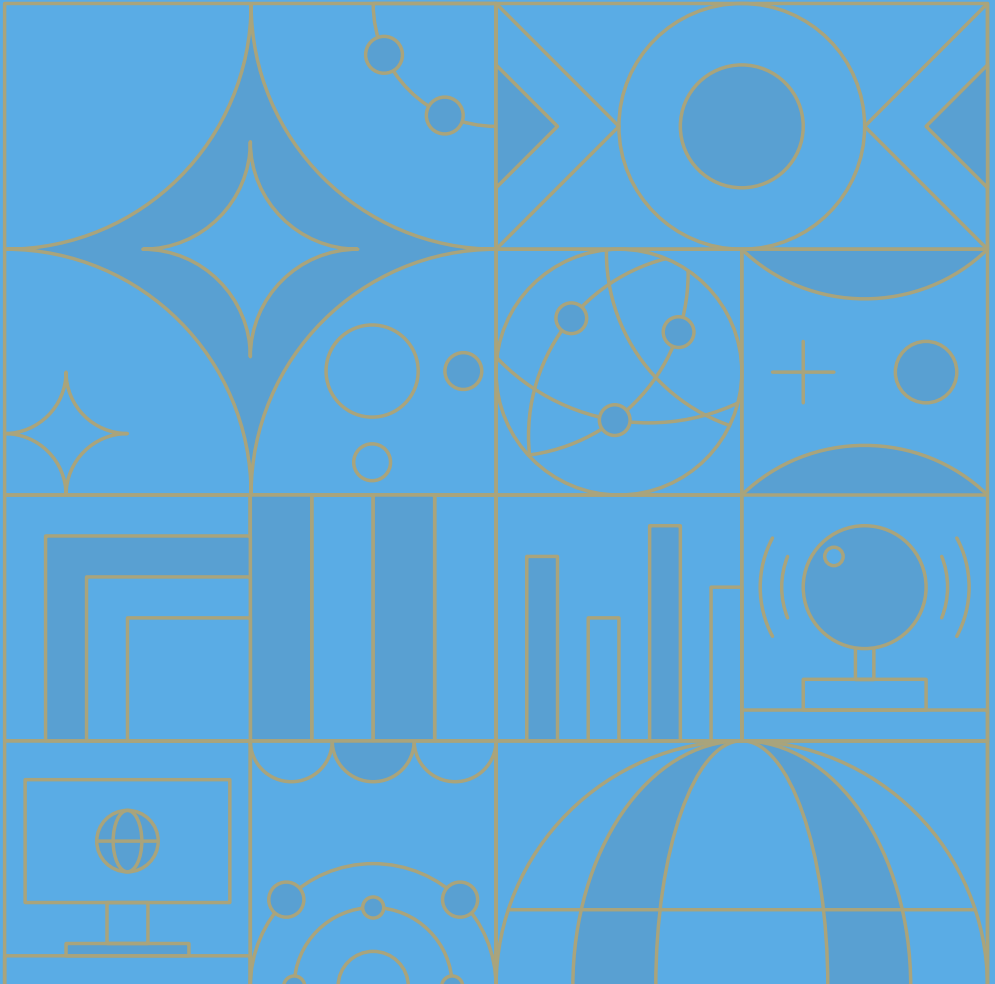


# 2020 THIRD QUARTERLY REPORT



## **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.**

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*This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited 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 2020

- Revenue of the Group for the Nine-Month Period amounted to approximately HK\$106.1 million (Nine months ended 30 September 2019: approximately HK\$118.1 million), representing a decrease of approximately 10.2% 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 Nine-Month Period was caused by the decrease in sales of lottery hardware of approximately HK\$19.9 million and decrease of approximately HK\$3.6 million in revenue from games and entertainment division, partially offset by an increase of approximately HK\$10.0 million from the lottery games and systems. The decrease in revenue from hardware business was due to a significant decrease in total national lottery hardware tenders in the last three quarters, slower tendering processes and hardware deliveries as compared to the corresponding period in 2019 as a result of the COVID-19 pandemic. The increase in revenue from the lottery games and systems was caused by the increase in sales volume from the virtual sports lottery games.
- Operating loss for the Nine-Month Period was approximately HK\$124.5 million (Nine months ended 30 September 2019: approximately HK\$151.0 million), representing a decrease of approximately 17.5% over the corresponding period in 2019.
- The loss for the Nine-Month Period was approximately HK\$156.9 million (Nine months ended 30 September 2019: approximately HK\$73.1 million), representing an increase of approximately 114.6% over the corresponding period in 2019. Convertible Bonds matured in August 2019 and since then no more fair value change (Nine months ended 30 September 2019: gain of approximately HK\$85.2 million) and interest expense (Nine months ended 30 September 2019: approximately HK\$27.5 million) were recognised for the Nine-Month Period. In addition, share of loss of the Group's joint venture increased by approximately HK\$33.6 million as compared to the corresponding period in 2019.
- 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 2020 (the “**Three-Month Period**”) and the nine months ended 30 September 2020 (the “**Nine-Month Period**”), together with the comparative unaudited figures for the corresponding period in 2019 as below.

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

For the three months and nine months ended 30 September 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	2	62,193	70,342	106,080	118,064
Other income		2,234	1,753	8,194	4,535
Net other (losses)/gains		13,555	(2,781)	(601)	(9,128)
Employee benefits expenses		(48,599)	(46,842)	(139,297)	(153,612)
Purchases of and changes in inventories		(20,250)	(28,787)	(30,168)	(35,552)
Depreciation expenses		(5,698)	(5,770)	(17,223)	(17,492)
Other operating expenses		(22,310)	(18,751)	(51,490)	(57,846)
<b>Operating loss</b>		<b>(18,875)</b>	<b>(30,836)</b>	<b>(124,505)</b>	<b>(151,031)</b>
Gain on fair value changes of convertible bonds		-	76,465	-	85,190
Gain on fair value changes of contingent consideration payables		4,013	6,122	1,323	3,819
Net finance income		10,109	8,550	34,921	18,035
Share of results of investments accounted for using equity method		(39,528)	(16,794)	(60,678)	(27,041)
<b>(Loss)/profit before income tax</b>		<b>(44,281)</b>	<b>43,507</b>	<b>(148,939)</b>	<b>(71,028)</b>
Income tax expense	3	(2,867)	(502)	(7,949)	(2,085)
<b>(Loss)/profit for the period</b>		<b>(47,148)</b>	<b>43,005</b>	<b>(156,888)</b>	<b>(73,113)</b>

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020	2019	2020	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other comprehensive income:</b>					
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Currency translation differences		21,169	(17,852)	10,938	(17,019)
Other comprehensive income for the period, net of tax		21,169	(17,852)	10,938	(17,019)
<b>Total comprehensive income for the period</b>		<b>(25,979)</b>	25,153	<b>(145,950)</b>	(90,132)
<b>(Loss)/profit attributable to:</b>					
Owners of the company		(52,795)	41,178	(170,161)	(77,851)
Non-controlling interests		5,647	1,827	13,273	4,738
		(47,148)	43,005	(156,888)	(73,113)
<b>Total comprehensive income attributable to:</b>					
Owners of the company		(33,177)	24,292	(160,175)	(93,746)
Non-controlling interests		7,198	861	14,225	3,614
		(25,979)	25,153	(145,950)	(90,132)
<b>(Loss)/earning per share</b>					
Basic	4	(HK0.46 cent)	HK0.36 cent	(HK1.48 cents)	(HK0.69 cent)
Diluted	4	(HK0.46 cent)	HK0.36 cent	(HK1.48 cents)	(HK0.69 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 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 2019, 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 2020.

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		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Lottery hardware	36,474	49,700	48,889	68,764
Lottery games and systems	17,178	11,846	40,556	30,600
Provision of lottery distribution and ancillary services	7,517	5,141	14,524	12,997
Games and entertainment	1,024	3,655	2,111	5,703
	62,193	70,342	106,080	118,064

### 3. INCOME TAX EXPENSE

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


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

#### (a) Basic

Basic earning or loss per share is calculated by dividing the unaudited loss attributable to owners of the Company for the Three-Month Period of approximately HK\$52,795,000 and unaudited loss attributable to owners of the Company for the Nine-Month Period of approximately HK\$170,161,000 (for the three months and nine months ended 30 September 2019: profit of approximately HK\$41,178,000 and loss of approximately HK\$77,851,000 respectively) by the weighted average number of ordinary shares outstanding during the Three-Month Period and Nine-Month Period of approximately 11,672,342,000 shares (for the three months and nine months ended 30 September 2019: approximately 11,581,038,000 shares and 11,376,372,000 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 172,866,000 shares and 166,825,000 shares respectively (for the three months and nine months ended 30 September 2019: approximately 102,645,000 shares and 102,291,000 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 four categories of dilutive potential ordinary shares: Convertible Bonds, contingent considerations, share options and share awards. The Convertible Bonds are assumed to have been converted into ordinary shares, and the loss or profit attributable to owners of the Company is adjusted to eliminate the relevant interest expense and fair value changes. The contingent considerations are assumed to have been settled in ordinary shares, and the loss or profit attributable to owners of the Company is adjusted to eliminate the relevant fair value changes. For the share options and share awards, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and share awards.



For the Three-Month Period and Nine-Month Period, share options are excluded from the computation of the diluted loss per share as there were no share options outstanding as at 30 September 2020. The computation of the diluted loss per share does not assume 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 30 September 2020.

For the nine months ended 30 September 2019, 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 months ended 30 September 2019, 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 months ended 30 September 2019 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 months ended 30 September 2019. 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.

## **5. DIVIDEND**

The Board does not recommend the payment of an interim dividend for the Nine-Month Period (2019: 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	
	Shares held for															
	Share capital	Share premium	Share award scheme	Share options reserve	Share awards reserve	Statutory reserve	Exchange reserve	Contributed surplus	Property revaluation reserve	Other reserve	Accumulated losses	Subtotal	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	-	-	-	-	-	-	-	-	-	-	(170,161)	(170,161)	13,273	(156,888)		
Other comprehensive income for the period	-	-	-	-	-	-	9,986	-	-	-	-	9,986	952	10,938		
Total comprehensive income for the period	-	-	-	-	-	-	9,986	-	-	-	(170,161)	(160,175)	14,225	(145,950)		
Recognition of equity settled share-based payments	-	-	-	-	23,465	-	-	-	-	-	-	23,465	-	23,465		
Lapse of share options	-	-	-	(47,547)	-	-	-	-	-	-	47,547	-	-	-		
Purchase of shares under share award scheme	-	-	(20,713)	-	-	-	-	-	-	-	-	(20,713)	-	(20,713)		
Transfer of shares upon vesting of share awards under share award scheme	-	3,381	27,297	-	(30,678)	-	-	-	-	-	-	-	-	-		
Transactions with a shareholder																
- Employee share-based compensation	-	-	-	-	-	-	-	-	-	964	-	964	-	964		
- Employee share-based compensation recharge	-	-	-	-	-	-	-	-	-	(957)	-	(957)	-	(957)		
<b>Balance at 30 September 2020</b>	<b>23,344</b>	<b>3,393,267</b>	<b>(125,227)</b>	<b>-</b>	<b>43,153</b>	<b>24,253</b>	<b>87,957</b>	<b>47,191</b>	<b>14,402</b>	<b>75,413</b>	<b>(758,945)</b>	<b>2,824,808</b>	<b>47,223</b>	<b>2,872,031</b>		
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)		
<b>Balance at 30 September 2019</b>	<b>23,344</b>	<b>3,389,717</b>	<b>(121,711)</b>	<b>47,547</b>	<b>49,744</b>	<b>21,139</b>	<b>71,792</b>	<b>47,191</b>	<b>14,402</b>	<b>75,626</b>	<b>(587,185)</b>	<b>3,031,606</b>	<b>52,363</b>	<b>3,083,969</b>		

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

### About the Group

AGTech was incorporated in Bermuda and its Shares are listed on 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 320 employees, AGTech is the exclusive lottery platform of Alibaba Group and Ant 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 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 evaluate 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 RMB230.6 billion, representing a decrease of approximately 27.0% compared to the corresponding period in 2019. Of this, Welfare Lottery amounted to approximately RMB101.9 billion, representing a decrease of approximately 28.8% compared to the corresponding period in 2019. Sports Lottery achieved sales of approximately RMB128.7 billion, representing a decrease of approximately 25.4% compared to the corresponding period in 2019. 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.

On 23 October 2020, the Ministry of Finance, the Ministry of Civil Affairs and the General Administration of Sport of the PRC jointly announced the Joint Notice in relation to the cessation of the sales of quick-draw welfare lottery games (福利彩票快開遊戲) and high frequency sports lottery games (體育彩票高頻遊戲) from 1 November 2020 or after the Chinese New Year of 2021, as the case may be.

\* 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 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. 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. Recent addition of sporting content and sports intelligence services have also been added to our growing range of tools and products. Through this channel, we hope to continue growing our online presence, and maximising the value of our business partnership with Alibaba Group and Ant 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 physical retail distribution channel and networks 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, a 51% owned subsidiary of the Group, was/has been the supplier of two virtual sports lottery games in the PRC, namely, a football themed virtual sports lottery game “e-Ball Lottery” in Jiangsu Province (the “**e-Ball Lottery**”) and a motor racing-themed virtual sports lottery game “Lucky Racing” in Hunan Province (the “**Lucky Racing**”, together with e-Ball Lottery, the “**Virtual Sports Lottery Games**”).

As a result of the Joint Notice announced by the Ministry of Finance, the Ministry of Civil Affairs, and the General Administration of Sport of the PRC (as described in the section headed “**Industry Overview-Lottery**” above), the Group received a written implementation letter dated 23 October 2020 from the Jiangsu Sports Lottery Administration Centre (the “**SLAC**”) in relation to the cessation of the sales of e-Ball Lottery with effect from 1 November 2020.

As a result of the Joint Notice, the sales of Lucky Racing, as a high frequency sports lottery game, shall also cease after the Chinese New Year of 2021.

Accordingly, the sales of “Lucky Racing” will cease and “e-Ball Lottery” had ceased with effect from their respective effective dates. The Group is assessing internally the impact on the Group and may take appropriate actions to safeguard the overall interest of the Group. For details, please see the Company’s announcement on 26 October 2020.

For the Nine-Month Period, the revenue attributed to Virtual Sports Lottery Games was approximately HK\$40.6 million, representing approximately 38.2% of the total revenue of the Group.

## **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.

During the Nine-Month Period, the Group won 13 lottery hardware tenders to supply lottery terminals to the SLACs in Anhui, Shanxi, Hubei, Jilin, Guizhou, Tianjin, Nei Mongol, Hebei, Fujian, Sichuan, Zhejiang and Henan provinces of the PRC. 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.



## **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 ongoing headwinds and uncertainties with regard to the COVID-19 situation globally, we have seen a steady recovery in the PRC lottery market since lottery related activities resumed. The Group will proactively transform and build on our leading position within the Chinese lottery industry. As the exclusive lottery business platform of Alibaba Group and Ant Group, we expect to further align and benefit from synergies created through cooperation with Alibaba Group and Ant Group.

In relation to the cessation of the sales of the Virtual Sports Lottery Games, the Group will assess internally the impact on it and what appropriate actions the Group may take to safeguard the overall interest of the Group. Meanwhile, the Group will continue to focus its resources on other principal businesses to maximize the return for the Shareholders.



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 anticipation of 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. With the recent addition of sporting content and sports intelligence services to our lottery channel, 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 a product initiative, 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.






The Group will continue to seek for strong suitable partners in selected international markets to leverage on our platforms of games and entertainment offerings, as well as technical and operation abilities, to further globalise our B2B business.

With regard 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.

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 Nine-Month Period amounted to approximately HK\$106.1 million (Nine months ended 30 September 2019: approximately HK\$118.1 million), representing a decrease of approximately 10.2% 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 Nine-Month Period was caused by the decrease in sales of lottery hardware of approximately HK\$19.9 million and decrease of approximately HK\$3.6 million in revenue from games and entertainment division, partially offset by an increase of approximately HK\$10.0 million from the lottery games and systems. The decrease in revenue from hardware business was due to a significant decrease in total national lottery hardware tenders in the last three quarters, slower tendering processes and hardware deliveries as compared to the corresponding period in 2019 as a result of the COVID-19 pandemic. The increase in revenue from the lottery games and systems was caused by the increase in sales volume from the virtual sports lottery games.



Operating loss for the Nine-Month Period was approximately HK\$124.5 million (Nine months ended 30 September 2019: approximately HK\$151.0 million), representing a decrease of approximately 17.5% over the corresponding period in 2019. The decrease was primarily due to the Group's various measures of strengthening cost controls over operating costs and expenses to enhance our competitive position in the industry. In addition, such decrease was due to a decrease of net other losses of approximately HK\$8.5 million arising from the appreciation of RMB against HK\$ during the Nine-Month Period and the corresponding exchange gain arose from translating the RMB denominated balances to the Group's presentation currency.

The loss for the Nine-Month Period was approximately HK\$156.9 million (Nine months ended 30 September 2019: approximately HK\$73.1 million), representing an increase of approximately 114.6% over the corresponding period in 2019. Convertible Bonds matured in August 2019 and since then no more fair value change (Nine months ended 30 September 2019: gain of approximately HK\$85.2 million) and interest expense (Nine months ended 30 September 2019: approximately HK\$27.5 million) were recognised for the Nine-Month Period. In addition, share of loss of the Group's joint venture increased by approximately HK\$33.6 million as compared to the corresponding period in 2019.

Share of results of investments accounted for using equity method for the Nine-Month Period primarily represented the share of loss of the Group's joint venture with One97 Communications Limited of approximately HK\$60.7 million (Nine months ended 30 September 2019: approximately HK\$27.0 million). During the Indian Premier League Fantasy Tournament in 2020, the India joint venture increased its investment in market branding, customer acquisition and user incentives, which resulted in a larger loss as compared to the corresponding period last year and the last two quarters.



Other operating expenses for the Nine-Month Period were approximately HK\$51.5 million (Nine months ended 30 September 2019: approximately HK\$57.8 million). The decrease was primarily due to the decrease in share-based payments for other eligible participants of approximately HK\$4.4 million and decrease in travel and transportation expenses of approximately HK\$4.3 million, partially offset by the increase in legal and professional fee of approximately HK\$2.9 million.

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

The net proceeds from the Subscription received by the Company upon completion amounted to approximately HK\$2.38 billion.

As disclosed in the interim results announcement of the Company for the six months ended 30 June 2020, net proceeds from the Subscription (the “**Net Proceeds**”) in the sum of approximately HK\$827.6 million remained as at 30 June 2020 (the “**Remaining Net Proceeds**”). The Company announced various re-allocations of the Remaining Net Proceeds (the “**2020 Re-allocations**”) together with their reasons in the Company’s first quarterly results announcement for the three months ended 31 March 2020, and such re-allocations had been implemented since then.

During the Three-Month Period, approximately HK\$86.5 million in total of the Remaining Net Proceeds 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\$741.1 million remained as at 30 September 2020 which were placed in the bank accounts of the Group.

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Remaining Net Proceeds are intended to be used	Amount of Remaining Net Proceeds re-allocated and remained to be used as of 30 June 2020	Amount of Remaining Net Proceeds actually used during the Three-Month Period	Actual application of Remaining Net Proceeds during the Three-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(i) <b>Games and Entertainment:</b>	approximately <b>HK\$97.5 million</b>	approximately HK\$10.6 million	The Remaining Net Proceeds were used in items (i)(b) to (i)(c).
(a) development, operation and promotion of the Chinese card game, GuanDan, and Two-on-One Poker	(or approximately 11.8% of the Remaining Net Proceeds)		No material difference from intended usage noted following the 2020 Re-allocations.
(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			The Remaining Net Proceeds allocated to "Games and Entertainment" are expected to be used on or before 31 December 2022 (see Note below).
(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, for which the Remaining Net Proceeds are intended to be used	Amount of Remaining Net Proceeds re-allocated and remained to be used as of 30 June 2020	Amount of Remaining Net Proceeds actually used during the Three-Month Period	Actual application of Remaining Net Proceeds during the Three-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
<b>(ii) Hardware, Lottery Games &amp; Systems:</b>	<b>approximately HK\$237.8 million</b>	approximately HK\$35.0 million	The Remaining Net Proceeds were used in items (ii)(a) to (ii)(c) and (ii)(f).
(a) operation and development of lottery hardware and terminal production	(or approximately 28.7% of the Remaining Net Proceeds)		No material difference from intended usage noted following the 2020 Re-allocations.
(b) operation and development of lottery software systems			
(c) development of ancillary parts for lottery hardware and terminal production			The Remaining Net Proceeds allocated to "Hardware, Lottery Games & Systems" are expected to be used on or before 31 December 2022 (see Note below).
(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, for which the Remaining Net Proceeds are intended to be used	Amount of Remaining Net Proceeds re-allocated and remained to be used as of 30 June 2020	Amount of Remaining Net Proceeds actually used during the Three-Month Period	Actual application of Remaining Net Proceeds during the Three-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
<b>(iii) Lottery Distribution:</b>	approximately <b>HK\$193.0 million</b> (or approximately 23.3% of the Remaining Net Proceeds)	approximately HK\$17.0 million	The Remaining Net Proceeds were used in items (iii)(b) to (iii)(d).
(a) sales, marketing and distribution of virtual lottery games			No material difference from intended usage noted following the 2020 Re-allocations.
(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.)			The Remaining Net Proceeds allocated to "Lottery Distribution" are expected to be used on or before 31 December 2022 (see Note below).

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Remaining Net Proceeds are intended to be used	Amount of Remaining Net Proceeds re-allocated and remained to be used as of 30 June 2020	Amount of Remaining Net Proceeds actually used during the Three-Month Period	Actual application of Remaining Net Proceeds during the Three-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
<b>(iv) Investment project(s) and acquisition(s):</b>	approximately	Nil	The Remaining Net Proceeds allocated to "Investment project(s) and acquisition(s)" are expected to be used on or before 31 December 2022 (see Note below).
(a) potential investment project(s) in overseas markets in areas of lottery business and games and entertainment business	<b>HK\$104.2 million</b> (or approximately 12.6% of the Remaining Net Proceeds)		
(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			

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Remaining Net Proceeds are intended to be used	Amount of Remaining Net Proceeds re-allocated and remained to be used as of 30 June 2020	Amount of Remaining Net Proceeds actually used during the Three-Month Period	Actual application of Remaining Net Proceeds during the Three-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(v) <b>General corporate purposes:</b>	approximately <b>HK\$195.1 million</b>	approximately <b>HK\$23.9 million</b>	The Remaining Net Proceeds were used in items (v)(a) to (v)(b).
(a) staff costs and other administrative expenses of the Group (including the costs relating to the Share Award Scheme)	(or approximately 23.6% of the Remaining Net Proceeds)		No material difference from intended usage noted following the 2020 Re-allocations.
(b) general working capital of the Group			The Remaining Net Proceeds allocated to "General corporate purposes" are expected to be used on or before 31 December 2022 (see Note below).
<b>Grand total:</b>	approximately <b>HK\$827.6 million</b>	approximately <b>HK\$86.5 million</b>	

Note: In view of the highly uncertain and difficult global and PRC business environment caused by the COVID-19 pandemic, and the fact that the pandemic remains severe in many countries and is expected to persist in 2021, the Board is of the view that it would be prudent for the Group to slow down the pace of its expenditure and overseas expansion. Accordingly, the expected deadline for the use of the Remaining Net Proceeds shall be postponed from 31 December 2020 to 31 December 2022.



## SUPPLEMENTAL INFORMATION ON OTHER OPERATING EXPENSES OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2019

In addition to the information provided on pages 85 and 135 in the Company's annual report for the year ended 31 December 2019 (the "2019 Annual Report"), further information and breakdown in relation to the "other operating expenses" of the Group for the year ended 31 December 2019 (with comparative figures of 2018) are supplemented as follows:

	<b>Year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Marketing expenses	<b>11,205</b>	17,725
Provision for warranties	<b>6,762</b>	7,612
Share-based payments for other eligible participants	<b>5,267</b>	17,482
Travel and transportation expenses	<b>8,903</b>	9,279
Legal and professional fee	<b>8,275</b>	15,931
Management and administrative service fee from fellow subsidiaries	<b>7,087</b>	5,954
Technology service fee	<b>5,110</b>	5,081
Rent, rates and property management fee	<b>4,316</b>	3,675
Office expenses	<b>4,163</b>	6,836
Distribution expenses	<b>2,866</b>	7,524
Research and development costs	<b>1,670</b>	1,839
Amortisation expenses	<b>1,581</b>	4,367
Auditor's remuneration	<b>1,500</b>	2,100
Others	<b>8,829</b>	9,326
	<b>77,534</b>	114,731

The above supplemental information does not affect other information contained in the 2019 Annual Report and, save as disclosed in this report, the remaining contents of 2019 Annual Report remain unchanged.

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

As at 30 September 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 Securities and Futures Ordinance ("SFO")), which were required, (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

- a. Interests in Shares and restricted share units of the Company:

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	17.584%
Ms. Hu Taoye	384,000	–	384,000	0.003%
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 Qun Yao	750,000	–	750,000	0.006%

Notes:

- Based on a total of 11,672,342,235 Shares in issue as at 30 September 2020.
- It represents 36,618,000 Shares and 9,540,000 restricted share units (granted under the share award scheme of the Company) beneficially held by Mr. Sun Ho.
- These 2,006,250,000 Shares were held in the name of Maxprofit Global Inc. As Maxprofit Global Inc. is beneficially and wholly-owned by Mr. Sun Ho, the chairman, executive Director & chief executive officer ("CEO") of the Company, Mr. Sun was deemed to be interested in such Shares.

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

<b>Name of Director</b>	<b>Nature of interests</b>	<b>Number of shares/ underlying shares of Alibaba Holding held</b> <i>(Note 6)</i>	<b>Percentage of issued shares of Alibaba Holding</b>
Ms. Hu Taoye	Beneficial and equity derivative interests	134,560 <i>(Note 1)</i>	0.001%
Mr. Yang Guang	Beneficial and equity derivative interests	311,320 <i>(Note 2)</i>	0.001%
Mr. Li Faguang	Beneficial and equity derivative interests	146,728 <i>(Note 3)</i>	0.001%
Mr. Ji Gang	Beneficial and equity derivative interests	75,640 <i>(Note 4)</i>	negligible
Mr. Zou Liang	Beneficial and equity derivative interests	16,320 <i>(Note 5)</i>	negligible

*Notes:*

1. It represents 98,560 ordinary shares and 36,000 restricted share units of Alibaba Holding beneficially held by Ms. Hu Taoye.
2. It represents 71,320 ordinary shares and 240,000 restricted share units of Alibaba Holding beneficially held by Mr. Yang Guang.
3. It represents 39,328 ordinary shares and 107,400 restricted share units of Alibaba Holding beneficially held by Mr. Li Faguang.
4. It represents 29,720 ordinary shares and 45,920 restricted share units of Alibaba Holding beneficially held by Mr. Ji Gang.
5. It represents 16,320 restricted share units of Alibaba Holding beneficially held by Mr. Zou Liang.

6. 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**"). The Share Subdivision was effective on 30 July 2019. As a result of the Share Subdivision, one American depositary 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.
- c. Long positions in shares and underlying shares of Alibaba Pictures Group Limited ("**Ali Pictures**"), an associated corporation of the Company within the meaning of Part XV of the SFO:

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

Save as disclosed above, as at 30 September 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); or (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 30 September 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 <i>(Note 1)</i>
Ali Fortune <i>(Note 2)</i>	Beneficial owner	6,502,723,993	55.71%
Alibaba Investment Limited <i>(Note 2)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%
API Holdings Limited <i>(Note 2)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%
Alibaba Holding <i>(Note 3)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%
API (Hong Kong) Investment Limited <i>(Note 4)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate percentage of issued share capital of the Company</b> <i>(Note 1)</i>
Shanghai Yunju Venture Capital Investment Co., Ltd. (formerly known as Shanghai Yunju Investment Management Co., Ltd.) <i>(Note 5)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%
Ant Holdco <i>(Note 6)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%
Hangzhou Yunbo Investment Consultancy Co., Ltd. <i>(Note 7)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%
Mr. Ma Yun <i>(Note 7)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%
Mr. Jing Eric Xiandong <i>(Note 7)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%
Ms. Jiang Fang <i>(Note 7)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%
Mr. Hu Simon Xiaoming <i>(Note 7)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%
Maxprofit Global Inc <i>(Note 9)</i>	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 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 Holdco 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 29.86% and 20.66% of the equity interests in Ant Holdco, respectively.
7. Hangzhou Yunbo Investment Consultancy Co., Ltd. (“**Yunbo**”) is the general partner of both Junhan and Junao, and is owned as to 34%, 22%, 22% and 22% by Mr. Ma Yun, Mr. Jing Eric Xiandong, Ms. Jiang Fang, and Mr. Hu Simon Xiaoming respectively. Pursuant to an agreement (the “**Concert Party Agreement**”) dated 21 August 2020 and entered into between Mr. Ma Yun, Mr. Jing Eric Xiandong, Ms. Jiang Fang, and Mr. Hu Simon Xiaoming, they have agreed on certain arrangements pertaining to their shareholdings in Yunbo. Pursuant to the SFO, since each of Mr. Ma Yun, Mr. Jing Eric Xiandong, Ms. Jiang Fang, and Mr. Hu Simon Xiaoming is a party to the Concert Party Agreement, each of them is deemed to be interested in the Shares in which the other parties to the Concert Party Agreement are interested.
8. Each of AIL, Alibaba Holding, API Holdings, API (Hong Kong) Investment Limited, Shanghai Yunju, Ant Holdco, Junhan, Junao, Yunbo, Mr. Ma Yun, Mr. Jing Eric Xiandong, Ms. Jiang Fang, and Mr. Hu Simon Xiaoming 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 by virtue of his interest in Maxprofit Global Inc.



Save as disclosed above, as at 30 September 2020, the Directors and the chief executive of the Company were not aware of any other persons (not being a Director or chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or was directly or indirectly interested in 5% or more of the issued voting shares of any other member of the Group or held any option in respect of such shares and recorded in the register kept by the Company pursuant to section 336 of the SFO.

### INTERESTS OF OTHER PERSONS

As at 30 September 2020, apart from the interests in the Shares, underlying Shares and/or debentures of the Company and its associated corporations held by the Directors, chief executive and substantial shareholders of the Company disclosed 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 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


All options granted under the share option scheme adopted by the Company on 18 November 2004 had lapsed in 2019.

During the Nine-Month Period, no options were granted by the Company pursuant to the 2014 Share Option Scheme and no options were exercised. Options in respect of 80,660,698 Shares expired during the Nine-Month Period, and as a result, all options granted under the 2014 Share Option Scheme had lapsed. As at 30 September 2020, there were no outstanding options granted by the Company pursuant to any share option scheme.

## SHARE AWARD SCHEME

On 22 May 2020, the Board granted a total of 52,744,000 award Shares to (i) Ms. Hu Taoye, an executive Director; (ii) six directors of subsidiaries of the Company; and (iii) 86 eligible persons who are employees and independent of the Company and its connected persons under the Share Award Scheme. The 52,744,000 award Shares granted represent approximately 0.45% of the issued share capital of the Company as at the date of this report. Based on the closing price of HK\$0.48 per Share on the date of grant of the award Shares, the market value of the 52,744,000 award Shares in aggregate is HK\$25,317,120.

During the Nine-Month Period, the trustee of the Share Award Scheme (the "**Trustee**") has purchased a total of 62,208,000 Shares on the Stock Exchange at a total consideration of approximately HK\$20.7 million to satisfy award Shares granted under the Share Award Scheme.



During the Nine-Month Period, 52,744,000 award Shares were granted by the Company pursuant to the Share Award Scheme, 40,288,425 award Shares were vested in the grantees and 27,705,000 award Shares were forfeited.

All of the 52,744,000 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 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 upon fulfilment of certain pre-conditions, 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 for each of the three financial years ended 31 December 2015, 2016 and 2017 as defined 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 extend further 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 defined in the paragraph headed “Deferred Consideration” on page 9 of the Score Value Circular have not been paid to the Vendors.

The Company will make further announcement(s) in due course if there is any change in the status of other outstanding deferred consideration for the Score Value Transaction.

## DEFINITIONS

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

“2014 Share Option Scheme”	the share option scheme of the Company adopted on 23 December 2014;
“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 indirectly 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, with its American depositary 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 established in the PRC, and a wholly-owned subsidiary of Ant Holdco;
“Ant Group”	Ant Holdco and its subsidiaries;
“Ant Holdco”	螞蟻科技集團股份有限公司 (Ant Group Co., Ltd.) (formerly known as 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;

“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;
“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;
“Joint Notice”	the joint notice published by the Ministry of Finance, the Ministry of Civil Affairs and the General Administration of Sport of the PRC on 23 October 2020 in relation to, among other things, the proposed cessation of the sales of quick-draw welfare lottery games and high frequency sports lottery games;
“Macau”	the Macao Special Administrative Region of the PRC;
“PRC” or “China”	the People’s Republic of China which, for the purpose of this report, excludes Hong Kong, Macau and Taiwan;

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

“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;
“Vendors”	Immense Wisdom Limited and King Achieve Limited, the vendors in respect of the Score Value Transaction; and
“%”	per cent.

In this report, the exchange rate of HK\$1.1094 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, 10 November 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](http://www.hkgem.com) for at least seven days from the day of its posting and will be published on the website of the Company at [www.agtech.com](http://www.agtech.com)*