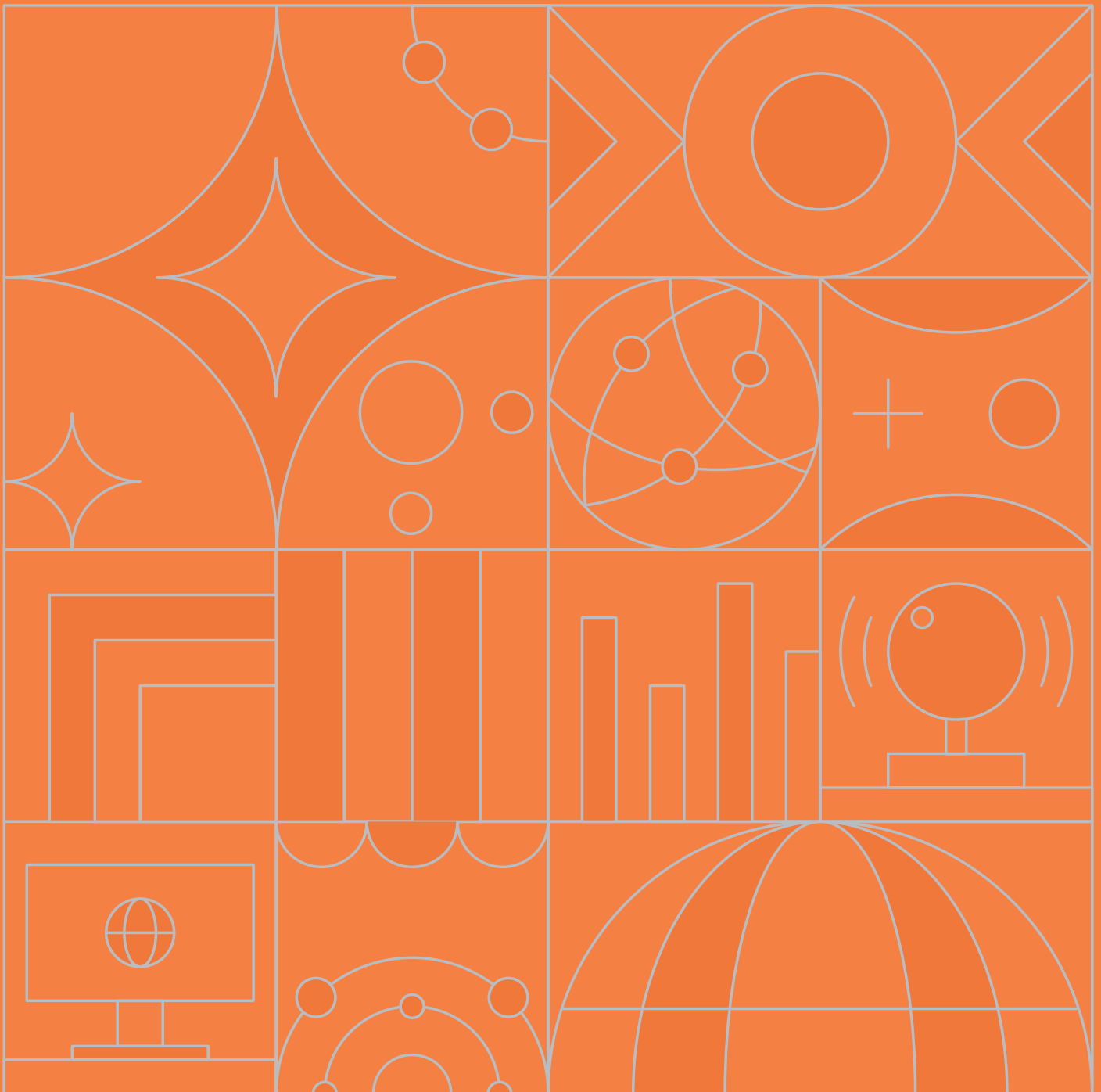


2020 ANNUAL REPORT



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 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.

This report will remain at www.hkgem.com on the "Latest Listed Company Information" page of the GEM website for at least 7 days from the date of its posting and will be published on the website of the Company at <http://www.agtech.com>.



CONTENTS

6

Corporate Information

7

Definitions

13

Corporate Profile

20

Chairman's Statement

24

Corporate Governance Report

58

Sustainability Report

101

**Discussion and Analysis of
the Group's Results and Business**

117

**Biographical Details of Directors and
Senior Management**

124

Directors' Report

160

Financial Summary

We provide the PRC lottery market with fully integrated professional lottery products and services, with a view to boosting lottery sales and bringing fortune to lottery players through exciting game products.

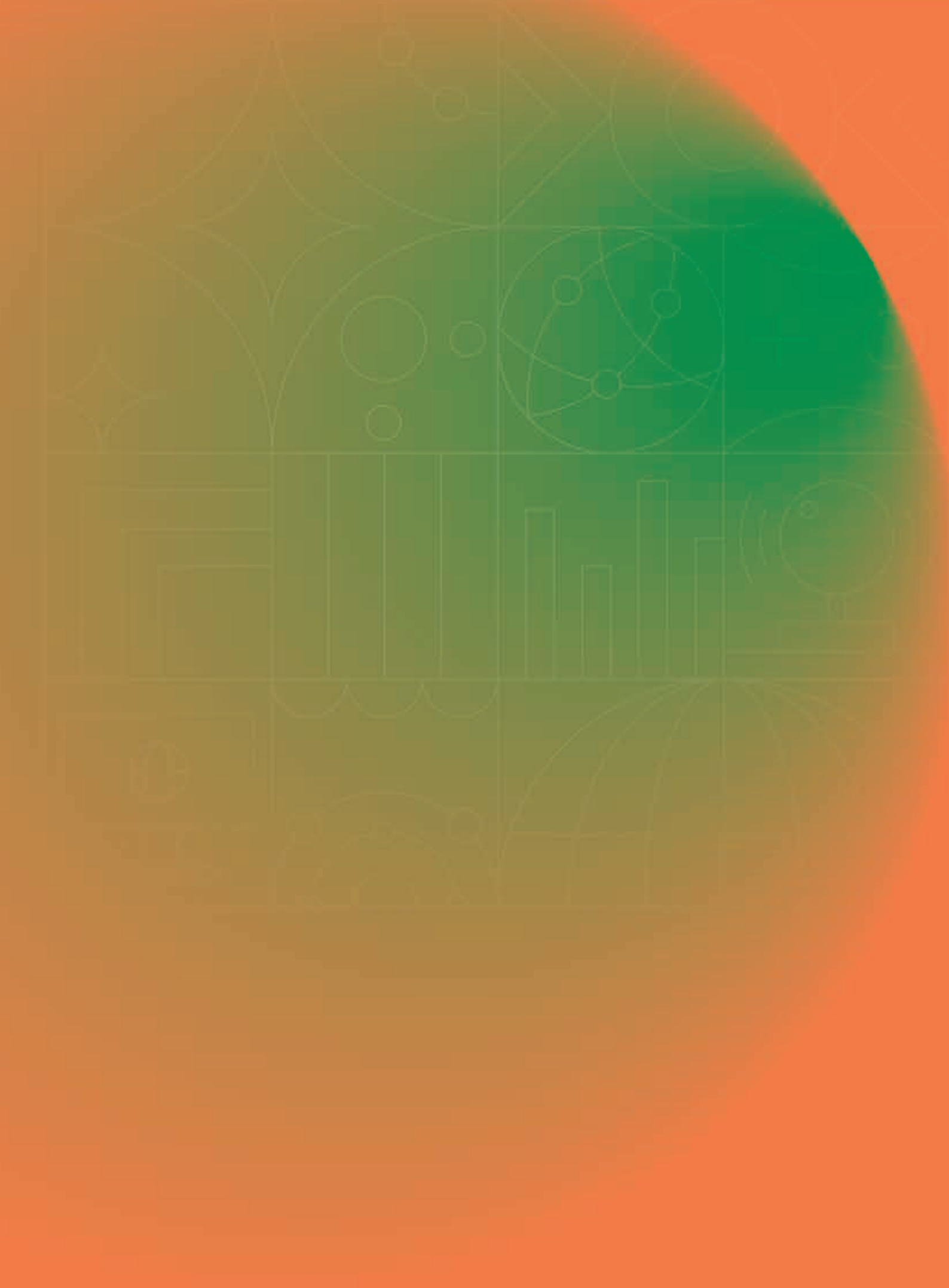


FORTUNE

We strive to support a healthy PRC lottery industry, with a view to developing new forms of legal and regulated lottery channels in order to crack down on the illegal gambling market.



HEALTH



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Sun Ho (*Chairman & CEO*)

Hu Taoye (*Chief Financial Officer*)

Non-executive Directors

Yang Guang

Li Faguang

Ji Gang

Zou Liang

Independent Non-executive Directors

Monica Maria Nunes

Feng Qing

Gao Jack Qunyao

AUTHORIZED REPRESENTATIVES

Sun Ho

Lee Wai Yan Vivian

COMPANY SECRETARY

Lee Wai Yan Vivian

COMPLIANCE OFFICER

Sun Ho

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS

Unit 3912, 39th Floor, Tower Two

Times Square, Causeway Bay

Hong Kong

Tel: (852) 2506 1668

Fax: (852) 2506 1228

PRINCIPAL BANKERS

China Merchants Bank

Bank of Ningbo

The Hongkong and Shanghai Banking

Corporation Limited

Mizuho Bank, Ltd.

AUDIT COMMITTEE

Monica Maria Nunes (*Chairperson*)

Feng Qing

Gao Jack Qunyao

REMUNERATION COMMITTEE

Monica Maria Nunes (*Chairperson*)

Feng Qing

Gao Jack Qunyao

NOMINATION COMMITTEE

Monica Maria Nunes (*Chairperson*)

Feng Qing

Gao Jack Qunyao

Sun Ho

CORPORATE GOVERNANCE COMMITTEE

Sun Ho (*Chairman*)

Lee Wai Yan Vivian

RISK MANAGEMENT AND INTERNAL CONTROL COMMITTEE

Sun Ho (*Chairman*)

Hu Taoye

Lee Wai Yan Vivian

Gao Lei

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

22/F, Prince's Building

Central

Hong Kong

SHARE REGISTRAR IN BERMUDA

Conyers Corporate Services

(Bermuda) Limited

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Abacus Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

STOCK CODE

8279

WEBSITE

<http://www.agtech.com>

DEFINITIONS

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

“AGT”	Asia Gaming Technologies Limited, a company incorporated in Hong Kong owned as to 51% by the Company
“Ali Fortune”	Ali Fortune Investment Holding Limited, a company incorporated in the British Virgin Islands 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 Holdco
“Alipay Group”	Alipay and its subsidiaries
“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 organized under the laws of the PRC

DEFINITIONS

“Board”	the board of Directors
“Bye-law(s)”	the bye-law(s) of the Company
“Caixiaoer”	北京彩小二科技有限公司 (Beijing Caixiaoer Technology Co., Ltd.*), a company established in the PRC with limited liability and a consolidated subsidiary of the Company
“CEO”	chief executive officer
“Company” or “AGTech”	AGTech Holdings Limited, a company incorporated in Bermuda as an exempted company with limited liability, the 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 of the Stock Exchange
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Macau”	the Macao Special Administrative Region of the PRC
“MOF”	the Ministry of Finance of China
“PRC” or “China”	the People’s Republic of China
“province(s)”	province(s), municipality(ies) and autonomous region(s) of the PRC unless otherwise specified, and “provincial” shall be construed accordingly
“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 Group”	Score Value Limited and its subsidiaries
“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 established in the PRC with limited liability and an indirect wholly-owned subsidiary of Score Value
“Silvercreek”	深圳市銀溪數碼技術有限公司 (Shenzhen Silvercreek Digital Technology Co., Ltd.*), a company established in the PRC with limited liability and a consolidated subsidiary of the Company
“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 established in the PRC and a subsidiary of Alibaba Holding
“US\$”	United States dollars, the lawful currency of the United States of America

“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
“%”	per cent

Notes:

1. *In this report, the exchange rate of HK\$1.1247 to RMB1.00 has been used for reference only.*
 2. *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.*
 3. *In the event of any inconsistency, the English text of this report shall prevail over the Chinese text.*
- * *For identification purposes only*



CORPORATE PROFILE

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 markets with a focus on China and selected international markets. A member of the Alibaba Group, 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.

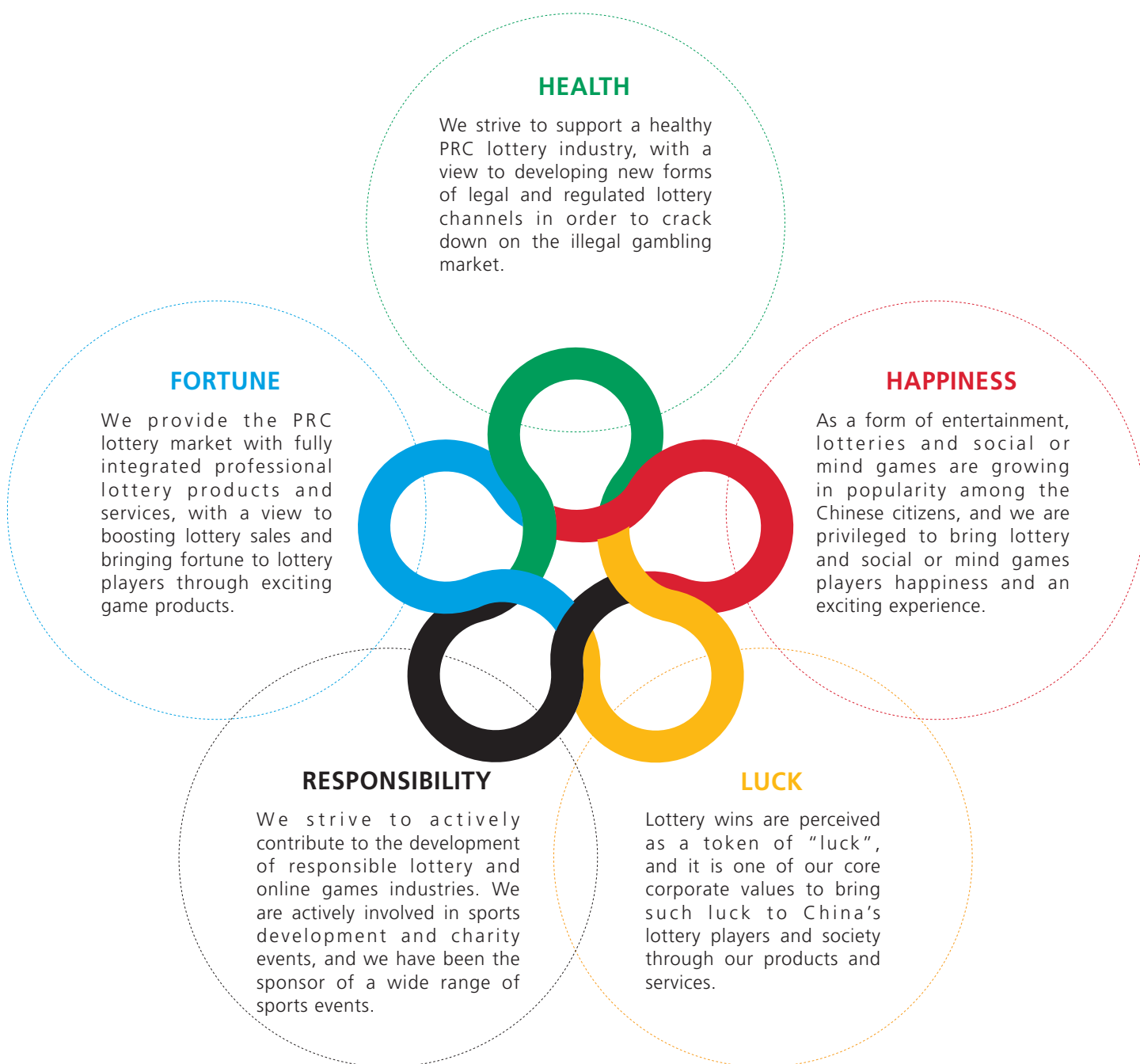
As the exclusive lottery platform of Alibaba Group and Ant Group, lottery technology and services will continue to be AGTech's domain expertise. The Group continues to leverage its lottery industry experience and innovation to support lottery authorities in areas including product development, physical 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 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 Asia.

AGTech's philosophy is founded
on five core values:
"FORTUNE", "HEALTH", "HAPPINESS",
"LUCK" and "RESPONSIBILITY".
Together they form the color scheme
of our logo.

CORPORATE VALUES



EXCELLENT TEAM

Having recognized that talents are assets to our Company, AGTech possesses talented employees who are experienced in our industries and other professional areas. We provide employees with a good working environment, competitive salaries and extensive platforms for them to showcase their capabilities. We will continue to provide our incentive schemes to stimulate employees' initiative and creativity.

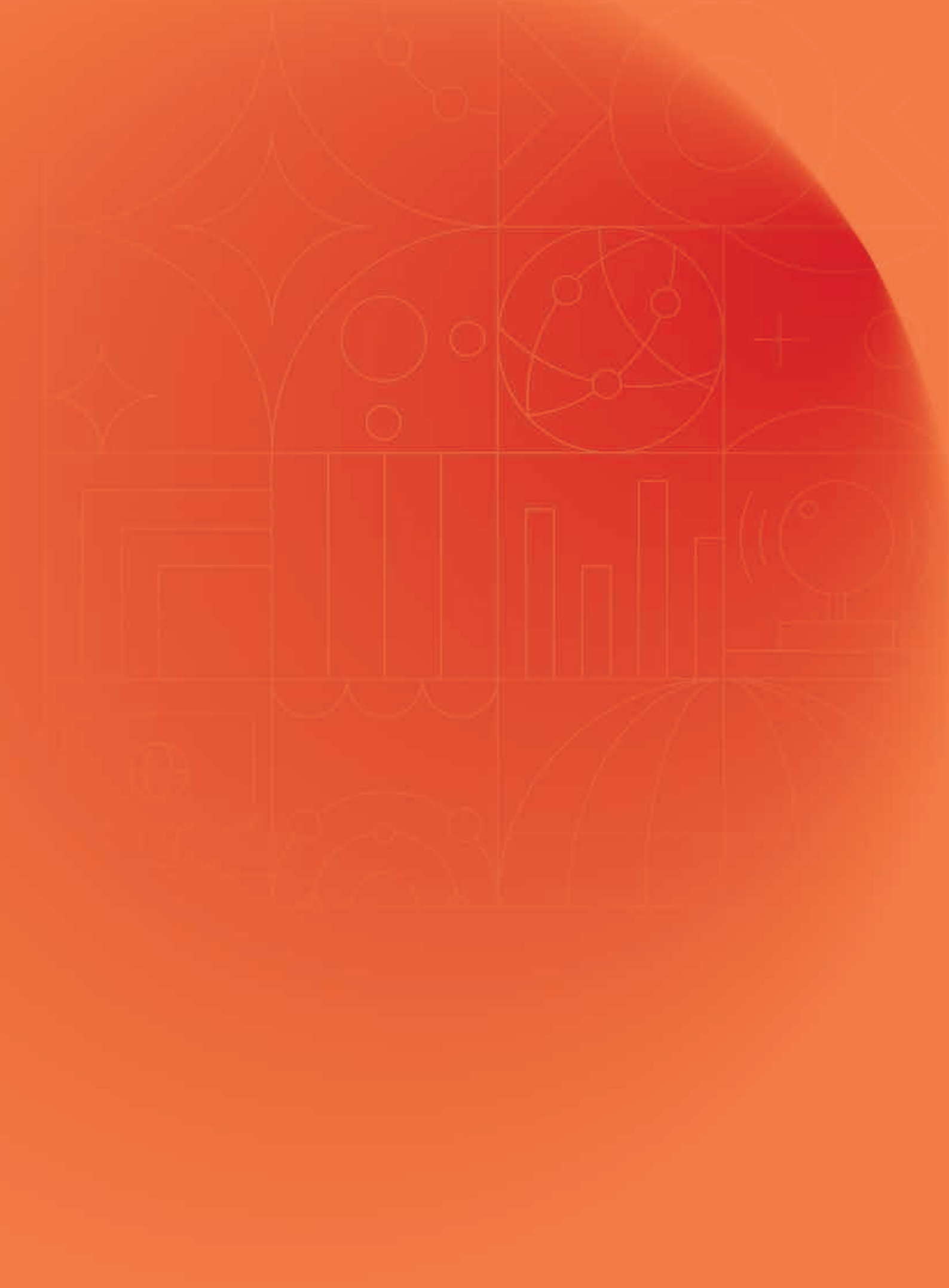
Currently, AGTech has around 292 employees with qualifications in lottery, mobile games, information technology ("IT") and other specialized fields. With such a strong team, it enables AGTech to build a solid business foundation and to achieve breakthroughs in the future.



As a form of entertainment, lotteries and social or mind games are growing in popularity among the Chinese citizens, and we are privileged to bring lottery and social or mind games players happiness and an exciting experience.



HAPPINESS



CHAIRMAN'S STATEMENT

Dear Shareholders,

First of all, thank you for your continued support and trust in AGTech. 2020 was a year full of changes and challenges, and as the year draws to a close, we take time to look back on our developments last year.

The PRC lottery sector continues to readjust in 2020, with overall lottery sales decreasing by approximately 21% compared to the previous year. As you may be aware from our previous announcement, sales of quick draw and high frequency games were suspended one after another following the promulgation of relevant policies in October 2020. AGTech is committed to complying with regulatory recommendations, and we are confident that our approach through embracing technology and innovation to influence policy and change within the lottery sector will continue to be our strength. Our efforts in driving digitalization in our industry will continue to serve as the blueprint and long term positioning as AGTech moves forward.

As the exclusive lottery platform of Alibaba Group and Ant Group and being part of the Alibaba family, AGTech has been preparing for the arrival of the digital economy era as we continue to promote cooperation and identify opportunities to complement the Group's network resources and initiatives. Looking forward to 2021, our transformation towards digitalization will continue. Having laid the necessary foundation on both technology and infrastructure during the past year with our lottery solutions, we will continue to accelerate growth for AGTech and implement our planned initiative. Our vision to offer a fully integrated digital platform to serve both businesses and customers will enhance synergy and create value to the lottery industry chain, and we believe that a new commercial model will arise through this gradual process.

Our hardware division continues to focus on the development and expansion into intelligent products, with continuous efforts to facilitate and optimize our applications. We see this as an opportunity to diversify our hardware portfolio and further generate new avenues for growth.

AGTech's commitment to our strategic projects remains to be a priority to the Group. Paytm First Games, our mobile gaming joint venture in India, continues to mature and we are encouraged by the company's growth towards becoming one of the market leaders in India. We also continue to dedicate our support to Ant Bank (Macao) Limited, an indirect investment of the Group. The Group will continue to explore and evaluate on other opportunities that will benefit our Shareholders in the long run.

Despite continuing uncertainty with the ongoing impacts of COVID-19 pandemic, AGTech has entered 2021 with good momentum and we remain confident in our long term prospects. On behalf of my colleagues and the management team, I would like to take this opportunity to thank you for your continued support throughout 2020, and many more years to come.

Yours faithfully,

Sun Ho
Chairman & CEO

Hong Kong, 23 March 2021

Lottery wins are perceived as a token of “luck”, and it is one of our core corporate values to bring such luck to China’s lottery players and society through our products and services.



LUCK

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the applicable code provisions in the Corporate Governance Code and Corporate Governance Report (the “**Code**”) as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles of the Code in different respects, including but not limited to:

- the frequency and proper conduct of Board meetings;
- the well-balanced composition of the Board, with independent non-executive Directors representing not less than one-third of the total number of Directors;
- the proper procedures for appointment and re-election of Directors;
- the annual review of individual Directors’ contributions to the Group and the years of service of each independent non-executive Director;
- the establishment of an audit committee to review the financial reporting, risk management and internal controls of the Group and the enhanced communications between the audit committee and the external auditor of the Company twice a year through meetings held for the pre-audit planning and the annual results of the Group. The audit committee also met with the external auditor of the Company once without the presence of the other Directors during the year under review;
- the establishment of a remuneration committee to review the remuneration policy and other remuneration-related matters of the Group;
- the establishment of a nomination committee to formulate a policy concerning diversity in the Board and a nomination policy, make recommendations to the Board on any proposed appointment of Directors and assess the independence of the independent non-executive Directors on a regular basis;
- the establishment of a corporate governance committee to assist the Board in performing the corporate governance duties as required under the Code;
- the establishment of a risk management and internal control committee (“**RMICC**”) to assist the Board in discharging its ongoing responsibility to oversee the Group’s risk management and internal control systems;

-
- the provision of briefing or training (costs to be borne by the Company) on the relevant requirements of the GEM Listing Rules (including the Code) and the SFO to all newly appointed Directors and to the entire Board;
 - the provision of insurance coverage for Directors' liabilities;
 - the timely supply of sufficient information to Directors for matters requiring their approval or opinions;
 - the timely publication of the Company's announcements, circulars, annual, interim and quarterly results and reports (collectively referred to as the "**Publications**") to keep the Shareholders informed of the latest business developments and financial performance of the Group;
 - the holding of an annual general meeting each year to meet with the Shareholders and answer their enquiries; and
 - the timely updating of the Company's official website with the latest Publications and the provision of a platform for communications with the Shareholders and investors through such website.

During the year under review, the Company complied with the Code except for the following deviations:

- (a) under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The roles of chairman and CEO of the Company were performed by the executive Director, Mr. Sun Ho, during the year under review. The Company considered that the combination of the roles of chairman and CEO could effectively facilitate the formulation and implementation of the strategies of the Company. The Company considered that under the supervision of its Board and especially its independent non-executive Directors, a balancing mechanism existed so that the interests of the Shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement;
- (b) under code provision A.4.2 of the Code, every Director should be subject to retirement by rotation at least once every three years. However, pursuant to the Bye-laws, the chairman of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. During the year under review, the chairman of the Board was not subject to retirement by rotation as the Board considered that the continuity of the office of the chairman provided the Group with strong and consistent leadership and was of great importance to the smooth operations of the Group;

-
- (c) under code provision A.2.7 of the Code, the chairman of the Board should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors. During the year under review, the chairman of the Board did not hold such kind of private meetings with the independent non-executive Directors. The chairman of the Board considered that it was unnecessary as it would be more transparent to let the independent non-executive Directors speak out their views to all other Directors in full Board meetings which would be held at least four times a year. Besides, the chairman of the Board, being an executive Director himself, always welcomes all independent non-executive Directors to directly communicate with him via his email or phone to discuss any matters of the Company from time to time;
- (d) under code provision A.6.6 of the Code, each Director should disclose to the Company, among other things, an indication of the time involved by him/her in his/her offices held in other public companies or organisations and other significant commitments. During the year under review, no such disclosure was made by the Directors to the Company. As the Board had adopted a corporate governance practice that each Director's contributions to the Group would be reviewed and discussed at the Board meeting annually (the "**Annual Contributions Review**"), the Board considered that assessing the time spent by each Director on his/her commitments outside the Group was not necessary for the purposes of the Annual Contributions Review and that the disclosure of the time spent by a Director in performing his/her duties did not necessarily indicate accurately the efficiency of such Director and the effectiveness of his/her work, and may therefore be misleading;
- (e) under code provision B.1.2(c) of the Code, the remuneration committee should review and recommend to the Board for approval of the specific remuneration packages of senior management. The remuneration committee of the Company had reviewed its scope of duties and considered that the delegated responsibility to review and recommend to the Board to approve the specific remuneration packages of senior management should be vested in the executive Directors who have a better understanding of the level of expertise, experience and performance expected of the senior management in the daily business operations. Notwithstanding the foregoing, the remuneration committee would continue to be primarily responsible for the review and recommendation of the remuneration packages of the Directors;
- (f) under code provision B.1.5 of the Code, the Company should disclose details of any remuneration payable to members of senior management by band in its annual report. The Company did not make such disclosure in its annual report as the Board considered that (i) the remuneration of any newly appointed "chief executive" (as defined under the GEM Listing Rules) would have already been disclosed in the announcement previously issued by the Company in respect of such appointment in accordance with GEM Listing Rule 17.50(2)(g); (ii) the five highest paid employees within the Group had already been disclosed in the notes to the consolidated financial statements of the Group in the

annual report, and (iii) giving further details of remuneration for each and every senior management staff would result in particulars of excessive length and no additional value to the Shareholders, whilst at the same time may impair the flexibility of the Group in its negotiations of remuneration packages for senior management staff (especially those who are not Directors or chief executives of the Group and hence are not supposed to be subject to the aforesaid disclosure requirement under GEM Listing Rule 17.50(2)(g)) should it need to find replacement staff or recruit additional senior personnel in the future;

- (g) under code provision E.1.5 of the Code, the Company should have a policy on payment of dividends and should disclose it in its annual report. The Company did not have such policy and did not make such disclosure in its annual report as the Board considered that it would be premature to decide on its dividend policy as the Company did not have any distributable reserves calculated under the laws of Bermuda, and even if the Company will have sufficient distributable reserves to pay its dividends in the future, the Board has yet to assess the funding requirements of the Group (for instance, its working capital needs and capital expenditure) at that time before the Company could decide on the amount of dividends or proportion of net profits that it would be in a position to distribute to the Shareholders; and
- (h) under code provision F.1.2 of the Code, a Board meeting should be held to discuss the appointment of the new company secretary, Ms. Lee Wai Yan Vivian, and the matter should be dealt with by a physical board meeting rather than a written resolution. Ms. Lee had been assisting the former company secretary of the Company and providing company secretarial support to the Company prior to her appointment and therefore the Board considers that it is unnecessary to convene a physical board meeting to approve her appointment as the Directors are fully aware of Ms. Lee's qualifications and experience. A written resolution regarding the appointment of Ms. Lee has been passed by all the Directors.

(The above deviations (a) to (g) were similarly disclosed on pages 23 and 24 of the Company's annual report for the year ended 31 December 2019, and on pages 38 to 40 of the Company's interim report for the six months ended 30 June 2020. The above deviation (h) is a new one that took place in the fourth quarter of 2020.)

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry with all Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding Directors' securities transactions during the year under review.

During the year under review, letters were sent to Directors before the commencement of the "black-out periods" in preparation for the annual, interim and quarterly results announcements to remind them that they should not deal in the securities of the Company during such periods.

THE BOARD

Being the highest decision-making body of the Company, the Board is responsible for the Group's corporate policy formulation, strategic business planning, business development, risk management, material acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual, interim and quarterly results for Board approval before publication, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements, rules and regulations.

During the year under review and up to the date of this report, the members of the Board comprised:

Executive Directors:	Mr. Sun Ho (<i>Chairman</i>) Ms. Hu Taoye
Non-executive Directors:	Mr. Yang Guang Mr. Li Faguang Mr. Ji Gang Mr. Zou Liang
Independent non-executive Directors:	Ms. Monica Maria Nunes Mr. Feng Qing Dr. Gao Jack Qunyao

An updated list of the Directors identifying their roles and functions and as to whether they are independent non-executive Directors is posted on the websites of the Company and of the Stock Exchange.

To the best of the Directors' knowledge, there are no financial, business, family or other material relationships among the members of the Board, except that Ms. Hu Taoye, Mr. Yang Guang and Mr. Li Faguang are employees of Alibaba Group and that Mr. Ji Gang and Mr. Zou Liang are employees of Ant Group. During the year under review, there were at least three independent non-executive Directors (representing not less than one-third of the total number of Directors) at all times and at least one of them (namely, Ms. Monica Maria Nunes) possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules.

The appointments of the Directors are subject to retirement by rotation once every three years and re-election in accordance with the Bye-laws at the Company's annual general meeting or (in the case of appointment to fill a casual vacancy) at its next general meeting, except that the chairman of the Board is not subject to retirement by rotation, as the Board considers that the continuity of the office of the chairman provides the Group with strong and consistent leadership and is of great importance to the smooth operations of the Group. The service agreements for all the Directors are determinable by the Company within a year without payment of any compensation (other than statutory compensation).

The Board meets at least four times each year at approximately quarterly intervals to review the financial and operating performance of the Group. The Directors participate in person or through electronic means of communication. At least 14 days' notice of all regular Board meetings is given to all Directors while reasonable notice is generally given for other Board meetings. An agenda together with supporting Board papers are sent to the Directors no less than three days before a Board meeting. All Directors are given an opportunity to include matters in the agenda for discussion. The company secretary assists the chairman in the preparation of the agenda for the meeting and ensures that all applicable rules and regulations regarding the meetings are observed. The company secretary records the proceedings of each Board meeting in minutes with details of the decisions reached, any concerns raised and dissenting views expressed. Drafts of Board meeting minutes are circulated to all Directors for comments and approval as soon as practicable after the meetings. All minutes are open for inspection at any reasonable time on request by any Director.

During the year under review, all members of the Board are provided with monthly updates on internal unaudited financial statements so as to give the Directors a balanced and comprehensible assessment of the Company's performance, position and prospects.

Respective responsibilities of Directors and auditor

The Board has the ultimate responsibility for the preparation of financial statements of the Group. For the year under review, the Board was not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Board continued to adopt the going concern approach in preparing the financial statements for the year under review. The reporting responsibilities of the auditor of the Company for such financial statements are stated in the independent auditor's report on pages 162 to 166.

Policy for Directors to seek independent professional advice and assistance, and Directors' insurance

The Company has adopted a policy for Directors to seek independent professional advice and assistance. In performing his/her duties to the Company, a Director is authorized by the Board to obtain independent professional advice and assistance from external legal, accounting or other advisors (costs to be borne by the Company) if necessary. Such Director should lodge a written request with the company secretary, specifying the reasons why such professional advice and assistance are necessary. Upon the endorsement of the chairman of the Board, the company secretary shall then contact the appropriate professional party as soon as possible and pass its draft engagement letter (containing the expected scope of services and fee quotation) for the Director's review and comments before the Company signs such engagement letter. Directors' insurance is provided to the Directors in connection with the performance of their duties.

Directors' work commitments outside of the Group

Directors are required to disclose in a timely manner to the company secretary regarding any change, the number and nature of offices held in public companies or organisations and other significant commitments, and the identity of such public companies or organisations. The Board decides to disclose such information in the Company's annual report each year in the biographies section of the Directors.

Directors' training

The Company provides newly appointed Directors with briefings on the businesses of the Group and training materials on corporate governance, directors' duties and responsibilities and other matters under the GEM Listing Rules and other relevant rules or regulations. The company secretary updates Directors on any changes to the GEM Listing Rules and other relevant rules and regulations.

Pursuant to code provision A.6.5 of the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year under review, all Directors participated in continuous professional development by studying materials on topics related to corporate governance, GEM Listing Rules and/or regulations, and/or attending or participating in in-house or external training, industry-specific seminars and conferences and provided their training records to the Company.

Directors	Type of training received
Executive Directors	
SUN Ho	A, B
HU Taoye	A, B
Non-executive Directors	
YANG Guang	A
LI Faguang	A, B
JI Gang	A
ZOU Liang	A
Independent Non-executive Directors	
Monica Maria NUNES	A, B
FENG Qing	A
GAO Jack Qunyao	A, B

- A: studying materials on topics related to corporate governance, GEM Listing Rules and/or regulations
- B: attending or participating in in-house or external training, industry-specific seminars and conferences

CHAIRMAN AND CHIEF EXECUTIVE

During the year under review, the roles of chairman and CEO of the Company were performed by the same individual, namely, the executive Director, Mr. Sun Ho. The Company considered that the combination of the roles of chairman and CEO could effectively formulate and implement the strategies of the Company. The Company considered that under the supervision of its Board and its independent non-executive Directors, a balancing mechanism existed so that the interests of the Shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement.

Apart from being responsible for the strategic planning, business development, management and monitoring of operational as well as financial performance of the Group, the role of the chairman also includes providing leadership for the Board. He is also the chairman of the corporate governance committee and the RMICC, a member of the nomination committee, the compliance officer and an authorized representative of the Company.

Furthermore, the chairman is responsible for ensuring that:

- other Directors are properly briefed on issues arising at Board meetings;
- Directors receive, in a timely manner, adequate information, which is accurate, clear, complete and reliable;
- the Board works effectively and performs its responsibilities;
- all key and appropriate issues are discussed by the Board in a timely manner;
- good corporate governance practices and procedures are established by the Group;
- Directors make a full and active contribution to the Board's affairs and act in the best interests of the Company;
- different views and concerns of Directors are discussed with sufficient time at Board meetings before reaching any Board decisions which fairly reflect the consensus of the Board; and
- he himself attends the annual general meeting (and if not possible, assigns another Director to chair such meeting on his behalf), and other Directors are invited to attend all general meetings of the Company to enhance communications with the Shareholders and answer any queries that they may have in respect of the financial performance and other affairs of the Group.

The chairman approves the agenda for each Board meeting, which is prepared by the company secretary and has incorporated any matters proposed by other Directors for discussion.

NON-EXECUTIVE DIRECTORS

Each of Mr. Yang Guang, Mr. Li Faguang, Mr. Ji Gang and Mr. Zou Liang was appointed as a non-executive Director by way of a letter of appointment for a fixed term of one year (with renewal option). Each of the independent non-executive Directors was appointed by way of a service agreement on a two-year basis.

The Company has received from each of the existing independent non-executive Directors an annual confirmation of independence for himself/herself together with his/her respective "immediate family members" (as defined under Rule 20.10(1)(a) of the GEM Listing Rules) pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all independent non-executive Directors are independent. None of the independent non-executive Directors has served the Board for more than nine years. All independent non-executive Directors are clearly identified in all corporate communications of the Company that disclose the names of Directors.

For any proposal by the Board to elect a person as an independent non-executive Director at the general meeting of the Company, the reasons for such proposal and why the Board considers that person to be independent shall be set out in the circular to Shareholders and/or the explanatory statement accompanying the notice of the relevant general meeting.

Where a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall be dealt with by a physical Board meeting rather than a written resolution, and independent non-executive Directors who, and whose associates, have no material interest in the transaction shall be present in that meeting.

BOARD COMMITTEES

The Board delegates its functions to various Board committees (including the remuneration committee, the nomination committee, the corporate governance committee, the audit committee and the RMICC) and the management of the Group. The Board however recognizes that delegating its functions and authorities to its committees and the management does not absolve its overall responsibility from the sound governance of the Company or from applying the required levels of skill, care and diligence in the performance of its duties as Directors.

1. Remuneration committee

The remuneration committee was established on 24 June 2005. During the year under review, Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qunyao (all of whom being independent non-executive Directors) were members of the remuneration committee. The current chairperson of the remuneration committee is Ms. Monica Maria Nunes.

The remuneration committee is responsible for formulating and recommending to the Board the emolument policy of the Group and the remuneration packages of Directors, as well as reviewing and making recommendations on the Company's Share Option Schemes, Share Award Scheme, bonus structure, benefits in kind, provident fund and compensation payments, including any compensation payable for loss or termination of office or appointment. The remuneration committee consults with the chairman and CEO on his proposal and recommendations. The remuneration committee is also provided with other resources enabling it to discharge its duties, including but not limited to obtaining advice and assistance from internal or external legal, accounting or other advisors (costs to be borne by the Company) if necessary. The remuneration committee adopts the execution model whereby the remuneration committee makes recommendations to the Board for approval.

As incentives for their contributions to the Group, the employees of the Group and all Directors (including the independent non-executive Directors and non-executive Directors) may be granted share options or award Shares by the Company from time to time pursuant to the Share Option Schemes or the Share Award Scheme respectively. The remuneration committee reviews and recommends to the Board for approval of the emoluments of the Directors, having regard to the Group's operating results, individual performance, time commitment and responsibilities, and comparable market remuneration packages for executive and non-executive directors of listed issuers in Hong Kong. The executive Directors have reserved the authority to approve specific remuneration packages of senior management since the executive Directors have a better understanding of the level of expertise, experience and performance expected of the senior management in daily business operations.

The specific terms of reference of the remuneration committee are posted on the websites of the Company and of the Stock Exchange and are available to the Shareholders upon request.

During the year under review, the remuneration committee held three meetings to consider and recommend to the Board the remuneration package for the Directors, Mr. Sun Ho and Ms. Hu Taoye and the grant of award shares under the Share Award Scheme.

2. **Nomination committee**

The nomination committee was established on 24 June 2005. During the year under review, Mr. Sun Ho, Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qunyao were members of the nomination committee. The current chairperson of the nomination committee is Ms. Monica Maria Nunes. Except for Mr. Sun Ho, all members of the nomination committee are independent non-executive Directors.

The nomination committee is responsible for formulating nomination policy and making recommendations to the Board on nomination and appointment of Directors and Board succession. The nomination committee will also develop selection procedures for nomination of candidates, review the size, structure and composition of the Board, as well as assess the compliance with the Board diversity policy. The nomination committee is provided with sufficient resources enabling it to discharge its duties, including but not limited to obtaining advice and assistance from internal or external legal, accounting or other advisors (costs to be borne by the Company) if necessary. The nomination committee will also assess independence of the independent non-executive Directors and check whether any of them has served the Board for more than nine years, thus requiring separate Shareholders' approval for his/her further appointment.

The specific terms of reference of the nomination committee are posted on the websites of the Company and of the Stock Exchange and are available to the Shareholders upon request.

During the year under review, a meeting of the nomination committee was held whereby the number of years of service of the three independent non-executive Directors had been reviewed and none of them had served the Board for more than nine years. The independence of all the independent non-executive Directors was also reviewed and confirmed during such meeting. Besides, the nomination policy and the Board diversity policy were reviewed on an annual basis and were considered to be relevant to the needs of the Company and able to reflect both the current regulatory requirements and good corporate governance practice.

Nomination policy

(a) Objective

The nomination policy of the Company aims to set out the procedures for appointing new or re-electing Directors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business.

(b) Identification of candidates

Any member of the nomination committee is authorized to identify suitable candidates for the position of Director when there is a vacancy or an additional Director is considered necessary. Where necessary, the nomination committee can engage recruitment agencies to help search for suitable candidates. Once suitable candidates are identified, the member of the nomination committee will inform the company secretary of the Company to conduct background check on the candidates (including, but not limited to, obtaining copies of their identification documents, credentials to verify information and qualifications stated in their curriculum vitae, written confirmation of information required to be disclosed under Rule 17.50(2) of the GEM Listing Rules, and (for the appointment/re-election of independent non-executive Directors) written confirmation of independence for the candidates or the independent non-executive Directors to be re-elected (together with their respective "immediate family members" as defined under Rule 20.10(1)(a) of the GEM Listing Rules) pursuant to Rule 5.09 of the GEM Listing Rules). If the results of the background check are found to be satisfactory, the member of the nomination committee will propose the appointment of such candidates to the nomination committee for approval and recommendation to the Board for consideration.

(c) Criteria for determining suitability of candidates or Directors to be re-elected

The nomination committee will consider the following factors in determining the suitability of the candidates or Directors to be re-elected to the Group:

- the qualifications, skills, experience and background of the candidates or the Directors to be re-elected;
- (for the appointment of new Directors) potential time commitment that can be made by the candidates to the affairs of the Group;
- how the candidates or Directors to be re-elected will contribute to the diversity of the Board in accordance with the Board diversity policy of the Company (as set out in the section headed "Board diversity policy" below);
- (for the appointment/re-election of independent non-executive Directors) independence of the candidates or the independent non-executive Directors to be re-elected as required under the GEM Listing Rules;

-
- (for the re-election of independent non-executive Directors) tenure of services of the independent non-executive Directors to be re-elected, and in particular, whether they have served the Board for more than nine years;
 - (for the re-election of Directors) past contributions and time commitment to the affairs of the Group; and
 - (for the re-election of Directors) those incumbent Directors who have been longest in office since their last re-election or appointment within the last three years will be selected for retirement by rotation and re-election with priority (for the purpose of compliance with the Code and bye-law 87 of the Bye-laws).

(d) Approval of appointment and re-election

The candidates or Directors (to be re-elected) approved by the nomination committee will then be proposed to the entire Board for final approval and, where appropriate, for recommendation to the Shareholders for their approval at the general meeting of the Company.

Any member of the nomination committee shall abstain from voting at the nomination committee meeting when his/her own nomination for re-election as Director is being considered.

(e) Annual review and disclosure

The nomination committee will continuously monitor the implementation of its nomination policy and review it on an annual basis to ensure that it remains relevant to the needs of the Company and reflects both the current regulatory requirements and good corporate governance practice.

The Board will make the relevant disclosure in respect of the Company's nomination policy in the Corporate Governance Report contained in the annual report of the Company in compliance with the requirements of the GEM Listing Rules (in particular, Appendix 15 of the GEM Listing Rules).

Board diversity policy

During the year under review, compliance with the policy concerning diversity of Board members (the "**Diversity Policy**") was reviewed and assessed with reference to the Board composition and measurable objectives.

Summary of the Diversity Policy

(a) Purpose

The Diversity Policy sets out the approach to diversity of Board members.

(b) Scope of application

The Diversity Policy applies to the Board. It does not apply to diversity in relation to employees of the Group.

(c) Policy statement

The Company recognizes and embraces the benefits of building a diverse Board to prevent biased decision-making when its members are homogenous. The Board believes that diversity at Board level is important to achieve and maintain a sustainable development and a competitive advantage for the Company.

The Board believes all Board appointments should be made on meritocracy having due regard to a range of diversity elements, including (but not limited to) gender, age, nationality, tenure of service with the Company ("**Tenure**"), presence of a substantial percentage of non-executive Directors on the Board to safeguard minority Shareholders' interests and/or to exert checks and balances on the executive Directors ("**Directorship Designation**") and at least one Director having directorship experience with other public company(ies) to keep the Board abreast of the current practices of other listed companies ("**Other Public Company Directorship Experience**"). These elements are considered to be complementary to the Board as a whole to enhance its quality and effectiveness of performance in a continuously balanced manner from time to time.

(d) Measureable objectives

Measurable objectives set for implementing the Diversity Policy include gender, age, nationality, Tenure, Directorship Designation and Other Public Company Directorship Experience.

(e) Monitoring and reporting

The nomination committee will review and monitor whether the measurable objectives of the Diversity Policy have been achieved annually. The Corporate Governance Report contained in the annual report of the Company each year will also disclose a summary of the Diversity Policy, the measurable objectives set for implementing the Diversity Policy and the status of whether such measurable objectives have been achieved.

(f) Review of the Diversity Policy

The nomination committee will review the Diversity Policy, as appropriate, to ensure its effectiveness. The nomination committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Having reviewed the Board composition and the measurable objectives (including the gender, age, nationality, Tenure, Directorship Designation and Other Public Company Directorship Experience) chosen to assess the achievement of the Diversity Policy for the year under review as set out below, the nomination committee is of the view that the Board composition has achieved the measurable objectives and has complied with the Diversity Policy.

Board composition of the Company (composed of nine Directors)					
		Number of Directors	%	Measurable objectives	Achieved
Gender	Male	7	77.8%	Both genders present to ensure different views from different genders are considered	✓
	Female	2	22.2%		
Age (Years)	40-49	5	55.6%	Age spans over at least a decade to ensure a balanced mix of conservative and ambitious experience from relatively sophisticated veteran and energetic young Directors	✓
	50-69	4	44.4%		
Nationality	Chinese	7	77.8%	More than a single nationality to ensure the international perspectives and global view are considered	✓
	United States of America	1	11.1%		
	Portuguese	1	11.1%		
Tenure (Number of years)	1 – 3	2	22.2%	Different tenures of Directors' service contracts to ensure the consistency of business strategies implemented by the veteran Directors being complemented by new ideas from relatively new Directors	✓
	above 3	7	77.8%		
Directorship Designation	Executive Directors	2	22.2%	Presence of substantial percentage of non-executive Directors to ensure interests of minority Shareholders and the Company as a whole are considered and/or to exert checks and balances on the executive Directors	✓
	Non-executive Directors	4	44.5%		
	Independent non-executive Directors	3	33.3%		
Other Public Company Directorship Experience (Number of companies)	Nil	4	44.5%	At least one Director having directorship experience with other public companies to share directorship experience from other public companies and help the Board keep abreast of the current practices of other public companies	✓
	One	3	33.3%		
	Two or above	2	22.2%		

3. Corporate governance committee

The Company established a corporate governance committee on 23 March 2012 with its specific terms of reference posted on the websites of the Company and of the Stock Exchange and available to the Shareholders upon request. The corporate governance committee is to assist the Board in performing the corporate governance duties as required under the Code. The corporate governance committee comprises two members, namely, the chairman of the Board, Mr. Sun Ho (as chairman of such committee), and the company secretary of the Company, Ms. Lee Wai Yan Vivian.

The corporate governance committee is responsible for reviewing and monitoring the adequacy of the corporate governance guidelines of the Company and for recommending any proposed changes to the Board for approval. The corporate governance committee also reviews and monitors the training and continuous professional development of Directors and senior management of the Company, the Company's policies and practices on compliance with legal and regulatory requirements, the code of conduct applicable to employees of the Group and the Directors, and the Company's compliance with the Code and disclosure in this Corporate Governance Report. The corporate governance committee is provided with sufficient resources enabling it to discharge its duties, including but not limited to obtaining advice and assistance from internal or external legal, accounting or other advisors (costs to be borne by the Company) if necessary.

During the year under review, the corporate governance committee held one meeting to discuss (i) the Review of Issuers' Annual Report Disclosure – Report 2019 published by the Stock Exchange in January 2020, and (ii) the amended Appendix 20 of the GEM Listing Rules relating to Environmental, Social and Governance (“ESG”) reporting which has become effective for ESG reports for financial years commencing on or after 1 July 2020.

4. Audit committee

The Company has established an audit committee with its specific terms of reference posted on the websites of the Company and the Stock Exchange and available to the Shareholders upon request. The primary duties of the audit committee are to review and supervise the financial reporting process as well as the risk management and internal control systems of the Group, consider the appointment or reappointment of the auditor and provide advice and comments on the Group's draft annual, interim and quarterly results and reports to the Board.

During the year under review, the three independent non-executive Directors, Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qun Yao, were members of the audit committee. The current chairperson of the audit committee is Ms. Monica Maria Nunes. The committee is provided with sufficient resources and authorities enabling it to discharge its duties, including but not limited to obtaining advice and assistance from internal or external legal, accounting or other advisors (costs to be borne by the Company) if necessary.

The audit committee held five meetings for the financial year ended 31 December 2020. The audit committee reviewed the Group's draft interim, quarterly and annual results, and the committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures had been made. The audit committee also attended two meetings during the year under review with the external auditor of the Company, PricewaterhouseCoopers ("PwC"), to discuss the audit for the financial statements of the Group for the year ended 31 December 2019 and the audit strategy of the Group for the year ended 31 December 2020 respectively.

As mentioned below, the risk management and internal control committee of the Company has confirmed with the Board via the audit committee that the risk management and internal control systems (including the internal audit functions) of the Group were effective and adequate, and that the Group's processes for financial reporting and GEM Listing Rules compliance were effective. The audit committee, having discussed with PwC regarding its findings about the internal control of the Group during its annual audit and having considered the various financial, operational and compliance internal control policies and/or procedures of the Group in place (together with the work performed by the internal audit senior manager of the Group during the year under review), concurred with the findings of the risk management and internal control committee.

5. Risk management and internal control committee

In order to comply with the "risk management ("RM") and internal control ("IC")" code provisions under C.2 of the Code, the RMICC has been established by the Board with effect from 1 January 2016. The Board has delegated to the RMICC the responsibilities for implementation of the RM and IC systems and reviewing of all relevant financial, operational, compliance controls, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

The specific terms of reference of the RMICC are posted on the websites of the Company and of the Stock Exchange and are available to the Shareholders upon request. The primary duties of the RMICC are to assist the Board in (i) deciding the Group's risk level and risk appetite; (ii) considering the Group's risk management strategies and giving directions where appropriate; (iii) reviewing and monitoring the RM and IC systems of the Group; and (iv) providing advice on the RM and IC systems and reporting any findings (including any deficiencies, failures or risks noted) to the Board via the audit committee of the Company.

The RMICC comprises at least three members as follows:

- the compliance officer of the Company (currently being Mr. Sun Ho) who shall act as the chairman of the RMICC;
- the chief financial officer/head of accounting department of the Group (currently being Ms. Hu Taoye), and/or the company secretary of the Company (currently being Ms. Lee Wai Yan Vivian), who (or who together) shall be responsible for monitoring the overall RM and IC functions of the Group on an ongoing basis; and
- the internal audit ("IA") senior manager of the Group from time to time, who shall be responsible for carrying out IA on different operating units of the Group by rotation on an ongoing basis.

The RMICC is provided with sufficient resources enabling it to discharge its duties, including but not limited to obtaining advice and assistance from internal or external legal, accounting or other advisors (costs to be borne by the Company) if necessary.

The terms of reference of the RMICC together with its proposed acceptance levels of certain risk areas that may affect the Group were discussed and approved by the Board. Such terms of reference set out the responsibilities of the RMICC for monitoring the RM and IC functions of the Group, and the actual work performed by the RMICC is outlined as follows:

(a) RM functions

The RM functions were delegated to the chief financial officer/head of accounting department and/or the company secretary of the Company. The RMICC had identified various risk areas that may affect the Group (including operational, budgeting, liquidity, foreign exchange or treasury, credit and legal or political risks) and formulated the acceptance levels of such risks if arisen. Such identified risk areas, their corresponding acceptance levels and the proposed scope of work of RMICC members had been tabled to the Board for approval in advance. The identified areas of risks were reviewed and monitored on a monthly basis by the RMICC. Any deviation from the acceptance levels of risks pre-approved by the Board must be reported by the RMICC as soon as practicable to the Board via the audit committee.

(b) IC functions

The monitoring of the IC system of the Group was delegated to the chief financial officer/head of accounting department and/or the company secretary of the Company who had ensured, on an ongoing basis, that various financial, operational and compliance internal control policies and/or procedures in place were adhered to.

During the year under review, the Company continued to strengthen its internal control by revising a number of internal control policies, which cover various key business management aspects such as cash investment management, external investment project management, marketing activities management, social media account and website management, connected transactions and procurement management. All the new and revised policies and procedures have been published on the internal policy platform. The Company has provided necessary training and coaching to relevant business departments and key staffs.

(c) IA functions

As part of the overall IC system, the Group has IA functions in place which were delegated to the IA senior manager of the Group.

During the year under review, the IA team conducted an IT security audit on the management system of our lottery distribution business, including the outlet management system, order management system and fund management system. At the same time, the IA team conducted a regular audit on the compliance of our continuing connected transactions during the year. The IA senior manager of the Group reported the work to the RMICC on a quarterly basis.

The RMICC shall report the findings (including any deficiencies, failures or risks noted) of the RM and IC (including the IA) monitoring to the Board via the audit committee at least four times a year or as and when any material deficiency, failure or risk is noted.

The RMICC held four meetings for the financial year ended 31 December 2020. The RMICC reviewed and assessed RM and IC systems of the Group on a quarterly basis. During the year under review, no significant risks or significant internal control deficiencies or failures had been noted by the RMICC which reported the findings accordingly to the Board via the audit committee. The RMICC also confirmed with the Board via the audit committee that the RM and IC systems (including the IA functions) of the Group were effective and adequate, and that the Group's processes for financial reporting and GEM Listing Rules compliance were effective.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, ensuring that the Group establishes and maintains appropriate and effective RM and IC systems, and reviewing the effectiveness of such systems. The risk management and internal control systems of the Group aim to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure to achieve business objectives.

During the year under review, the Board has delegated to the RMICC the implementation of the internal control systems and reviewing of all relevant financial, operational and compliance controls, risk management functions, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

In order to enhance the risk management and internal control systems of the Group, various measures were taken by the Group which included, but not limited to, the following:

- (i) an IA senior manager was appointed by the Group to carry out internal audit functions as described in the section headed "5. Risk management and internal control committee" in this Corporate Governance Report;
- (ii) the RMICC was established with effect from 1 January 2016 to assist the Board in performing various RM and IC functions;
- (iii) a whistle-blowing arrangement was implemented to give all staff of the Group an opportunity to raise, in confidence, concerns about any possible improprieties in financial reporting, RM, IC, plans and ideas about the Group to the Group's IA senior manager and the audit committee for further investigation, if required; and
- (iv) a "Disclosure Policy" was adopted by the Company, providing a general guide to directors, officers, senior management and relevant employees of the Group in the handling of inside information and/or monitoring of information disclosure pursuant to the relevant rules and regulations.

The Board has conducted, on an annual basis, a review of the effectiveness of the RM system and the IC system (including the IA functions) of the Group for the year under review. Both the RM and IC systems (including the IA functions) of the Group were found to be effective and adequate, and no material deficiencies, failures or risks were identified in respect of such systems for the year under review and the last annual review by the Board.

The Board's annual review also confirmed that the Group's processes for financial reporting and GEM Listing Rules compliance were effective.

In its annual review of the effectiveness of the RM and IC systems (including the IA functions) of the Group, the Board has considered the following factors:

- terms of reference, delegation of duties (i.e. scope of work) and acceptance levels of risks of the RMICC have previously been tabled to the Board for approval together with the resolution seeking the approval for the establishment of the RMICC;
- the extent and frequency of the reporting duties of the RMICC to the Board via the audit committee;
- the RMICC has been empowered under its terms of reference to have access to adequate resources, enabling it to discharge its duties, including but not limited to obtaining advice and assistance from internal or external legal, accounting or other advisors (costs to be borne by the Company) if necessary;
- members of the RMICC have the necessary qualifications, experience and competence to carry out their duties;
- training is obtained by, or will be (upon request) made available to, members of the RMICC, and that new accounting staff will be provided with training by the IA senior manager of the Group;
- previous findings reported by the RMICC to the Board via the audit committee;
- the confirmation provided by the RMICC to the audit committee that the RM and IC systems (including the IA functions) of the Group were effective and adequate, and that the Group's processes for financial reporting and GEM Listing Rules compliance were effective; and
- the discussion with the external auditor of the Company, PwC, that no significant internal control deficiencies were identified by it during its annual audit of the Group.

In the event that any material deficiency, failure or risk is reported by the RMICC to the Board via the audit committee, the Board should convene a physical Board meeting to consider ways to rectify the deficiency or failure, or to mitigate the risk or adverse impact, and decide whether any announcement of inside information to inform the Shareholders is necessary.

As mentioned above, the handling of inside information by Directors and other staff of the Group and/or monitoring of information disclosure pursuant to the SFO and the GEM Listing Rules are governed by the "Disclosure Policy" adopted by the Company, whereby:

- the Company adopts an upward reporting approach for identifying and escalating any potential inside information to the Board;
- employees of the Company shall bring any potential inside information promptly to the attention of their immediate superiors or the heads of business units or departments as appropriate;
- heads of business units or departments should promptly ascertain the facts and gather all relevant details reported by the staff and notify and escalate the details of any potential proposal, transaction or business development which may give rise to disclosure obligations to the head of legal department or to the chief financial officer (for financial or accounting related matters) to verify and assess such details reported. After identifying any potential inside information, the head of legal department or the chief financial officer should notify the CEO and the company secretary;
- the CEO, with the assistance of the company secretary if necessary, shall seek professional advice (where appropriate) and report to the Board or its delegate(s) and provide them with adequate details for review and assessment of the likely impact of such proposal, transaction or business development and ascertain whether it constitutes inside information or is subject to disclosure in order to avoid a false market of the Shares;
- the Board or its delegate(s) should review all relevant details and factors and decide whether disclosure is required and approve the relevant announcement and any further actions where applicable;

-
- inside information should be disseminated via the electronic publication system operated by the Stock Exchange before the information is released via other channels, such as the media or posting on the Company's official website;
 - all Directors and employees are made aware of the "Disclosure Policy" and their obligations to maintain the confidentiality of any confidential information of the Group;
 - no employee is permitted to disclose, discuss or share any confidential information about the Group with outside parties without the Company's prior approval;
 - all Directors and employees are absolutely prohibited to deal or procure another person to deal in any securities of the Company when they possess any unpublished inside information; and
 - any breach of the above obligations and professional conduct may result in internal disciplinary actions and where applicable, personal sanctions (civil or criminal) under applicable laws and regulations.

AUDITOR'S REMUNERATION

PwC was appointed as the auditor of the Company in December 2016. There was no change of auditors of the Company in the preceding three years. A resolution for the re-appointment of PwC as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company. The Board concurred with the views of the audit committee in determining the re-appointment of the auditor of the Company.

Remuneration to PwC in respect of its audit services amounted to HK\$1,500,000 for the year ended 31 December 2020. No remuneration was paid or payable to PwC by the Group for non-audit services during the year under review.

MEETING ATTENDANCE

The individual attendance records of each Director at the meetings of the Board and its committees and at the annual and special general meetings of the Company during the year under review are set out in the following table:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	RMICC	Annual General Meeting	Special General Meeting
Executive Directors								
SUN Ho	9/9	N/A*	N/A*	1/1	1/1	4/4	1/1	1/1
HU Taoye	9/9	N/A*	N/A*	N/A*	N/A*	4/4	1/1	1/1
Non-executive Directors								
YANG Guang	7/9	N/A*	N/A*	N/A*	N/A*	N/A*	1/1	1/1
LI Faguang	9/9	N/A*	N/A*	N/A*	N/A*	N/A*	1/1	1/1
JI Gang	8/9	N/A*	N/A*	N/A*	N/A*	N/A*	0/1	0/1
ZOU Liang	7/9	N/A*	N/A*	N/A*	N/A*	N/A*	0/1	1/1
Independent non-executive Directors								
Monica Maria NUNES	9/9	5/5	3/3	1/1	N/A*	N/A*	1/1	1/1
FENG Qing	9/9	5/5	3/3	1/1	N/A*	N/A*	1/1	1/1
GAO Jack Qunyao	9/9	5/5	3/3	1/1	N/A*	N/A*	1/1	0/1

* Not applicable, as these Directors were not members of the relevant Board committees.

COMPANY SECRETARY

The company secretary is responsible for facilitating the Board's process and communications among Board members and with the Shareholders and the management, and advising the Board and its committees on all corporate governance matters. The company secretary reports to the chairman of the Board and/or the CEO and his/her selection, appointment or dismissal shall be a Board decision. During the year under review, with effect from 23 October 2020, Mr. Ng Lok Ming resigned, and Ms. Lee Wai Yan Vivian ("**Ms. Lee**") was appointed, as the company secretary, an authorized representative under Rule 5.24 of the GEM Listing Rules, an authorized representative to accept on behalf of the Company the service of process and notice in Hong Kong under the Companies Ordinance (Cap 622 of the laws of Hong Kong) and a member of each of the corporate governance committee and RMICC of the Company. Ms. Lee has joined the Group since 23 October 2020.

Ms. Lee joined Alibaba Group as a senior legal counsel in January 2019. She was a senior legal director at Fosun International Limited (Stock Code: 0656) from December 2015 to December 2018. She also worked at the Hong Kong office of various international law firms from 2008 to 2015. Ms. Lee obtained a Bachelor of Arts degree from the University of British Columbia (Canada) and a Graduate Diploma in Law (Common Professional Examination) and qualified to practice law in England and Wales. She was admitted as a solicitor of the High Court of Hong Kong in 2007 and is currently a member of the Law Society of Hong Kong.

The Directors have access to the advice and services of the company secretary to ensure that Board procedures and all applicable laws, rules and regulations are followed.

During the year under review, the company secretary, Ms. Lee, had undertaken not less than 15 hours of relevant professional training required under Rule 5.15 of the GEM Listing Rules. While Ms. Lee is not a full-time employee of the Company, her primary contact persons at the Company are Ms. Hu Taoye (executive Director and chief financial officer of the Group) and Mr. Sun Ho (chairman of the Board and CEO).

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Group is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to the Shareholders and the investing public.

The Company has adopted a “Shareholder Communications Policy” to encourage and maintain timely and effective communications with the Shareholders through the following means:

- (i) The Directors shall host the annual general meeting of the Company each year to meet with the Shareholders and answer their enquiries. The chairpersons of the Board, corporate governance, risk management and internal control, audit, nomination and remuneration committees shall attend the annual general meeting of the Company to answer questions from the Shareholders. A separate resolution shall be proposed to be considered by the attending Shareholders in respect of each substantially separate issue, and voting on each resolution shall be conducted by way of a poll. The poll voting procedures shall be explained fully to Shareholders during the meeting. The Company’s branch share registrar shall be appointed as scrutineer to monitor and count the poll votes cast at the meeting. The results of the poll which include the number of shares voted for and against each resolution shall be posted on the websites of the Stock Exchange and the Company respectively on the same day of the meeting.
- (ii) The Company shall update its Shareholders and the investors on the Group’s latest business developments and financial performance through announcements, circulars as well as annual, interim and quarterly reports to be issued by the Company from time to time.
- (iii) The corporate website of the Company shall serve as an effective communication platform to the investing public and the Shareholders, and the Company has posted the following documents to its website:
 - list of Directors specifying their roles and functions;
 - the updated and consolidated version of its Bye-laws and memorandum of association;

-
- the procedures for eligible Shareholders to propose a candidate for election as a Director;
 - the procedures for eligible Shareholders to convene a special general meeting or to put forward proposals at Shareholders' meetings;
 - the announcements, circulars as well as annual, interim and quarterly reports of the Company; and
 - terms of reference of the Company's Board committees, including audit, remuneration, nomination, corporate governance and risk management and internal control committees.
- (iv) Notice to the Shareholders in respect of the annual general meetings and other general meetings of the Company shall be sent by the Company at least 20 clear business days and at least 10 clear business days respectively before such meetings.

The Company's principal share registrar and transfer agent in Bermuda is Conyers Corporate Services (Bermuda) Limited at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Share registration matters shall be handled for the Shareholders by the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

During the year under review, there were no significant changes in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

(A) Shareholders to convene a special general meeting or to put forward proposals at Shareholders' meetings

In accordance with bye-law 58 of the Bye-laws, Shareholders holding (at the date of deposit of the requisition) not less than one tenth of the paid-up capital of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require a special general meeting to be called by the Board to consider any proposed resolution specified in such requisition (the "**Proposal**"); and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Under bye-law 59 of the Bye-laws and code provision E.1.3 of the Code, a special general meeting shall be called:

- (i) by written notice of not less than fourteen (14) clear days or ten (10) clear business days (whichever notice period is longer) to the Shareholders if an ordinary resolution is proposed to be considered at that meeting; or
- (ii) by written notice of not less than twenty one (21) clear days or ten (10) clear business days (whichever notice period is longer) to the Shareholders if a special resolution is proposed to be considered at that meeting.

However, a general meeting may be called by shorter notice if it is so agreed by a majority in number of the Shareholders having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the issued shares of the Company giving that right.

The written notice shall specify the time and place of the meeting, together with details of the Proposal to be considered at the meeting.

A circular containing the background and details of the Proposal and the aforesaid written notice should also be sent to the Shareholders, Directors and the auditor of the Company.

Eligible Shareholders who wish to requisition for the convening of a special general meeting should sign the written requisition and send the same to the company secretary of the Company, at Unit 3912, 39th Floor, Tower Two, Times Square, Causeway Bay, Hong Kong. In the written requisition, the requisitionist should state his/her contact details including telephone number and email address to facilitate the follow-up action by the company secretary.

(B) Shareholders sending enquiries to the Board

Shareholders may at any time send their enquiries to the Board in writing by contacting either the company secretary of the Company at Unit 3912, 39th Floor, Tower Two, Times Square, Causeway Bay, Hong Kong or through our Shareholders' hotline (852) 25061668, fax no. (852) 25061228, e-mail at agtech@agtech.com or directly by raising questions at the annual or special general meetings of the Company. Questions on the procedures for convening or putting forward proposals at the annual or special general meetings of the Company may also be put to the company secretary by the same means.

(C) Shareholders to propose a candidate for election as Director

In accordance with bye-law 58 of the Bye-laws, Shareholders holding (at the date of deposit of the requisition) not less than one tenth of the paid-up capital of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require a special general meeting to be called by the Board to consider the proposal of electing a candidate as Director as specified in such requisition (the "**Election Proposal**"); and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Under bye-law 59 of the Bye-laws and code provision E.1.3 of the Code, the special general meeting for the Election Proposal shall be called by written notice of not less than fourteen (14) clear days or ten (10) clear business days (whichever notice period is longer) to the Shareholders. However, a general meeting may be called by shorter notice if it is so agreed by a majority in number of the Shareholders having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the issued shares of the Company giving that right.

The written notice shall specify the time and place of the meeting, full name(s) of the person(s) to be proposed as Director(s) and his/her/their respective proposed designation on the Board (i.e. whether such proposed person(s) is/are to be designated as executive, non-executive or independent non-executive Director(s)), with each nomination to be considered as a separate ordinary resolution in the meeting.

A circular should also be sent, together with the aforesaid written notice, to the Shareholders, Directors and the auditor of the Company containing the background and details of the Election Proposal (including biographical details of the person(s) proposed to be elected as Director(s) and other information about him/her/them as required to be disclosed under GEM Listing Rules 17.50(2)).

Eligible Shareholders (other than the candidate(s) to be proposed for election as a Director) who wish to requisition for the convening of a special general meeting to consider the Election Proposal should sign the written requisition and send the same to the company secretary of the Company, at Unit 3912, 39/F, Tower Two, Times Square, Causeway Bay, Hong Kong. In the written requisition, the requisitioner should state his/her contact details including telephone number and email address to facilitate the follow-up action by the company secretary and enclose the following documents:

- (i) a written notice signed by the nominated candidate of the candidate's willingness to be appointed as Director;
- (ii) the candidate's personal information as required to be disclosed under GEM Listing Rule 17.50(2) and such other information as set out in the section headed "Required information of the candidate(s) nominated by Shareholders" below; and
- (iii) the candidate's written consent to the publication of his/her personal data by the Company.

The minimum length of the period during which the written requisition and the notice in (i) above are given shall be at least seven (7) days and the period for lodgment of the same shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for the Election Proposal and end no later than seven (7) days prior to the date of such general meeting.

Required information of the candidate(s) nominated by Shareholders

In order to enable Shareholders to make an informed decision on their election of Directors, the above Election Proposal should be accompanied with the following information of the nominated candidate(s):

- a) full name and age;
- b) positions to be held with the Company and its subsidiaries (if any);
- c) experience including (i) other directorships held in the past three years in public companies of which the securities are listed on any securities market in Hong Kong and overseas, and (ii) other major appointments and professional qualifications;
- d) current employment and such other information (which may include business experience and academic qualifications) of which Shareholders should be aware of, pertaining to the ability or integrity of the candidate;

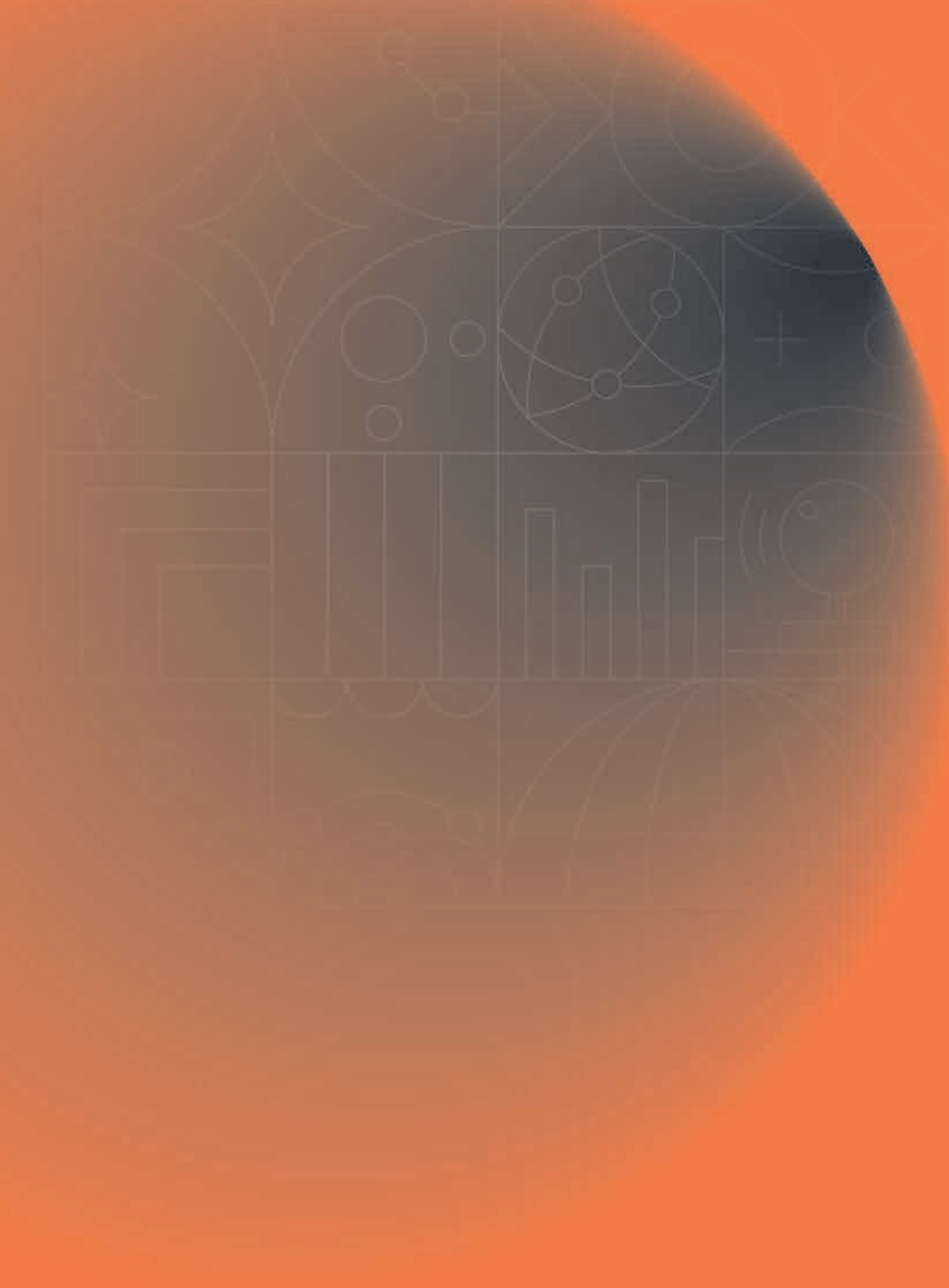
-
- e) length or proposed length of service with the Company;
 - f) relationships with any Directors, senior management, substantial shareholders or controlling shareholders (as defined in the GEM Listing Rules) of the Company, or an appropriate negative statement;
 - g) interests in the Shares within the meaning of Part XV of SFO, or an appropriate negative statement;
 - h) a declaration made by the nominated candidate in respect of the information required to be disclosed pursuant to GEM Listing Rule 17.50(2)(h) to (w), or an appropriate negative statement to that effect where there is no information to be disclosed pursuant to any of such requirements nor are there any other matters relating to that nominated candidate's standing for election as a Director that should be brought to Shareholders' attention; and
 - i) contact details of the nominated candidate.

The Shareholder proposing the candidate(s) will be required to read out aloud the proposed resolution(s) at the general meeting of the Company.

We strive to actively contribute to the development of responsible lottery and online games industries. We are actively involved in sports development and charity events, and we have been the sponsor of a wide range of sports events.



RESPONSIBILITY



SUSTAINABILITY REPORT

In compliance with the Environmental, Social and Governance (“ESG”) Reporting Guide in Appendix 20 of the GEM Listing Rules (“ESG Reporting Guide”), information on environmental and social matters of the Group is disclosed on an annual basis and regarding the same period covered in its annual report. Except for provisions that the Group considers are inapplicable to its operations, for which explanations have been given below, this Sustainability Report has complied with all the “comply or explain” provisions set out in the ESG Reporting Guide.

This Sustainability Report is organized into two ESG subject areas: “Environmental” and “Social”. Corporate governance matters are addressed separately in the Corporate Governance Report on pages 24 to 55 of this annual report (“CG Report”).

ABOUT OUR GROUP

Our Group is an integrated technology and services company engaged in the lottery and mobile games and entertainment markets with a focus on China and selected international markets. We are a member of the Alibaba Group, and are the exclusive lottery platform of Alibaba Group and Ant Group. We have a team of around 292 employees, and the footprint of the Group’s business now spans across China and selected international markets.

AGTech’s businesses are broadly divided into two principal categories:

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

In terms of our principal business lines, our Group can be divided into four separate business divisions: namely, “Hardware”, “Lottery Games and Systems”, “Lottery Distribution and Ancillary Services”, and “Games and Entertainment”. The operations of all these four divisions have been covered in this Sustainability Report.

SUSTAINABILITY MANAGEMENT

Objectives

The objectives of the Group's sustainability management are to promote business growth and generate revenues for good causes, whilst managing the environmental and social impacts of the Group's operations and making them sustainable.

Stakeholder Engagement

We believe that stakeholder engagement is a key to successful sustainability management and the success of our operations depends largely on our long-term relationships with our stakeholders. Engaging with our key stakeholders (including our Shareholders, business partners, employees, suppliers/subcontractors, customers and the community) on an ongoing basis provides an opportunity for the Group to listen to their concerns and build on common goals. This will in turn drive our business development initiatives in the right direction and make our operations sustainable. Accordingly, when we formulate our sustainability management strategy, we have taken into due consideration our relationships with these stakeholders (as further illustrated in the section headed "Strategy" below).

Set out below is a table summarizing the channels of communications deployed by the Group with our key stakeholders and areas of common concerns or common goals reached:

Stakeholders	Channels of communications	Areas of common concerns /common goals reached
Shareholders	<ul style="list-style-type: none"> • annual and special general meetings • announcements, circulars, quarterly, interim and annual reports • the Company's official website 	<ul style="list-style-type: none"> • business development and financial performance of the Group • information on environmental and social matters • corporate governance matters
Business partners	<ul style="list-style-type: none"> • meetings • conference calls • negotiations of business cooperation agreements • joint development and customization of lottery and non-lottery games and systems • participation in trade fairs 	<ul style="list-style-type: none"> • products' compliance with applicable laws and regulations • responsible lottery and online games • customization of products to meet local requirements and enhance attraction to the local players
Employees	<ul style="list-style-type: none"> • emails, meetings and conference calls • discussions with superiors 	<ul style="list-style-type: none"> • remuneration packages • professional development • career advancement • training

Stakeholders	Channels of communications	Areas of common concerns /common goals reached
Suppliers/ subcontractors	<ul style="list-style-type: none"> meetings conference calls negotiations of commercial agreements 	<ul style="list-style-type: none"> products' compliance with applicable law and regulations responsible lottery gaming competitiveness in pricing
Customers (including governmental lottery authorities or operators authorized by such authorities, and online consumers in respect of games and entertainment business)	<ul style="list-style-type: none"> meetings conference calls negotiations of commercial agreements written submissions of proposals and application for lottery game approval documentation games and entertainment platforms 	<ul style="list-style-type: none"> introducing new lottery types and distribution channels for the PRC lottery markets products' compliance with applicable laws and regulations responsible lottery gaming payment to the Group for its products and services lottery games payout ratios to players contributions to public funding
Community	<ul style="list-style-type: none"> participation in sports development and charity events sponsorship of sports events staff recruitment 	<ul style="list-style-type: none"> donations for good causes promotion of health through sports job creation

Details of the Group's relationships with its key stakeholders can also be found in the paragraph headed "(h) Relationships with our stakeholders" under the section headed "BUSINESS REVIEW" in the Directors' Report of this annual report.

Management Approach and Monitoring Framework

While the Board has the overall responsibility for the Group's ESG strategy and reporting and the oversight of ESG issues, it has delegated the ESG functions to the Legal Department of the Group, the corporate governance committee ("**CGC**") and the RMICC of the Company.

The Legal Department of the Group is responsible for advising and safeguarding the interests of the Group on salient legal and regulatory related matters.

The CGC is responsible for reviewing and monitoring the adequacy of the corporate governance guidelines of the Company and for recommending any proposed changes to the Board for approval. The CGC also reviews and monitors, among other things, the Company's policies and practices on compliance with legal and regulatory requirements, the Company's compliance with the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules and disclosure in the CG Report. Policies and internal control systems recommended by the CGC and approved by the RMICC will then be monitored on an ongoing basis by the RMICC.

The primary duties of the RMICC are to assist the Board in (i) deciding the Group's risk level and risk appetite; (ii) considering the Group's risk management strategies and giving directions where appropriate; (iii) reviewing and monitoring the RM and IC systems (which include systems governing ESG matters) of the Group; and (iv) providing advice on the RM and IC systems and reporting any findings (including any deficiencies, failures or risks noted) to the Board via the audit committee of the Company.

The RMICC shall confirm in writing to the Board via the audit committee at least four times a year (or as and when any material deficiency, failure or risk is noted) as to whether the RM and IC systems (which include systems governing ESG matters) are adequate and effective.

The Legal Department of the Group shall also confirm in writing to the RMICC at least four times a year (or as and when any material deficiency, failure or risk is noted) as to legal and regulatory related matters.

In addition, the Legal Department of the Group shall confirm in writing to the RMICC on a monthly basis as to whether there are any new policies, rules and/or regulations in China (or in any jurisdiction where the Group has operations) which may have a material impact on the business or trading prospect of the Group.

Strategy and Material Areas of Focus

On the basis of the business sectors in which our Group operates (namely, the lottery as well as games and entertainment businesses), we prioritize our sustainability management strategy (referred to as the “CHEER” Strategy) into the following five material areas of focus, which have been identified and selected after taking into consideration the areas of common concerns or the common goals reached through our stakeholder engagement mentioned above:

(i) Corporate social responsibilities:

We strive to actively contribute to the development of responsible lottery and online gaming industries. We have been actively involved in sports development and charity events, and we have been the sponsor of a wide range of sports events.

(ii) Healthy market development:

We strive to support a healthy PRC lottery market for the community, with a view to developing new forms of legal and regulated lottery distribution channels in order to crack down on the illegal gambling market in China. Such distribution channels include various retail channels of Alibaba Group to distribute lottery products (e.g. “Lingshoutong” (零售通)).

Outside of China, the Group has entered into a joint venture agreement with One97 Communications Limited, owner of Paytm, India’s leading mobile payment platform, to offer a variety of entertainment products and services to Paytm’s users in India. It is our plan to create an exceptional and unique mobile entertainment experience to Indian players by leveraging the Group’s operating experience and technical capability and deep understanding of the local market that enable us to boost player engagement.

(iii) Environmental protection management:

As we do not run any factories but outsource the manufacturing functions to outside suppliers/subcontractors, we do not anticipate any material risks in our operations in respect of environmental protection concerns. The Group has made continuous effort to support low-carbon offices, in that employees are encouraged to observe our policies and business practices on energy savings, use of recycled paper, increased use of soft copies, adoption of a 5-day work week for our Hong Kong office, use of public transportations for errands and adoption of office design which makes full use of natural light instead of electricity.

(iv) Employee and human resources development:

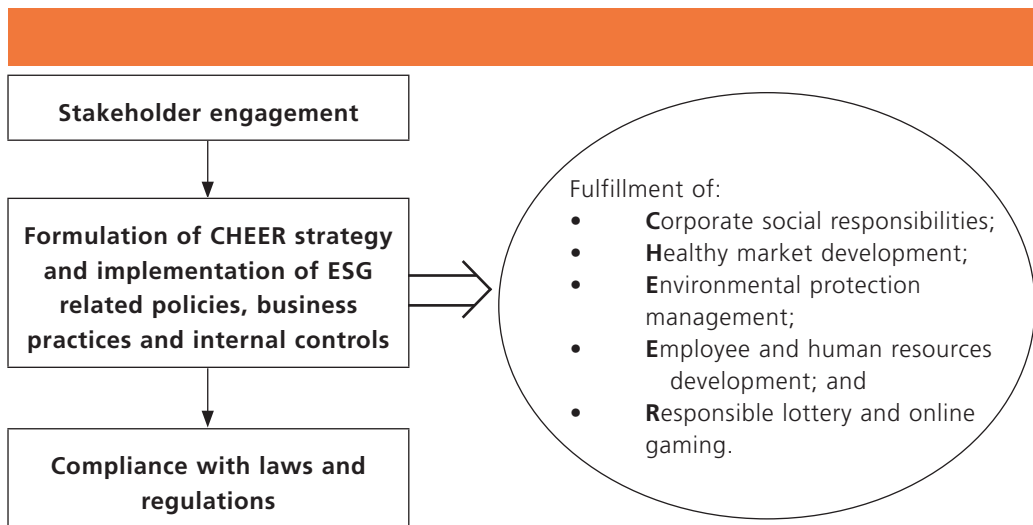
As a major part of our core business is founded on gaming technologies, our Group places great emphasis on research and development of our products with an aim to introducing more lottery products and/or mobile games to the PRC and selected overseas markets. Not only will this enhance the technical knowledge and skills of our professional team, but this will also help create job opportunities in the communities where the Group operates.

(v) Responsible lottery and online gaming:

As a Gold Contributor of the World Lottery Association (WLA) and an associate member of the Asia Pacific Lottery Association (APLA), the Company is committed to working closely with our customers and/or business partners to implement responsible lottery measures and prevent problem gaming in various ways.

Material areas of focus of the Group's sustainability management strategy	Stakeholders involved or affected
(i) Corporate social responsibilities	Community
(ii) Healthy market development	Customers and Community
(iii) Environmental protection management	Suppliers/subcontractors, Employees and Community
(iv) Employee and human resources development	Employees and Community
(v) Responsible lottery and online gaming	Customers, Business Partners and Community
Outcome/output of overall sustainability management: Compliance with laws & regulations and this Sustainability Report	Shareholders

Sustainability management flowchart:



By following through on the above CHEER strategy, and implementing necessary ESG related policies, business practices and internal controls, we believe that our overall sustainability management will not only make our operations sustainable and compliant with the relevant laws and regulations to safeguard the interests of our Shareholders, but will also enhance our transparency and accountability to our Shareholders by means of this Sustainability Report.

REPORTING PRINCIPLES

The following reporting principles have been applied in the preparation of this Sustainability Report:

(A) Materiality:

As mentioned in the sections headed “Stakeholder Engagement” and “Strategy and Material Areas of Focus” in this Sustainability Report, the Group has identified five material areas of focus in its sustainability management strategy, after taking into consideration the areas of common concerns or the common goals reached through our stakeholder engagement. These five material areas of focus (namely, corporate social responsibilities, healthy market development, environmental protection management, employee and human resources development, and responsible lottery and online gaming) have been incorporated into and reported on in the sections headed “SUMMARY OF INFORMATION ON ENVIRONMENTAL AND SOCIAL MATTERS OF THE GROUP”, “KEY PERFORMANCE INDICATORS (“KPIs”) FOR SPECIFIED ENVIRONMENTAL PROTECTION ASPECTS OF THE GROUP” and “KPIs FOR SPECIFIED SOCIAL ASPECTS OF THE GROUP” below in the following manner:

Material areas of focus	Paragraph reference
(i) corporate social responsibilities	Paragraphs “B8: Community investment (i) and (iii)” in the section headed “SUMMARY OF INFORMATION ON ENVIRONMENTAL AND SOCIAL MATTERS OF THE GROUP”; and “KPI B8.1” in the section headed “KPIs FOR SPECIFIED SOCIAL ASPECTS OF THE GROUP”
(ii) healthy market development	Paragraphs “B7: Anti-corruption” and “B8: Community investment (ii)” in the section headed “SUMMARY OF INFORMATION ON ENVIRONMENTAL AND SOCIAL MATTERS OF THE GROUP”; and “KPI B7.2” and “KPI B8.1” in the section headed “KPIs FOR SPECIFIED SOCIAL ASPECTS OF THE GROUP”
(iii) environmental protection management	Paragraphs “A. Environmental” and “B5: Supply chain management” in the section headed “SUMMARY OF INFORMATION ON ENVIRONMENTAL AND SOCIAL MATTERS OF THE GROUP”; “b) Aspect A2: Use of Resources” in the section headed “KEY PERFORMANCE INDICATORS (“KPIs”) FOR SPECIFIED ENVIRONMENTAL PROTECTION ASPECTS OF THE GROUP”; and “KPI B5.1” and “KPI B5.2” in the section headed “KPIs FOR SPECIFIED SOCIAL ASPECTS OF THE GROUP”
(iv) employee and human resources development	Paragraphs “B1: Employment (i) Compensation, other benefits and welfare”, (iii) Recruitment, (iv) Promotion, (vii) Equal opportunity and anti-discrimination, and (viii) Diversity”; and “B3: Development and training” in the section headed “SUMMARY OF INFORMATION ON ENVIRONMENTAL AND SOCIAL MATTERS OF THE GROUP”; and “KPI B1.1”, “KPI B3.1” and “KPI B3.2” in the section headed “KPIs FOR SPECIFIED SOCIAL ASPECTS OF THE GROUP”
(v) responsible lottery and online gaming	Paragraph “B6: Product responsibility (responsible lottery and online gaming practices)” in the section headed “SUMMARY OF INFORMATION ON ENVIRONMENTAL AND SOCIAL MATTERS OF THE GROUP”

(B) Quantitative:

The Group does not run any manufacturing factories and therefore the environmental and social impacts of its operations are minimal. Nevertheless, the Group continues to support low-carbon office and encourages its staff to save on the use of electricity and paper. Data on electricity consumption in kilowatt hours, electricity expenses and expenses on paper consumption are collected and reviewed by the Human Resources and Administration Department, together with their comparative figures in the previous financial year. Starting from the year ended 31 December 2020, the Group had also set targets for its annual paper consumption and electricity consumption as detailed in the KPIs A2.1 and A2.3 in the section headed “KEY PERFORMANCE INDICATORS (“KPIs”) FOR SPECIFIED ENVIRONMENTAL PROTECTION ASPECTS OF THE GROUP” below. The Board has delegated the Human Resources and Administration Department to review the achievement of such targets at least on an annual basis, and the Human Resources and Administration Department should report the findings to the Board via the audit committee of the Company accordingly.

(C) Consistency:

As required under the amended Appendix 20 of the GEM Listing Rules which took effect from 1 July 2020, the Group set certain targets for its annual paper consumption and electricity consumption as detailed in “KPI A2.1” and “KPI A2.3” in the section headed “KEY PERFORMANCE INDICATORS (“KPIs”) FOR SPECIFIED ENVIRONMENTAL PROTECTION ASPECTS OF THE GROUP” below; and adopted certain new KPIs as detailed in the section headed “KPIs FOR SPECIFIED SOCIAL ASPECTS OF THE GROUP” below.

Save as disclosed above, during the year under review, the Group adopted the same methodology and KPIs in this Sustainability Report as in the previous financial year.

SUMMARY OF INFORMATION ON ENVIRONMENTAL AND SOCIAL MATTERS OF THE GROUP

	Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
A. Environmental			
A1: Emissions	<p>Policy relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste:</p> <p>As we do not run any factories but outsource the manufacturing functions to outside suppliers/subcontractors, we do not anticipate any material risks in our operations in respect of environmental protection concerns such as air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p>	N/A (As we do not run any factories but outsource the manufacturing functions to outside suppliers/subcontractors, the environmental protection related law and regulations in China do not apply to our operations.)	N/A
A2: Use of resources	<p>Policies on the efficient use of resources, including energy, water and other raw materials:</p> <p>As mentioned above, we do not run any manufacturing factories ourselves and therefore material risks of wastage of water or raw materials are not applicable to our operations.</p> <p>As our continuous effort to support low-carbon offices, the Group also has policies and business practices on energy and resource savings, such as:</p> <p>(i) Electricity savings: Computers should be turned off completely when employees leave office or when not in use, and lights should be switched off in unoccupied space.</p> <p>(ii) Use of recycled paper: Recycled paper is used for printing emails and other documents for internal usage.</p>	N/A	N/A

	Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
	<p>(iii) Increased use of soft copies: As email has become an increasingly popular channel for employees to share information and communicate, a lot of the documents and information can now be distributed to, and circulated among, employees in soft copies via our corporate email accounts. This has immensely reduced the use of paper in our office.</p> <p>(iv) 5-day work week: Employees in Hong Kong are in general required to work 5 days a week only in order to save them on time and costs to commute between their homes and the workplace on Saturdays, and also help save electricity in the office on Saturdays as well as improve the air pollution condition in the city by reducing traffic. We believe that employees can still satisfactorily fulfill their job duties within a 5-day work week if they work efficiently and with proper time management. On the other hand, employees in the PRC are already not required to work on Saturdays by PRC law.</p> <p>(v) Use of public transportations: We encourage employees to use public transportations (subways and buses rather than taxi) for errands.</p> <p>(vi) Office design that makes full use of natural light: Scientific design of the office has been adopted so that natural light could be made full use of, rather than electricity.</p>		
A3: Environment and natural resources	Policies on minimizing the Group's significant impacts on the environment and natural resources: same policies as disclosed above in item A2: "Use of resources".	N/A	N/A
A4: Climate Change	<p>Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the Group:</p> <p>As we do not run any factories but outsource the manufacturing functions to outside suppliers/ subcontractors, we do not anticipate any material risks in our operations in respect of environmental protection concerns such as climate-related issues.</p>	N/A	N/A

Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
B. Social Employment and Labour Practices		
<p>B1: Employment Policy, business practices and/or internal controls relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity and anti-discrimination, diversity, and other benefits and welfare:</p> <p>(i) Compensation, other benefits and welfare: The Group's remuneration policies are formulated on the basis of performance and experience of individual employees and are in line with local market practices. In addition to salary, the Group also offers to its employees other fringe benefits and welfare including year-end bonus, discretionary bonus, share options under the Share Option Schemes, Share Award Scheme, contributory provident fund, social security fund, medical benefits and training.</p> <p>(ii) Dismissal: Employees may be subject to dismissal if:</p> <p>(a) they commit material breach of the Employee Code of Conduct prescribed by the Group, such as:</p> <ul style="list-style-type: none"> • repeated violation of the Employee Code of Conduct, with 3 written warnings given to the offending employee; • refusal to follow work assignments, or disruption of normal work flow, with 3 written warnings given to the offending employee; 	<p>Employment Ordinance of Hong Kong (Chapter 57 of the Laws of Hong Kong); Labour Law of the PRC (中華人民共和國勞動法); The Labour Contract Law of the PRC (中華人民共和國勞動合同法); Implementing Regulations of the Labor Contract Law of the People's Republic of China(中華人民共和國勞動合同法實施條例); and Regulations of Paid Annual Leave of Employees (職工帶薪年休假條例)</p>	✓

Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
<ul style="list-style-type: none"> • consecutive absence from work for 3 days or more, or repeated absence (for less than 3 days) despite written warning has been given to the offending employee; • breach of confidentiality agreement, causing material loss to the Group; • perpetration of serious misconduct such as gross negligence, bribery, theft, fraud, violence, intimidation, insult, slander or sexual harassment; or • being detained or imprisoned for breaching the law. <p>(b) they commit malpractice, causing "significant damage" to the Group, such as causing:</p> <ul style="list-style-type: none"> • economic loss; • damage to the computer system of any department and disruption of its work; • write-off of production tools, equipment and products; • casualties; • negative publicity; • penalty from regulatory authorities; • damage to intangible assets of the Group including loss of business opportunities, reputation, industry status and social standing; or • other adverse consequences to the Group. 		

Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
<p>(c) they are concurrently under the employment of another employer, causing material adverse impact on their job duties in the Group; or they refuse to terminate their outside employment despite written request from the Group.</p> <p>(iii) Recruitment: Staff recruitment is required to follow the Group's "annual headcount planning" (年度員額計劃). Application for staff recruitment needs to be first submitted to our respective Human Resources Departments of Hong Kong, Beijing, and approved by designated senior management, before any recruitment process is allowed to commence. A reward will also be offered by the Group to any existing employee if he/she refers any suitable candidate to the Group and such candidate is eventually employed by the Group.</p> <p>The Human Resources Departments of the Group will examine and verify identification documents, credentials or information contained in the résumés of all job applicants.</p>		

Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
<p>(iv) Promotion: The majority of employees of the Group are in the PRC. Our Human Resources Department in Beijing is responsible for handling promotion of the Group's employees on an annual basis, which shall usually take effect from 1st April each year, unless otherwise notified by such department. The Human Resources Department in Beijing will consider a number of criteria in determining whether an employee deserves a promotion, for instance:</p> <ul style="list-style-type: none"> • the grading of his/her performance appraisal; • whether the employee has been in his/her present position for more than one year and is capable of fulfilling the requirements of a higher level position; • whether there is any relevant vacancy to be filled; and • the existing salary level of the employee. 		

Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
<p>(v) Working hours: Employees in general are required to work 8 hours per working day (exclusive of lunch hour) or 40 hours per week. Certain posts (e.g. shift workers) may have different arrangements for their working hours.</p> <p>(vi) Rest periods: Employees who have worked continuously for one year or more are entitled to paid annual leave in accordance with the "Regulations of Paid Annual Leave of Employees" of the PRC. The annual leave shall be additional to national statutory holidays and off days prescribed by the Group. Where an employee is required to work overtime, the Group shall give overtime pay to the employee or grant the employee compensatory time off.</p> <p>(vii) Equal opportunity and anti-discrimination: The Group advocates equal opportunity for all employees and prohibits discrimination against any employee's age, gender, disability, religion, marital status, pregnancy, sexual orientation and nationality. Any discriminative behaviour at workplace will be prohibited. Employees are encouraged to report to their superiors and to the Human Resources Department any event which may amount to discrimination at our workplace.</p>		

Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
<p>(viii) Diversity:</p> <p>Diversity of our workforce has been adopted both at the Board level and throughout our Group.</p> <p>To enhance the quality and effectiveness of performance of the Board in a continuously balanced manner, a Board Diversity Policy has been in place, having due regard to a range of diversity elements, including gender, age, nationality, tenure of service with the Company, presence of a substantial percentage of non-executive Directors on the Board to safeguard minority Shareholders' interests and at least one Director having directorship experience with other public company(ies) to keep the Board abreast of the current practices of other listed companies. Details of the Board Diversity Policy can be found in the CG Report contained in this annual report.</p> <p>As regards other employees, the Group's recruitment is based purely on the merits, ability, qualifications and working experience of individual candidates. It is our policy to maintain a diversified group of employees to complement one another, and our staff members indeed possess a wide variety of attributes such as age, gender, nationality, industry backgrounds, skill sets and years of working experience.</p>		

	Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
B2: Health and safety	<p>Policy relating to providing a safe working environment and protecting employees from occupational hazards:</p> <ul style="list-style-type: none"> (i) The Group selects and rents only offices that are situated in properly managed commercial buildings with satisfactory security measures. (ii) The last employee leaving the office should ensure that the front door of the office is securely locked to safeguard the properties of the Group and its employees. (iii) Employees are required to enter passcode or use registered radio frequency card to gain entry to the office premises. (iv) Security guards are hired to take daily patrol in the office premises. (v) Burning candles, incense (including potpourri pots), or creating an open flame (e.g. for cooking) in office premises are prohibited. (vi) Apart from medical scheme, the Group also takes out workers compensation insurance to cover the liabilities of employees in Hong Kong in the event that they suffer injuries at work. For employees in China, the Group has contributed to the social security fund (which includes basic pension insurance fund, basic medical insurance fund, personal injury insurance fund, unemployment insurance fund and maternity insurance fund) to provide similar coverage to them if they suffer injuries at work. 	<p>Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong); Labour Law of the PRC (中華人民共和國勞動法); The Labour Contract Law of the PRC (中華人民共和國勞動合同法); Implementing Regulations of the Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法實施條例); PRC Occupational Disease Prevention Law (中華人民共和國職業病防治法); Women's Rights Protection Law (婦女權益保障法); Special Provisions on Labour Protection of Female Workers (女職工勞動保護特別規定); The Industrial Injury Insurance Regulations (工傷保險條例); Measures for the Management of Summer Cooling Purposes (防暑降溫措施管理辦法); The Production Safety Law of the PRC (中華人民共和國安全生產法); The Social Insurance Law of the PRC (中華人民共和國社會保險法); The Labour Security Supervision Regulations (勞動保障監察條例); Provisions on Enterprise Workers Illness or Non-work Related Injury Medical Period (企業職工患病或非因工負傷醫療期規定)</p>	✓

	Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
	<p>(vii) Work arrangements under high temperature: (a) Employees are prohibited from carrying out outdoor work if temperature reaches over 40°C; (b) If temperature reaches above 37°C but below 40°C, outdoor work for the day should not exceed 6 hours in total (and no outdoor work should be allowed during the 3 hours of highest temperature); (c) If temperature reaches above 35°C but below 37°C, outdoor workers should take shifts and should not work overtime; and (d) Pregnant employees should not be allowed to work outdoors when temperature reaches above 35°C, or work in premises where temperature is above 33°C.</p>		
B3: Development and training	<p>Policies on improving employees' knowledge and skills for discharging duties at work:</p> <p>The Group offers valuable opportunities for our employees to enhance their professional knowledge and skills through on-the-job training and other training activities sponsored by the Group:</p> <p>(i) On-the-job training: The research and development team of the Group comprises veteran professionals in the PRC lottery and gaming industries. Through working with these professionals, employees can share knowledge base and learn state-of-the-art technology and business practices from their superiors.</p>	N/A	N/A

Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
<p>(ii) Other training activities: In-house briefing materials on latest corporate governance and listing rule requirements are provided to Directors and company secretary. Directors and employees also attend in-house and external training seminars on job-related topics, or participate in industry-specific seminars and conferences from time to time. Examples of in-house and external training seminars offered by the Group to employees include the following:</p> <ul style="list-style-type: none"> • Basic knowledge of information security • Web security testing • IT infrastructure library • Advanced project management of information system • Basic knowledge of EXCEL • Corporate financial analysis and risks detection • Human resources management • Labour dispute resolutions • Fire safety measures • User experience and interaction design • Business and strategy of major cooperation partner • PRC and HK accounting standard update 		

	Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
B4: Labour standards	<p>Policy relating to preventing child and forced labour:</p> <p>(i) All employees should provide valid identification documents and other credentials to the Human Resources Department of the Group for recruitment purpose in order to verify their age, identity and working experience. It is our Group's recruitment policy not to employ persons under the age of 18.</p> <p>(ii) No employee should be coerced to work through the use of violence or intimidation. All employees are entitled to freely resign from their posts or terminate their employment by serving written notice (normally ranging from one to three months) to their superiors or the Human Resources Department of the Group in accordance with their respective service or employment contracts.</p>	<p>"Employment of Children Regulations" made under Employment Ordinance of Hong Kong (Chapter 57 of the Laws of Hong Kong); Labour Law of the PRC (中華人民共和國勞動法); Law of the PRC on the Protection of Minors (中華人民共和國未成年人保護法); Law of the PRC on Compulsory Education (中華人民共和國義務教育法); The Provisions Prohibiting the Use of Child Labour (禁止使用童工規定); The Fine Standard Provisions of the Use of Child Labour (使用童工罰款標準的規定); The Labour Contract Law of the PRC (中華人民共和國勞動合同法); PRC Criminal Law (中華人民共和國刑法); PRC Criminal Law Amendment (VIII) (中華人民共和國刑法修正案(八))</p>	✓
B5: Supply chain management	<p>Policies on managing environmental and social risks of the supply chain:</p> <p>Conformity by suppliers with the relevant industrial standards and ethical business norms in their supply of materials and products to the Group is one of the supplier selection criteria that the Group takes into account. Suppliers' fulfilment of the environment, health and safety requirements are relevant factors which the Group takes in account in its supplier selection process. The Group manages the supply chain by performing regular assessments on the environmental and social risks of the supply chain and strengthening the risk management. Suppliers are encouraged when appropriate to take measures to reduce their environmental and social risks.</p>	N/A	N/A

Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
Operating Practices		
<p>B6: Product responsibility (responsible lottery and online gaming practices)</p>	<p>Policies and/or business practices relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress:</p> <p>Unlike companies which supply consumer goods, food or beverages, our Group principally (i) provides lottery hardware (such as terminals and other lottery-related equipment); (ii) supplies lottery games, related software and underlying supporting systems; (iii) distributes lottery games and products and provides ancillary services; and (iv) provides non-lottery games and entertainment content. Accordingly, we do not anticipate any material risks of health and safety to the public arising from our products and services.</p> <p>Generally, the lottery authorities in the PRC (being our customers) will conduct the advertising or “branding” of the lottery products to promote their sales. However, where we are engaged by our customers to provide marketing consultancy services for our lottery games, we may participate in the marketing and advertising campaigns in order to promote the sales of our lottery games. Under such circumstance, we shall advise our customers as to how to educate lottery players in order to avoid problem gaming issues of the players, where appropriate.</p> <p>Our lottery hardware, games and systems are supplied only to governmental lottery authorities or operators authorized by such authorities in the PRC or overseas in order to preclude from involvement in any possible illegal gaming activities in any jurisdiction where the Group has business.</p>	<p>In respect of the Group’s lottery business: ✓</p> <p>Lottery Management Regulations (彩票管理條例) ; The Detailed Rules for the Implementation of Lottery Management Regulations (彩票管理條例實施細則) ; Measures for Lottery Issuance and Sales Management (彩票發行銷售管理辦法) ; The Interim Measures for the Administration of Internet Sales of Lottery (互聯網銷售彩票管理暫行辦法) ; The Interim Measures for the Administration of Telephone Sales of Lottery (電話銷售彩票管理暫行辦法)</p> <p>In respect of the Group’s games and entertainment business:</p> <p>Interim Provisions on the Administration of Internet Culture (互聯網文化管理暫行規定); Notice on Comprehensive Prevention and Control of Children and Adolescents’ Myopia Implementation Plan (綜合防控兒童青少年近視實施方案的通知)</p>

Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
<p>As regards our lottery games, "Lucky Racing" and "e-Ball Lottery":</p> <ul style="list-style-type: none"> proper approval of these games had been obtained from MOF before they were officially launched in Hunan and Jiangsu provinces in the PRC respectively; the lottery shops where these two games are played prohibit betting by minors; maximum limit is pre-set for the amount of each bet that can be placed by a player; and the frequency and maximum number of draws of the games per day are fixed by the governmental lottery authorities to prevent problem gaming issues of the players. <p>It is quite common that the PRC lottery authorities will review the performance of any new lottery game shortly after it has been launched and its social impact. In the event that such authorities wish to adjust the game rules, designs or other mechanisms to strengthen responsible lottery gaming, the technical team of the Group (and/or the technology partner involved, if any) will work closely with the authorities accordingly to meet their requirements and rectify any deficiencies.</p> <p>As regards the Group's games and entertainment business, anti-addiction measures are also implemented as appropriate and as required.</p>		

	Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
B7: Anti-corruption	<p>Policies and/or internal controls relating to bribery, extortion, fraud and money laundering:</p> <p>Employees of the Group are prohibited from engaging in corrupt practices:</p> <ul style="list-style-type: none"> for achieving specific business purposes such as obtaining or retaining any business, business licences or permits; or influencing any act of the government officials or commercial decisions of the business partners; or which may be seen as constituting improper influence on business relationships. <p>Specific policies are in place to govern the offering of gifts, entertainment, hospitality, free travel and accommodation to government officials or business partners.</p> <p>In line with the Group's accounting internal control system, all payments and receipts of money require valid supporting documents and proper records in order to identify and prevent possible bribery, extortion, fraud and money laundering activities engaged by any employee or member of the Group.</p>	<p>PRC Criminal Law (中華人民共和國刑法); PRC Anti-Unfair Competition Law (中華人民共和國反不正當競爭法); PRC Interim Provisions on Prohibiting Commercial Bribery (禁止商業賄賂行為的暫行規定); PRC Criminal Law Amendment (vi) (中華人民共和國刑法修正案(六)); Provisions of the Supreme People's Procuratorate on Bribery Filing Standards (最高人民檢察院關於行賄罪立案標準的規定); Opinions of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues concerning the Application of Law in the Handling of Criminal Cases of Commercial Bribery (最高人民法院、最高人民檢察院關於辦理商業賄賂刑事案件適用法律若干問題的意見); The Company Law of the PRC (中華人民共和國公司法); The Opinions on Correctly Grasping the Policy Boundaries at Special Work in the Management of Commercial Bribery (關於在治理商業賄賂專項工作中正確把握政策界限的意見); Hong Kong Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong); and US Foreign Corrupt Practices Act of 1977</p>	✓

	Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
Community			
B8: Community investment	<p>Policies or business practices on community engagement to understand the needs of the communities where the Group operates and to ensure its activities take into consideration the communities' interests:</p> <p>(i) We collaborate closely with government bodies, charitable institutions and sports associations, and sponsor sports development and charity events organized by these parties. The Group has participated in a wide range of charity and sports development events such as Helping the Poor Children in Yunnan Province, Sponsoring Shanghai Youth Girls Soccer Team, AGTech Cup Olympic Photography Competition, Sponsoring Anhui Huangshan Martial Arts Competition Tournament, AGTech 15th He Long Cup Golf Celebrity Invitation, 2013 Shenzhen Charity Exhibition, 2015 Social Responsibility of China Lottery Forum as well as being the strategic partner of the Tennis Association for Central Government Agencies and sponsoring various tennis tournaments and tennis promotional campaign. Amid the COVID-19 pandemic, 33,000 masks were donated to the sports authorities and Sports Lottery Administration Centres in Jiangsu Province, Hunan Province, Hubei Province and Tianjin City to assist lottery outlet owners to fight against the pandemic and resume their operation during the year under review.</p> <p>(ii) We continue to work closely with lottery authorities and endeavour to help the government evaluate new forms of legal and regulated avenues, with a view to fighting illegal gambling and raising funds for sports and welfare projects.</p> <p>(iii) Recognizing that employees are assets of the Group, we continued to employ around 292 employees and sustained job opportunities in the community where the Group operates.</p>	N/A	N/A

Notes:

N/A : Not applicable

✓ : Yes

KEY PERFORMANCE INDICATORS (“KPIs”) FOR SPECIFIED ENVIRONMENTAL PROTECTION ASPECTS OF THE GROUP:

	KPIs	Details of KPIs/Remarks
a) Aspect A1: Emissions		
KPI A1.1	The types of emissions and respective emissions data.	N/A (Note 1)
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A (Note 1)
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A (Note 1)
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A (Note 1)
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	N/A (Note 1)
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	N/A (Note 1)

KPIs	Details of KPIs/Remarks
b) Aspect A2: Use of Resources	
KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	<p>As mentioned above, the Group does not run any manufacturing factories and therefore material risks of wastage of resources such as electricity, water or raw materials are not applicable to its operations. Nevertheless, the Group continues to support low-carbon office and encourages its staff to save on the use of electricity and paper. For the year ended 31 December 2020:</p> <ul style="list-style-type: none"> • Total electricity consumption of the Group: approximately 212,502 ('000 kilowatt hours) (i.e. approximately 16.9% decrease over approximately 255,835 ('000 kilowatt hours) in 2019); • Total electricity expenses of the Group: approximately HK\$257,576 (i.e. approximately 18.2% decrease over approximately HK\$314,985 in 2019); and • Total expenses on paper consumption of the Group: approximately HK\$3,998 (i.e. approximately 37.9% decrease over approximately HK\$6,435 in 2019)

KPIs	Details of KPIs/Remarks
	<p>The above year-on-year decrease in paper consumption reflects the continuous efforts of the use of soft copies and recycled paper among employees of the Group. The year-on-year decrease in total electricity consumption by approximately 16.9% was a result of work from home arrangement due to the impacts of COVID-19, whereas the decrease in total electricity expenses in 2020 was due to the policy for electricity price reduction promulgated by the National Development and Reform Commission in the PRC and electricity charges subsidy provided by Hong Kong Government since April 2020.</p> <p>The Group had set a target for each of paper consumption and electricity consumption at not more than 10% increase year-on-year or the percentage increase in total revenue of the Group year-on-year (whichever is higher).Based on the percentage decrease in paper consumption and the percentage decrease in electricity consumption stated above, the aforesaid targets of the Group for paper consumption and electricity consumption were met for the year under review.</p>

	KPIs	Details of KPIs/Remarks
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	N/A ((i) The Group does not run any factories, (ii) office rental paid by the Group already covers water consumed by the Group and there are no separate billings of water usage by landlords (and hence records of water consumption) to various offices of the Group, and (iii) certain water facilities are provided in common areas of the office buildings and shared with other tenants located on the same floors of our various offices in China and Hong Kong, and therefore no data of water consumption can be available for individual tenants including the Group)
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	<p>As mentioned in A2 above regarding the Group's policies on the use of resources, the energy use efficiency initiatives undertaken by the Group include:</p> <ul style="list-style-type: none"> • switching off computers and lights when employees leave the office; • use of recycled paper; • increased use of soft copies; • adoption of a 5-day work week for the Group; • use of public transportations for errands; and • scientific design of the office has been adopted so that natural light could be made full use of, rather than electricity.

KPIs	Details of KPIs/Remarks
	<p>During the year under review, the effects of the aforementioned energy use efficiency initiatives remained to be satisfactory.</p> <p>As mentioned in KPI A2.1 above, the year-on-year decrease in total electricity consumption by approximately 16.9% was a result of work from home arrangement due to the impacts of COVID-19; whereas the decrease in total electricity expenses in 2020 was due to the policy for electricity price reduction promulgated by the National Development and Reform Commission in the PRC and electricity charges subsidy provided by Hong Kong Government since April 2020. In addition, the continuous effort of the Group's employees to save on paper consumption was found to be satisfactory.</p> <p>As mentioned in KPI A2.1 above, the targets set by the Group on paper consumption and electricity consumption also apply to KPI A2.3, and such targets were met for the year under review.</p>
KPI A2.4	<p>Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.</p> <p>N/A (Note 1)</p>
KPI A2.5	<p>Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.</p> <p>N/A (Note 1)</p>

KPIs		Details of KPIs/Remarks
c) Aspect A3: The Environment and Natural Resources		
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	N/A (Note 1)
d) Aspect A4: Climate Change		
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the Group, and the actions taken to manage them.	N/A (Note 1) (Besides, approximately 45.4% and approximately 10.8% of the Group's total revenue were derived from the sales of hardware products to its customers and from the online games and entertainment business respectively for the year under review and were not linked to the actual lottery sales volume of the customers. As such, even in the event that lottery sales of the Group's customers may be adversely affected by climate change (e.g. rainstorms and flooding) at certain times, it is expected that the Group's revenue may not be adversely and materially affected to the same extent.)

Note 1: The Group does not run any factories but outsources the manufacturing functions to outside suppliers/subcontractors.

KPIs FOR SPECIFIED SOCIAL ASPECTS OF THE GROUP:

KPIs	Details of KPIs/Remarks
a) Aspect B1: Employment	
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.
	Total number of employees of the Group: 292 (as at 31 December 2020)
	<i>By gender:</i>
	Male 218
	Female 74
	<i>By employment type:</i>
	Full-time 292
	Part-time 0
	<i>By age group:</i>
	30 or below 67
	31-45 207
	46-60 18
	61 or above 0
	<i>By geographical region:</i>
	PRC (excluding Hong Kong) 284
	Hong Kong 8
	<p>The Group maintained a healthy mix and diversity of employees in terms of their gender, employment type and age. Employees are stationed in geographical locations where the operations of the Group require them.</p>
	<p>No target-setting is considered necessary for this KPI as the Group does not wish to be bound by such target in the determination of the size of its workforce, which should be based on the actual business needs and economic environment from time to time.</p>

KPIs	Details of KPIs/Remarks																
KPI B1.2	<p data-bbox="427 556 869 620">Employee turnover rate by gender, age group and geographical region.</p> <p data-bbox="927 556 1445 620">Employee turnover rate of the Group (as compared to total number of employees as at 31 December 2020):</p> <p data-bbox="927 659 1023 685"><i>By gender:</i></p> <table data-bbox="927 692 1257 756"> <tr> <td data-bbox="927 692 975 717">Male</td> <td data-bbox="1182 692 1257 717">27.98%</td> </tr> <tr> <td data-bbox="927 724 991 750">Female</td> <td data-bbox="1182 724 1257 750">43.24%</td> </tr> </table> <p data-bbox="927 799 1054 825"><i>By age group:</i></p> <table data-bbox="927 832 1257 965"> <tr> <td data-bbox="927 832 1023 858">30 or below</td> <td data-bbox="1182 832 1257 858">46.27%</td> </tr> <tr> <td data-bbox="927 864 975 890">31-45</td> <td data-bbox="1182 864 1257 890">28.99%</td> </tr> <tr> <td data-bbox="927 896 975 922">46-60</td> <td data-bbox="1182 896 1257 922">11.11%</td> </tr> <tr> <td data-bbox="927 929 1023 955">61 or above</td> <td data-bbox="1182 929 1214 955">N/A</td> </tr> </table> <p data-bbox="927 1004 1134 1030"><i>By geographical region:</i></p> <table data-bbox="927 1037 1257 1101"> <tr> <td data-bbox="927 1037 1166 1062">PRC (excluding Hong Kong)</td> <td data-bbox="1182 1037 1257 1062">32.39%</td> </tr> <tr> <td data-bbox="927 1069 1023 1095">Hong Kong</td> <td data-bbox="1182 1069 1257 1095">12.50%</td> </tr> </table> <p data-bbox="927 1144 1453 1483">Employee turnover rate of the Group stood at not more than 43.24% by gender (for the female gender which represented only approximately 25% of total number of employees as at 31 December 2020), 46.27% by age group (for the age group of 30 or below which represented only approximately 23% of total number of employees as at 31 December 2020) and 32.39% by geographical region, and was considered acceptable and normal, and a result of the Group's cost control measure over its operating costs and expenses.</p> <p data-bbox="927 1526 1453 1623">No target-setting is considered necessary for this KPI as employee turnover is mostly driven by the employees, which is something beyond the control of the Group.</p>	Male	27.98%	Female	43.24%	30 or below	46.27%	31-45	28.99%	46-60	11.11%	61 or above	N/A	PRC (excluding Hong Kong)	32.39%	Hong Kong	12.50%
Male	27.98%																
Female	43.24%																
30 or below	46.27%																
31-45	28.99%																
46-60	11.11%																
61 or above	N/A																
PRC (excluding Hong Kong)	32.39%																
Hong Kong	12.50%																

KPIs		Details of KPIs/Remarks						
b) Aspect B2: Health and Safety								
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	<p>Number and rate of work-related fatalities (as compared to total number of employees as at the respective year end dates) for the year ended 31 December:</p> <table border="1"> <tr> <td>2020</td> <td>0 (0%)</td> </tr> <tr> <td>2019</td> <td>0 (0%)</td> </tr> <tr> <td>2018</td> <td>0 (0%)</td> </tr> </table> <p>No work-related fatalities of the Group occurred in each of the past three years including the year under review. Safe working environment was provided by the Group to protect its employees from occupational hazards.</p> <p>No target-setting is considered necessary for this KPI as it is inappropriate to set a target for accidents such as work-related fatalities.</p>	2020	0 (0%)	2019	0 (0%)	2018	0 (0%)
2020	0 (0%)							
2019	0 (0%)							
2018	0 (0%)							
KPI B2.2	Lost days due to work injury.	<p>Lost days due to work injury for the year ended 31 December 2020: Nil</p> <p>There was no work injury for the employees of the Group during the year under review.</p> <p>No target-setting is considered necessary for this KPI as it is inappropriate to set a target for accidents such as work injuries.</p>						
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	<p>Occupational health and safety measures of the Group are disclosed in the paragraph headed "B2: Health and safety" above, and are implemented and monitored on an ongoing basis by the Human Resources and Administration Departments of the Group in the PRC.</p> <p>No target-setting is considered necessary for this KPI as it refers to measures which are not quantitative.</p>						

KPIs	Details of KPIs/Remarks
c) Aspect B3: Development and Training	
KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	<p>As disclosed in the paragraph headed “B3: Development and Training” above, a wide range of in-house and external training seminars had been offered by the Group to its employees.</p> <p>As vocational training is provided to all employees as a good gesture on the part of the Group without differentiating between the employees on the basis of their gender, seniority or employee category within the Group, both target setting and categorized training attendance record are not considered necessary for the KPIs related to development and training. Instead, the Group aims to continue to provide new training on different topics of interest to its employees each year. During the year under review, the following new training activities were provided to the Group’s employees:</p> <ul style="list-style-type: none"> – training on internal control policy for connected transactions – training on management guidelines for creation of new business/product and release of new product – training on marketing activities management policy – training on procurement and supplier management policy – training on how to use our procurement system – training on anti-corruption policy – training on social media account creation and web content management – internal sharing sessions of technical department
KPI B3.2 The average training hours completed per employee by gender and employee category.	<p>As explained for KPI B3.1 above, both target setting and categorized training attendance record are not considered necessary for KPIs related to development and training.</p>

KPIs		Details of KPIs/Remarks				
d) Aspect B4: Labour Standards						
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	<p>As disclosed in the paragraph headed "B4: Labour standards" above, the Group has policies and measures relating to preventing child and forced labour.</p> <p>No target-setting is considered necessary for this KPI as it refers to measures which are not quantitative.</p>				
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	N/A (With the Group's policies and measures relating to preventing child and forced labour in place as disclosed in the paragraph headed "B4: Labour standards" above, it is unlikely that child and forced labour will occur in the Group.)				
e) Aspect B5: Supply Chain Management						
KPI B5.1	Number of suppliers by geographical region.	<p>Number of top 10 suppliers of the Group by geographical region for the year under review:</p> <table border="1"> <tbody> <tr> <td>PRC</td> <td>9</td> </tr> <tr> <td>United Kingdom</td> <td>1</td> </tr> </tbody> </table> <p>The Group considered that disclosure of all the suppliers by geographical region would result in particulars of excessive length and no additional value to the Shareholders. Accordingly, only the top 10 suppliers of the Group by geographical region would be disclosed for this KPI for the sake of simplicity.</p> <p>No target-setting is considered necessary for this KPI as it is inappropriate for the Group to set a target for the number of its suppliers.</p>	PRC	9	United Kingdom	1
PRC	9					
United Kingdom	1					

KPIs	Details of KPIs/Remarks
KPI B5.2	<p>Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.</p> <p>The Group's policies on managing environmental and social risks of the supply chain are disclosed in the paragraph headed "B5: Supply chain management" above.</p> <p>Number of suppliers where the aforesaid policies are being implemented for the year under review: 5.</p> <p>The Group pays regular visit on an annual basis to at least the top 3 suppliers to monitor whether such suppliers continue to meet the Group's supplier selection criteria.</p> <p>No target-setting is considered necessary for this KPI as it refers to practices that are not quantitative.</p>
KPI B5.3	<p>Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.</p> <p>Same as disclosed in KPI B5.2 above.</p>
KPI B5.4	<p>Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.</p> <p>N/A (The Group principally provides highly regulated hardware products and services for the lottery sector in the PRC and online games and entertainment contents. "Environmentally preferable" products and services are not applicable to the Group.)</p>

KPIs		Details of KPIs/Remarks
f) Aspect B6: Product Responsibility (responsible lottery and online gaming practices)		
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A (The Group principally provides highly regulated hardware products and services for the lottery sector in the PRC and online games and entertainment contents. Accordingly, it is not expected that the Group's products will be subject to recalls for safety and health reasons.)
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	<p>Number of products and service related material complaints received by the Group for the year under review: Nil</p> <p>Such complaints (if any) are dealt with by the business department of the Group, usually by means of providing the customers with replacement products, further customisation and/or follow-up after sales or maintenance services.</p> <p>No target-setting is considered necessary for this KPI as it is inappropriate for the Group to set a target on the number of complaints to be received.</p>
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	<p>In order to observe and protect intellectual property rights:</p> <p>(i) the Group shall enter into legal documentation such as joint venture agreement(s), business co-operation agreement(s) and/or licence deed(s) when it comes to licensing or granting the use of intellectual property rights to/by third party suppliers or business partners. Typically, such legal documentation shall stipulate whether the intellectual property rights are licensed to the licensee on an exclusive basis, the specified products or business scope that such intellectual property rights are applicable to, the treatment of ownership of any derivative intellectual property rights arising from further customisation or modification (for example, due to customers' requests or specifications) based on the original intellectual property rights licensed, the indemnity provision against any possible claims made by customers arising from the use of the intellectual property rights, the duration of such licence and whether there is any licence fee involved; and</p>

KPIs	Details of KPIs/Remarks
KPI B6.4	<p>Description of quality assurance process and recall procedures.</p> <p>(ii) the employment or service contracts for management personnel of the Group will typically contain provisions to stipulate that any intellectual property rights relating to the Group's business made, discovered, developed, created or otherwise acquired by or communicated to the employee during the continuance of his/her employment shall be disclosed in writing to the Group and shall belong to and be the absolute property of the Group. At the request and expense of the Group, the employee shall give and supply all such information, data drawings, models and assistance as may be requisite to enable the Group to exploit such intellectual property rights to its best advantage. Such obligation shall continue in force after termination of the aforesaid employment.</p> <p>No target-setting is considered necessary for this KPI as it refers to practices that are not quantitative.</p> <p>N/A (The Group does not run any factories but outsources the manufacturing functions to outside suppliers/subcontractors. Rather, the suppliers/subcontractors are accountable to the Group for the products supplied in terms of quality assurance and recall procedures, where applicable)</p>

KPIs	Details of KPIs/Remarks
KPI B6.5	<p>Description of consumer/customer data protection and privacy policies, and how they are implemented and monitored.</p> <p>The Group protects users' privacy and data security in accordance with the law, and strictly complies with laws and regulations such as the Cybersecurity Law of the People's Republic of China (中華人民共和國網絡安全法), the Regulations on Technical Measures for Internet Security Protection (互聯網安全保護技術措施規定), the Regulations on Protection of Personal Information of Telecommunication and Internet Users (電信和互聯網用戶個人信息保護規定), and the General Data Protection Regulation (通用數據保護條例) (GDPR). The Group's customer privacy protection work follows the Data Security Specifications and supporting rules. The Data Security Specifications provide detailed and practical rules for data security from the perspectives of organization, process, and tools. The Group has established management procedures for data collection and transmission, storage security, encrypted protection, authorized access and usage/destruction to strengthen data security management and encrypted protection. For client information management, we use classification and hierarchical management methods, and adopt systematic access rights management for staff who have access to private data. Database logs are also recorded for operations of private data. In addition, regular training on data security and confidentiality is organized for staff, so as to prevent the risk of data leakage, loss or tampering from three aspects -- information, personnel and processes. In addition, the Group strictly follows the principle of "only disclosing the minimum needed" when any disclosure of client information is required. Each time before we disclose customer information to a third party, we must go through a prior written disclosure review, and the disclosure target is limited to the third party that the customer has been informed of, so that clients privacy and data security are strictly protected.</p> <p>No target-setting is considered necessary for this KPI as it refers to policies that are not quantitative.</p>

KPIs	Details of KPIs/Remarks
g) Aspect B7: Anti- corruption	
KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the Group or its employees during the reporting period and the outcomes of the cases.	During the year under review, no concluded legal cases regarding corrupt practices were brought against the Group or its employees. No target-setting is considered necessary for this KPI as it is inappropriate for the Group to set a target on the number of legal cases brought against it or its employees.
KPI B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Policies and/or internal controls relating to anti-corruption are disclosed in the paragraph headed "B7: Anti-corruption" above. The offering of gifts, entertainment, hospitality, free travel and accommodation to government officials or business partners has to be endorsed by the senior management of the Group who shall observe specific policies in place governing these matters. The accounting department of the Group will also check payments and receipts of money and require valid supporting documents and proper records in order to identify and prevent possible bribery, extortion, fraud and money laundering activities engaged by any employee or member of the Group. A whistle-blowing arrangement by way of a designated email account is also implemented to give all staff of the Group an opportunity to raise in confidence concerns about, among other things, any possible corruption activities to the Group's internal audit department and the audit committee for further investigation, if required. No target-setting is considered necessary for this KPI as it refers to measures and procedures that are not quantitative.

KPIs	Details of KPIs/Remarks
KPI B7.3	<p>Description of anti-corruption training provided to directors and staff.</p> <p>The Group actively provides anti-corruption related training to its Directors and staff, which covers the purposes behind our anti-corruption policy, the regulatory requirements, the requirements of the Group's anti-corruption policy and related processes, the whistle-blowing channels for reporting corruption and the protection policy for whistle-blowers.</p> <p>As explained in KPI B3.1 above, no target-setting is considered necessary for the KPIs related to training.</p>
<p>h) Aspect B8: Community Investment</p>	
KPI B8.1	<p>Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).</p> <p>The Group strives to actively contribute to the development of a responsible lottery gaming industry which will raise important public funds for charity, welfare and sports development projects in the PRC. The Group was actively involved in sports development and charity events, and had been the sponsor of a wide range of sports events. Details are disclosed in the paragraph headed "B8: Community investment (i)" above.</p> <p>The Group also strives to support a healthy PRC lottery market for the community, with a view to developing new forms of legal and regulated lottery distribution channels in order to crack down on the illegal gambling market in China.</p> <p>The footprint of the Group's business spans across the PRC and selected overseas markets. For the year under review, it employed around 292 employees and helped sustain job opportunities in the communities where it operated.</p> <p>No target-setting is considered necessary for this KPI as contributions to the community are just gestures of goodwill extended by the Group as part of its corporate social responsibilities.</p>
KPI B8.2	<p>Resources contributed (e.g. money or time) to the focus area.</p> <p>Same as disclosed for KPI B8.1 above. (Besides, during the year under review, the Group made donations amounted to HK\$197,000 for charitable purposes.)</p>

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. As a member of the Alibaba Group, 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 on 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 Asia.

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*, PRC annual lottery sales in 2020 amounted to approximately RMB333.95 billion, representing a decrease of approximately 20.9% over 2019. Of this, Welfare Lottery amounted to approximately RMB144.48 billion, representing a decrease of approximately 24.4% compared to 2019. Sports Lottery achieved sales of approximately RMB189.46 billion, representing a decrease of approximately 17.9% compared to 2019.

At the beginning of 2019, Chinese lottery authorities advised on a series of operating and governing recommendations with an 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 has enhanced our growing range of tools and products as well. Through this channel, we hope to build on our online presence and maximize the value of our business partnership with Alibaba Group and Ant Group, in addition to preparation for any potential approval and authorization 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 the supplier of two virtual sports lottery games in the PRC, namely, a football theme virtual sports lottery game "e-Ball Lottery" in Jiangsu Province ("**e-Ball Lottery**") and a motor racing-themed virtual sports lottery game "Lucky Racing" in Hunan Province ("**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 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 and e-Ball Lottery had ceased with effect from 9 February 2021 and 1 November 2020 respectively, and the Group would no longer generate any revenue from the Virtual Sports Lottery Games commencing from 9 February 2021. For details, please refer to the Company's announcement on 26 October 2020.

For the full year, the revenue attributed to Virtual Sports Lottery Games was approximately HK\$46.3 million, representing approximately 28.6% 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 Sports Lottery and 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 lottery terminals, and paper scratch card sales hardware (instant ticket verification terminals, "IVT(s)") and continues to occupy the largest market share in Sports Lottery terminal market. 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 year under review, the Group won 16 lottery hardware tenders to supply lottery terminals to the SLACs in Anhui, Shanxi, Hubei, Jilin, Guizhou, Tianjin, Inner Mongolia, Hebei, Fujian, Sichuan, Zhejiang, Henan and Shaanxi provinces of the PRC, accounting for over 21% of the overall sports lottery traditional terminal tenders in China during the same period, calculated by the number of terminals. We did especially well in new android sports lottery terminal tenders in China, winning over 66% of such tenders for the same type of terminals during the same period, calculated by the number of terminal tenders awarded. These successful tenders further strengthened the Group's top-tier position in China's lottery hardware market and demonstrated the continued competitiveness of the Group's lottery terminals. The Group will continue to pursue tenders to supply to the lottery terminal and other hardware markets and bid for new contracts as tenders resume 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 authorization 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 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 fantasy cricket and other fantasy sports products, 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. With an outlook in grooming the platform to become a major market player, the Group is fully committed to the development of Paytm First Games and will continue to dedicate additional resources and funding to the joint venture.

BUSINESS OUTLOOK

Despite ongoing headwinds and uncertainties with regard to the COVID-19 situation globally, we have seen a steady recovery in the PRC 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.

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. Transformation towards digitalization will continue, as our lottery solutions will enhance synergy and create value to the lottery industry 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 aim to roll out further engagement features and tools through innovation to improve user experience and engagement.

Transition to other consumer sectors presents an opportunity for the further development of the Group's hardware business. Many of the hardware supplies 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 in India, we 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 our B2B business segment. We believe that having a robust sports-oriented solution will allow the Group to capture opportunities and gain an edge in the fast-evolving sports-entertainment sector.

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 will continue to dedicate our commitment and support to grow the business and further capitalize 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.

REVIEW OF OPERATING RESULTS

Revenue and Profitability

Revenue of the Group for the year under review amounted to approximately HK\$161.6 million (2019: approximately HK\$175.1 million), representing a decrease of approximately 7.7% over 2019. Revenue contributions were mainly derived from lottery hardware, lottery games and systems, provision of lottery distribution and ancillary services, and games and entertainment businesses in the PRC. The decrease in revenue for the year was primarily caused by the decrease in sales of lottery hardware of approximately HK\$31.4 million, partially offset by an increase of approximately HK\$8.8 million from games and entertainment business and increase of approximately HK\$6.2 million from the provision of lottery distribution and ancillary services. The decrease in revenue from lottery hardware business was due to a significant decrease in total national lottery hardware tenders during the year, 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 games and entertainment business was caused by an increase in content provision revenue from the Paytm First Games platform in India.

Operating loss for the year was approximately HK\$131.1 million (2019: approximately HK\$194.9 million), representing a decrease of approximately 32.7% over 2019. The decrease was primarily due to the Group's various measures to strengthen cost controls over operating costs and expenses to enhance our competitive position in the industry. In addition, such decrease was due to the changing from a foreign exchange loss of approximately HK\$17.5 million for 2019 to a foreign exchange gain of approximately HK\$18.5 million for 2020 as a result of the appreciation of RMB against HK\$ during the year, which gave rise to foreign exchange gain from translating the RMB denominated balances to the Group's presentation currency. Employee benefits expenses also decreased by approximately 10.7% to approximately HK\$178.9 million (2019: approximately HK\$200.4 million) as a result of the decrease in the total headcount of the Group from 363 to 292 and the provision of one-off concession under the social security schemes in the PRC in response to the impact of the COVID-19 pandemic during the year under review.

The loss for the year was approximately HK\$109.5 million (2019: approximately HK\$113.6 million), representing a decrease of approximately 3.6% over 2019.

Share of results of investments accounted for using equity method for the year primarily represented the share of loss of the Group's joint venture with One97 Communications Limited of approximately HK\$83.2 million (2019: approximately HK\$38.2 million). During the Indian Premier League Fantasy Tournament in 2020, the Indian joint venture increased its investment in market branding, customer acquisition and user incentives, which resulted in a larger loss as compared to 2019.

Convertible Bonds were matured in August 2019 and since then no more fair value change (2019: gain of approximately HK\$85.2 million) and interest expense thereon (2019: approximately HK\$27.5 million) were recognized during the year. Net finance income also rose to approximately HK\$44.1 million (2019: approximately HK\$30.9 million), primarily due to the aforesaid fact that no interest expense was charged on the Convertible Bonds in 2020.

With regard to the Score Value Transaction, the conditions of obtaining the game approval (the "**Game Approval Pre-condition**") by the mutually agreed extended deadline of 31 December 2020 and commencing first round game sales after obtaining such approval were not fulfilled on 31 December 2020, and the Company decided not to further extend the deadline for fulfilling the Game Approval Pre-condition. Accordingly, the contingent consideration payables of approximately HK\$69.6 million were written back to profit or loss during the year under review.

Other operating expenses for the year were approximately HK\$67.3 million (2019: approximately HK\$77.5 million). The decrease was primarily due to the reversal of provision of warranties of approximately HK\$5.9 million (2019: provision of warranties of approximately HK\$6.8 million) during the year under review.

Impacts of the COVID-19 pandemic on the Group

The COVID-19 pandemic primarily hit the PRC lottery sales during the first quarter of 2020 with a prolonged closure of the lottery market which lasted nearly 40 days, and the business hours of lottery sales outlets were also significantly reduced. In addition, people in the PRC stayed at home more often during that period, which further drove down the lottery sales. There were also delays in lottery hardware tenders and delivery as a result of the pandemic.

However, as the pandemic gradually became under control in the PRC in the second quarter of 2020, we saw a steady recovery in the PRC lottery market since then as lottery related activities resumed. Indeed, the decline in total lottery sales in the PRC narrowed from approximately 64.5% in the first quarter of 2020 (as compared to the corresponding period in 2019) to eventually just approximately 20.9% year-on-year for the year ended 31 December 2020.

Thanks to the speedy recovery of the PRC lottery market and the revenue growth recorded in three business lines of the Group (namely, lottery games and systems, provision of lottery distribution and ancillary services, and games and entertainment) in 2020, total revenue of the Group for the year under review decreased by just approximately 7.7% as compared to 2019.

The Group continued to maintain a healthy financial position as at 31 December 2020. Net cash (defined as total cash and cash equivalents less total debts, which include trade payables, accruals and other payables, contract liabilities and lease liabilities) as at 31 December 2020 amounted to approximately HK\$68.6 million. Fixed deposits held at bank with original maturity over three months amounted to approximately HK\$1,465.2 million as at 31 December 2020. The Group did not have any bank borrowings, and liquidity ratio (defined as current assets divided by current liabilities) of the Group as at 31 December 2020 stood at approximately 13.5, which continuously reflected the adequacy of financial resources of the Group.

Despite the aforesaid healthy financial position of the Group, in order to improve the efficiency of the use of the remaining net proceeds from the Subscription and to cope with the challenging business environment ahead, the Company announced various re-allocations of such net proceeds 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. In addition, as announced in the Company's third quarterly results announcement for the nine months ended 30 September 2020, 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 was 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 such remaining net proceeds was postponed from 31 December 2020 to 31 December 2022.

Liquidity and financial resources

Net cash (defined as total cash and cash equivalents less total debts, which include trade payables, accruals and other payables, contract liabilities, lease liabilities and contingent consideration payables) as at 31 December 2020 were approximately HK\$68.6 million (2019: approximately HK\$934.0 million). The decrease in net cash was primarily due to the increase in fixed deposits held at bank with original maturity over three months by approximately HK\$686.6 million. The total assets and net current assets of the Group as at 31 December 2020 were approximately HK\$3,148.4 million and approximately HK\$1,767.2 million respectively (2019: approximately HK\$3,254.7 million and approximately HK\$1,852.5 million respectively). Current liabilities of the Group as at 31 December 2020 were approximately HK\$141.0 million (2019: approximately HK\$194.8 million). As at 31 December 2020, the Group had no available banking facilities. There were no bank borrowings of the Group as at 31 December 2020 (2019: Nil). The liquidity ratio (defined as current assets divided by current liabilities) of the Group as at 31 December 2020 was approximately 13.5 (2019: 10.5) which continuously reflected adequacy of financial resources of the Group.

Capital structure and foreign exchange risk

During the year under review, the Group financed its capital requirements through its equity, its internally generated cash flows as well as the proceeds from the Subscription.

As at 31 December 2020, there were no bank borrowings of the Group (2019: Nil). The gearing ratio (defined as bank borrowings divided by equity) of the Group as at 31 December 2020 was therefore not applicable (2019: Not applicable).

As at 31 December 2020, majority of the Group's bank deposits were denominated in US\$, HK\$ and RMB. Since HK\$ is pegged to US\$, and substantially all of the revenue-generating operations, monetary assets and liabilities of the Group are conducted or transacted in functional currencies, the Group faced minimal foreign exchange risk during the year under review. The Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during the year under review.

Contingent liabilities and capital commitment

As at 31 December 2020, the Group did not have any material contingent liabilities and capital commitment that constituted "notifiable transactions" under Chapter 19 of the GEM Listing Rules.

Significant investments, material acquisitions and disposals during the year under review

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

Employees' information and remuneration policies

As at 31 December 2020, the Group had 292 (2019: 363) employees in Hong Kong and the PRC. Total staff costs (excluding Directors' emoluments) for the year ended 31 December 2020 amounted to approximately HK\$168.4 million (2019: approximately HK\$189.8 million).

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

Charges on Group's assets

As at 31 December 2020, bank deposits of approximately HK\$0.3 million (as at 31 December 2019: approximately HK\$2.5 million) were held in designated bank accounts to secure letters of guarantee granted to the Group. The pledged bank deposits will be released upon the release of the relevant letters of guarantee granted to the Group.

In addition, as at 31 December 2020, a sum of approximately HK\$5.4 million (as at 31 December 2019: approximately HK\$16.5 million) was held by trustees of the Company for purchases of award Shares under the Share Award Scheme. Such sum was not available for general use by the Group.

Save as disclosed above, as at 31 December 2020, there was no charge on the assets of the Group.

Future plans for material investments and acquisition of capital assets

As at 31 December 2020, there was no specific plan for material investments and acquisition of capital assets that is required to be disclosed pursuant to Rule 17.10 of the GEM Listing Rules and the inside information provisions under Part XIVA of the SFO.

Significant changes to financial position

Inventories of the Group amounted to approximately HK\$22.7 million as at 31 December 2020 (as at 31 December 2019: approximately HK\$11.9 million), with inventory turnover period increased from 91 days in 2019 to 141 days in 2020. Trade receivables of the Group amounted to approximately HK\$11.1 million as at 31 December 2020 (as at 31 December 2019: approximately HK\$26.6 million), with debtor turnover period decreased from 53 days in 2019 to 43 days in 2020. Debtor turnover period improved in 2020. Inventory turnover period deteriorated in 2020 as compared to that in 2019, primarily due to the increase of finished goods to meet the demand for the committed orders for the upcoming first half of 2021.

Goodwill of the Group increased to approximately HK\$1,112.2 million as at 31 December 2020 (as at 31 December 2019: approximately HK\$1,067.6 million), primarily due to the currency translation difference of approximately HK\$44.6 million in 2020 when translating the goodwill denominated in RMB into HK\$.

During the year under review, no gain (2019: a gain of approximately HK\$7.8 million) was recorded from the remeasurement of the fair value of the outstanding contingent consideration payables under the Score Value Transaction. The conditions of obtaining the Game Approval Pre-condition by the mutually agreed extended deadline of 31 December 2020 and commencing first round game sales after obtaining such approval had not yet been fulfilled as at 31 December 2020. As at 31 December 2020, the Company decided not to further extend the deadline for fulfilling the Game Approval Pre-condition. Accordingly, the contingent consideration payables of approximately HK\$69.6 million were written back to profit or loss during the year under review. In addition, according to the terms of the Score Value Agreement, if the Game Approval Pre-condition is not granted by the relevant government authority of the PRC by the mutually agreed extended deadline of 31 December 2020, the Vendors are required to refund HK\$50 million to the Company (the "**Refund Amount**") within 30 working days after 31 December 2020, and the Company shall no longer be required to pay to the Vendors the contingent considerations. With respect to the Refund Amount which represented a contingent receivable to be measured at fair value, management of the Company has reassessed that the fair value was close to zero based on the Vendors' creditworthiness or financial performance as at 31 December 2020.

Investments accounted for using equity method decreased to HK\$Nil as at 31 December 2020 (as at 31 December 2019: approximately HK\$14.3 million), primarily due to the share of loss of the Group's joint venture with One97 Communications Limited of approximately HK\$83.2 million and partially offset by the capital contribution to the joint venture of approximately HK\$70.1 million.

Principal risks and uncertainties facing the Group, risk management measures and compliance with relevant laws and regulations

Details of the principal risks and uncertainties facing the Group, the risk management measures deployed by the Group to mitigate such risks and the Group's compliance with relevant laws and regulations can be found in the Directors' Report on pages 150 to 153 of this annual report.

Significant event after the reporting period

As of the date hereof, there was no significant event affecting the Group after 31 December 2020.

USE OF PROCEEDS FROM THE SUBSCRIPTION

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

As disclosed in the third quarterly results announcement of the Company for the nine months ended 30 September 2020, net proceeds from the Subscription (the "**Net Proceeds**") in the sum of approximately HK\$741.1 million remained as at 30 September 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 period from 1 October 2020 to 31 December 2020 (the “**Three-Month Period**”), approximately HK\$77.0 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\$664.1 million remained as at 31 December 2020 (as at 31 December 2019: approximately HK\$1,018.7 million) 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 September 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) Games and Entertainment:			
(a) <i>development, operation and promotion of the Chinese card game, GuanDan, and Two-on-One Poker</i>	approximately HK\$86.9 million (or approximately 11.7% of Remaining Net Proceeds)	approximately HK\$7.4 million	The Remaining Net Proceeds were used in items (i)(b) to (i)(c). No material difference from intended usage noted following the 2020 Re-allocations.
(b) <i>development, operation and promotion of the mind sports, leisure games and entertainment</i>			
(c) <i>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</i>			The Remaining Net Proceeds allocated to “Games and Entertainment” are expected to be used on or before 31 December 2022 (see Note below).
(d) <i>expansion and development of the Group’s R&D capability in technology development for games and systems</i>			
(e) <i>payment of marketing fees to merchants to promote and boost online activities by online users</i>			
(ii) Hardware, Lottery Games & Systems:			
(a) <i>operation and development of lottery hardware and terminal production</i>	approximately HK\$202.8 million (or approximately 27.4% of Remaining Net Proceeds)	approximately HK\$36.1 million	The Remaining Net Proceeds were used in items (ii)(a) to (ii)(b) and (ii)(f). No material difference from intended usage noted following the 2020 Re-allocations.
(b) <i>operation and development of lottery software systems</i>			
(c) <i>development of ancillary parts for lottery hardware and terminal production</i>			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) <i>investment for lottery games</i>			
(e) <i>funding the remaining consideration for the Score Value Transaction contingent upon certain performance targets</i>			
(f) <i>sourcing, manufacturing, operation and development of smart hardware and ancillary equipment and provision of related after-sales maintenance services</i>			

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 September 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)
(iii) Lottery Distribution:			
(a) sales, marketing and distribution of virtual lottery games	approximately HK\$176 million (or approximately 23.7% of Remaining Net Proceeds)	approximately HK\$15.9 million	The Remaining Net Proceeds were used in items (ii)(b) to (iii)(c).
(b) sales, marketing and distribution of instant scratch lottery games			No material difference from intended usage noted following the 2020 Re-allocations.
(c) sales, marketing and distribution of other categories of lottery games			The Remaining Net Proceeds allocated to "Lottery Distribution" are expected to be used on or before 31 December 2022 (see Note below).
(d) online sales, marketing and distribution of lottery products (including but not limited to the future cooperation with Taobao and Alipay)			
(iv) Investment project(s) and acquisition(s):			
(a) potential investment project(s) in overseas markets in areas of lottery business and games and entertainment business	approximately HK\$104.2 million (or approximately 14.1% of Remaining Net Proceeds)	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).
(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 One97 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 September 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) General corporate purposes:			
(a) <i>staff costs and other administrative expenses of the Group (including the costs relating to the Share Award Scheme)</i>	approximately HK\$171.2 million (or approximately 23.1% of Remaining Net Proceeds)	approximately HK\$17.6 million	The Remaining Net Proceeds were used in items (v)(a) to (v)(b).
(b) <i>general working capital of the Group</i>			No material difference from intended usage noted following the 2020 Re-allocations. The Remaining Net Proceeds allocated to "General corporate purposes" are expected to be used on or before 31 December 2022 (see Note below).
Grand total:	approximately HK\$741.1 million	approximately HK\$77.0 million	

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 had been postponed from 31 December 2020 to 31 December 2022.

UPDATE ON SCORE VALUE TRANSACTION

Status of outstanding deferred consideration for the Score Value Transaction

References are made to the Score Value Circular and the announcement made by the Company dated 6 January 2021. The First Deferred Consideration, the Second Deferred Consideration and the Third Deferred Consideration (as defined under the paragraph headed "Deferred Consideration" on page 9 of the Score Value Circular) (collectively, the "**Deferred Consideration**") are subject to, among others, obtaining the approval of the relevant PRC government authority for the lottery game to be supplied by a subsidiary of Score Value (the "**Deferred Consideration Pre-condition**"). For details of the Deferred Consideration, please refer to the Score Value Circular. Although the parties to the Score Value Agreement had previously mutually agreed to further extend the deadline for fulfilling the Deferred Consideration Pre-condition to 31 December 2020, it was still not fulfilled. As disclosed in the announcement of the Company dated 6 January 2021, the Company decided not to further extend the deadline for the Deferred Consideration Pre-condition. Accordingly, pursuant to the Score Value Agreement, the Vendors are required to refund the Refund Amount by 19 February 2021 and the Deferred Consideration shall no longer be payable to the Vendors.

Since the Vendors did not repay the Refund Amount by 19 February 2021, the Purchaser and the Company will likely have to go through an arbitration process to recover the Refund Amount as per the Score Value Agreement. Based on the legal advice obtained by the Company, the Purchaser and the Company have an arguable case for claiming the Refund Amount against the Vendors. However, obtaining an arbitral award and enforcing the orders will invariably incur substantial time and costs. Furthermore, to the best of the Directors' knowledge after making reasonable enquiries by the Group in the present circumstances, the Purchaser and the Company have not been able to identify sufficient evidence suggesting that the Vendors have sufficient means to satisfy the Refund Amount. It therefore follows that even if the Group successfully obtains a favorable arbitral award and the requisite enforcement order from the relevant courts, there is a real risk that the Purchaser and the Company will not be able to recoup the Refund Amount and the legal costs that will be incurred. Accordingly, having reviewed and discussed the matter with its legal advisers and considered the aforementioned situation, the Board is of the view that it will not be fruitful to pursue such claim and it is unlikely to recover such amount. The Company considers the fair value of receivable of the Refund Amount was close to zero. The overall financial impacts arising from no further extension of deadline for the Deferred Consideration Pre-condition and the non-recovery of the Refund Amount are the write-back of contingent consideration payables of approximately HK\$69.6 million to profit or loss and reclassification of the equity portion of contingent considerations of approximately HK\$30.4 million from other reserve into accumulated losses as at 31 December 2020. The Board considers that such arrangement is in the interest of its Shareholders and the Company as a whole.

For further details on the Score Value Agreement and the Score Value Transaction, please refer to the section headed "EQUITY-LINKED AGREEMENT" in the Directors' Report below.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Sun Ho – Executive Director, Chairman & CEO

Mr. Sun Ho, aged 52, founded the Company in 2006 and serves as its Executive Director, Chairman and CEO, leading the Company in overall strategic direction, business development and corporate management. He is also an authorized representative, the compliance officer, a member of the nomination committee, and the chairman of the corporate governance committee and RMICC of the Company. Mr. Sun has been appointed as a director of Ant Bank (Macao) Limited, and serves as a director of various subsidiaries of the Company. Through his extensive experience in the China lottery and related industries, Mr. Sun continues to uphold the highest responsible business standards and ethics while striving for excellence and innovation as a leader in the regulated lottery and other markets.

As the President of the Federation of Card Games, and Vice President of the International Mind Sports Association Executive Committee, Mr. Sun is dedicated to the healthy development of mind sports in China and around the world, with the goal of promoting the many social and intellectual benefits of the discipline and practice of mind sports globally.

Prior to founding the Company, Mr. Sun held various senior leadership positions in other listed companies, and had extensive experience in strategy, management, auditing and financial management of Chinese and international enterprises. He holds a bachelor's degree in Economics from the University of Sydney in Australia and a master's degree in Corporate Finance from the Hong Kong Polytechnic University. Mr. Sun is a member of CPA Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Ms. Hu Taoye – Executive Director and Chief Financial Officer

Ms. Hu, aged 41, is an executive Director, the chief financial officer of the Group and a member of the RMICC. Ms. Hu was appointed as a Director on 30 January 2019. She obtained a bachelor's degree in Economics from Renmin University of China in the PRC in July 2001. She was admitted as a practising member of the Chinese Institute of Certified Public Accountants in July 2003 and a non-practising member of such institute since March 2008. In addition, Ms. Hu was also admitted as a member and a fellow member of The Association of Chartered Certified Accountants (ACCA) in November 2005 and November 2010 respectively. From 2001 to early 2008, she worked for KPMG and her last position with KPMG was audit manager.

Ms. Hu joined Alibaba Group in February 2008. From February 2008 to May 2014, Ms. Hu served as an internal control director and a financial controller of the B2B and Alibaba Cloud divisions of Alibaba Group. After that, she served as a financial controller of Autonavi and UC Web, under Alibaba Mobile Internet Division of Alibaba Group until June 2016. Prior to joining the Group, Ms. Hu was a financial controller of the digital media and entertainment division of Alibaba Group.

Mr. Yang Guang – Non-executive Director

Mr. Yang, aged 43, has been a non-executive Director since 10 August 2016. He joined Alibaba Group in September 2007. He is currently the vice president of Tmall Business Segment of Alibaba Group and is responsible for the operation of Tmall merchants and industries.

Mr. Yang has extensive experience in the internet industry and the lottery industry. Before the current position in Alibaba Group, Mr. Yang led the operation team of consumer electronics product in Taobao.com. Mr. Yang was one of the core members of the team responsible for the establishment of Tmall.com and Taobao Travel. From 2012 to 2015, Mr. Yang was responsible for Taobao.com's innovative business including Taobao Lottery. He graduated from Jilin University, China, majoring in biological pharmacy. He is a non-executive director of Haier Electronics Group Co., Ltd. (Stock Code: 1169, of which shares have been delisted from the Stock Exchange since 23 December 2020) and a director of Suning.com Co., Ltd. (蘇寧易購集團股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002024).

Mr. Li Faguang – Non-executive Director

Mr. Li, aged 44, is a non-executive Director. Mr. Li has been appointed on 4 March 2019. He obtained a bachelor's degree in Finance from Nankai University in the PRC in June 1998 and a master's degree in Finance and Management from Loughborough University in the United Kingdom in December 2005.

Mr. Li joined Alibaba Group in February 2016 and is currently a senior financial controller of Alibaba Holding. Mr. Li has extensive experience in financial management. Prior to joining Alibaba Holding, Mr. Li worked at 奧的斯機電電梯有限公司 (Otis Electric Elevator Co., Ltd.*) (formerly known as 西子奧的斯電梯有限公司 (Xizi Otis Elevator Co., Ltd.)) as director of financial analysis and a regional financial controller from May 2012 to February 2016. Prior to that, he worked at Dell (China) Company Limited for approximately seven years and his last position was senior financial manager.

Mr. Ji Gang – Non-executive Director

Mr. Ji, aged 46, has been a non-executive Director since 10 August 2016. He joined Ant Holdco in January 2016. He is currently the Vice President and Head of Strategic Investment of Ant Holdco. He is responsible for the global strategic investments for Ant Holdco and has many years of experience in investment and the internet industry. Before joining Ant Holdco, he served as a Vice President of Alibaba Group and was responsible for strategic investment. He is currently a director of Phoenix Tree Holdings Limited (the American depositary shares (“ADSs”) of which are listed on the New York Stock Exchange (Stock Symbol: DNK). He holds a bachelor's degree in international business management from University of International Business and Economics, China.

Mr. Zou Liang – Non-executive Director

Mr. Zou, aged 48, has been a non-executive Director since 10 November 2017. He obtained a bachelor's degree in Economics Technology from Hunan University in the PRC, a master's degree in Administration Management from Zhongnan University of Economics and Law in the PRC and also an Executive Master of Business Administration degree from China Europe International Business School in China. Mr. Zou is currently the general manager of the Innovation Division of Intelligent Technology Business Department of Ant Group (formerly a general manager of Strategic Development Department of Alibaba Group). Prior to joining Ant Group in 2015, Mr. Zou was a general manager at Hunan Yuanchen Investment Group* (湖南遠晨投資集團) from February 2010 to March 2015.

Ms. Monica Maria Nunes – Independent Non-executive Director

Ms. Monica Maria Nunes, aged 52, was appointed on 20 June 2013 as the independent non-executive Director as well as the chairperson of each of the audit, remuneration and nomination committees of the Company. She was first appointed as an executive director of Vodatel Networks Holdings Limited (“**Vodatel**”), the shares of which are listed on GEM (Stock Code: 8033). She is currently the managing director, finance director and the compliance officer of Vodatel. She graduated from the University of Calgary, Canada with a bachelor’s degree in commerce and from the University of Hong Kong, with a master’s degree in social sciences. She has over 25 years of management, accounting and finance experience. She is a Canadian Chartered Professional Accountant, Certified Management Accountant, and is a member of the Chartered Professional Accountants of Alberta, Canada. She is an associate of the Chartered Institute of Management Accountants and a designee of the Chartered Global Management Accountant.

Mr. Feng Qing – Independent Non-executive Director

Mr. Feng Qing, aged 67, was appointed as the independent non-executive Director and a member of each of the audit, remuneration and nomination committees of the Company on 4 May 2015. Mr. Feng Qing is the chairman of Beijing Yi Xin Tech Corporation. Mr. Feng was the author of the marketing economics book titled “Practical Market Theory (實用市場理論)” which was well received by the market, and became an instrumental reading in learning western economics. In 1983, Mr. Feng commenced study of macroeconomics in Switzerland.

After graduation, Mr. Feng stayed in Switzerland to work at Sulzer International AG, the then one of the biggest machinery manufacturers in Switzerland, for many years. Afterwards, Mr. Feng returned to China and was engaged in satellite communication and investment and finance related work. Mr. Feng graduated from the Precision Instruments faculty (精密儀器系) of Tsinghua University, the PRC, majoring in Machinery Manufacturing Technology and Equipment (機械製造工藝及設備), and was a postgraduate student in macroeconomics of the University of Zurich in Switzerland.

Dr. Gao Jack Qunyao – Independent Non-executive Director

Dr. Gao Jack Qunyao, aged 62, was appointed as the independent non-executive Director and a member of each of the audit, remuneration and nomination committees of the Company on 6 May 2015.

Dr. Gao has extensive experience in IT, media and entertainment, and venture capital. He is currently the adjunct professor of the Business School of The Chinese University of Hong Kong, the founding partner and CEO of Beijing Times Digiwork Films Technology Co., Ltd. (Smart Cinema), and the independent non-executive director of AsiaInfo Technologies Limited (a company listed on the Stock Exchange under Stock Code: 1675). During 2015-2017, Dr. Gao was the Group Senior Vice President and CEO of International Investments and Business Operation Department of 北京萬達文化產業集團有限公司 (Beijing Wanda Culture Industry Group Co., Ltd.*) and in 2017, Interim CEO of Legendary Entertainment LLC; a director of several Wanda Group companies including Legendary Entertainment LLC, AMC Entertainment Holdings, Inc. (listed on the New York Stock Exchange, stock symbol: AMC) and Sunseeker International Limited, and the director for the EuropaCity (巴黎歐洲城) project. Dr. Gao was previously the founder and president of Gao Entertainment LLC; an independent director of AirMedia Group Inc. (the ADSs) of which are listed on NASDAQ under the symbol: AMCN; and an independent director of 萬通投資控股股份有限公司 (Vantone Holdings Co., Ltd.*); a director of Infront Sports & Media AG, Bona Film Group Limited (the ADSs of which are listed on NASDAQ under the symbol: BONA); and an alternate director of Phoenix Media Investment (Holdings) Limited (formerly known as Phoenix Satellite Television Holdings Limited) (a company listed on the Stock Exchange under Stock Code: 2008).

Previously, Dr. Gao also held various major positions in a number of renowned companies, including senior vice president of News Corporation (a company listed on NASDAQ under the symbol: NWS); chief executive officer of News Corporation China Investments and STAR (China) Limited; chief representative of News Corporation, Beijing representative office; vice president of Autodesk China; general manager of Microsoft (China) Co., Ltd.; and general partner, executive vice president and country head (China) of Walden International, a leading venture capital firm in the United States of America. Dr. Gao holds a doctorate degree in Engineering from Harbin Institute of Technology, China. He is the author of the book titled “體驗微軟 (Experience Microsoft)” which has a wide readership in China IT communities.

For the information of the Directors' and chief executive's emoluments, please refer to Note 37 to the consolidated financial statements contained in this report.

SENIOR MANAGEMENT (OTHER THAN EXECUTIVE DIRECTORS)

Mr. Bai Jinmin – Chief Strategy Officer and General Counsel

Mr. Bai Jinmin is the Chief Strategy Officer and General Counsel of the Group. He is presently responsible for the execution of the development initiatives of the Group's lottery business, supervision over the relevant operations and the management of corporate legal and compliance matters. Mr. Bai joined the Group in September 2007.

Mr. Bai has nearly 30 years of extensive experience in business development, investment, corporate management and strategic planning. Prior to joining the Group, Mr. Bai was a director of Louis DreFus Energy (SPEC) Pte Ltd., managing director of SPEC Overseas (Holdings) Pte Ltd., vice president of Shenzhen Petrochemical Industry (Holdings) Co., Ltd., chairman of Shenzhen GETOS Fine Silicons Co., Ltd., director of Sinoying Logistics Pte Ltd. and executive director of STAR Pharmaceutical Limited.

Mr. Bai holds a bachelor's degree in Engineering from 杭州電子工業學院 (Electronics Institute of Hangzhou*) (now known as Hangzhou Dianzi University* (杭州電子科技大學)) in the PRC and a master's degree in Business Administration from the National University of Singapore.

Ms. Han Yi – Chief Personnel Officer

Ms. Han Yi is the Chief Personnel Officer of human resources and administration of the Company. She joined the Company in August 2016 and is responsible for the planning and execution of the Company's human resources and administration matters. She is also the director of various subsidiaries of the Company in the PRC. Ms. Han worked for Alibaba Group from 2004 to 2016 and her last position with Alibaba Group was senior human resources manager. She has profound experience as senior management in human resources.

Mr. Zhang Yan – Vice President

Mr. Zhang Yan is a Vice President of the Company, with over 15 years of domestic and international lottery and sports industry experience. Mr. Zhang joined the Group in November 2016 and is presently responsible for executing the Group's sports data related strategy, lottery product and platform system development, as well as leading the Company's ongoing international expansion including spearheading the Group's entry into the Indian market.

Prior to joining the Company, Mr. Zhang held various senior management roles in the design and commission of lottery and sports entertainment products with extensive expertise in managing top-tier multi-channel operators in regulated markets. Mr. Zhang graduated from King's College London of University of London with Honors degree in Electronic Engineering.

Mr. Wong Gilbert Chun Chin – Vice President

Mr. Wong is a Vice President of the Company, presently responsible for investment projects, corporate planning, public relations and investor relations for the Group. Mr. Wong has been serving in the gaming and lottery industry for over 15 years, in addition to consultancy collaborations with major operators and regulators throughout Asia. Prior to joining the Group in 2018, he was with the Hong Kong Jockey Club, and has extensive experience in trading operations and risk management, commercial development and project management. Mr. Wong graduated from the University of Toronto, Canada.

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

DIRECTORS' REPORT

The Directors present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in Note 39 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in Note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 167.

The Board does not recommend the payment of a final dividend for the year under review (2019: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year under review are set out in Note 15 to the consolidated financial statements.

SHARES ISSUED IN THE YEAR

Details of the Shares issued in the year ended 31 December 2020 are set out in Note 32 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company had no distributable reserves calculated under the laws of Bermuda as at 31 December 2020.

REDEMPTION, PURCHASE OR CANCELLATION OF REDEEMABLE SECURITIES

During the year under review, neither the Company nor any of its subsidiaries redeemed, purchased or cancelled any of its redeemable securities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

FINANCIAL SUMMARY

A summary of the results of the Group and of the assets and liabilities of the Group for the past five years ended 31 December 2020 is set out on page 160.

DIRECTORS

The Directors during the year under review and up to the date of this report were:

Executive Directors:

Mr. Sun Ho
Ms. Hu Taoye

Non-executive Directors:

Mr. Yang Guang
Mr. Li Faguang
Mr. Ji Gang
Mr. Zou Liang

Independent non-executive Directors:

Ms. Monica Maria Nunes
Mr. Feng Qing
Dr. Gao Jack Qun Yao

In accordance with bye-law 87 of the Bye-laws, three Directors (namely, Mr. Li Faguang, Mr. Zou Liang and Mr. Feng Qing) will retire by rotation, but being eligible, shall offer themselves for re-election, at the forthcoming annual general meeting of the Company to be held on 18 May 2021.

DIRECTORS' SERVICE AGREEMENTS

Mr. Sun Ho was appointed as an executive Director and CEO of the Company under a renewed service contract for a term of two years as from 10 August 2020, unless terminated earlier by the Company for cause.

Ms. Hu Taoye was appointed as an executive Director and the chief financial officer of the Company under a service agreement with effect from 30 January 2019 for an initial term of 1 year, and either party thereto may terminate such agreement by giving the other party not less than three months' written notice. Such agreement has been renewed until 1 April 2022.

The non-executive Directors are appointed for a term of one year. Their appointments shall be renewable automatically for successive terms of one year each commencing from the next day after the expiry of the then current term of their respective appointment unless terminated by the Company in accordance with the terms of their appointment letters and the provisions of the Bye-laws.

Each of Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qunyao was appointed as an independent non-executive Director under a renewed service agreement for a term of two years commencing from 12 May 2019, 4 May 2019 and 6 May 2019 respectively.

During the tenures of the aforesaid service agreements for all of the independent non-executive Directors, such agreements may be terminated by either party thereto giving the other party not less than one month's notice in writing.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

During the year under review, the Group engaged in certain continuing connected transactions (“**CCTs**”) with Alibaba Group and Ant Group respectively as more fully described in the section headed “CONTINUING CONNECTED TRANSACTIONS” below or which are otherwise exempt from disclosure under Chapter 20 of the GEM Listing Rules.

Ms. Hu Taoye, Mr. Li Faguang and Mr. Yang Guang are employees of Alibaba Group, and each of these Directors was deemed or may be perceived to have a material interest in the transactions between the Group and Alibaba Group. Accordingly, they abstained from voting on the resolutions passed by the Board in relation to such transactions.

Mr. Ji Gang and Mr. Zou Liang are employees of Ant Group, and each of these Directors was deemed or may be perceived to have a material interest in the transactions between the Group and Ant Group. Accordingly, they abstained from voting on the resolutions passed by the Board in relation to such transactions.

Save as disclosed above and in the section headed “CONTINUING CONNECTED TRANSACTIONS” in this report, during the year under review, there were no transaction, arrangement or contract of significance (whether for the provision of services to the Group or not) in relation to the Group’s business to which the Company, any of its controlling shareholders (as defined in the GEM Listing Rules), holding company, subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year under review or at any time during the year under review.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Bye-laws, every Director shall be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of his/her duty, or supposed duty, in his/her office or otherwise in relation thereto, provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director. The relevant provision of the Bye-laws was in force during the year under review and as of the date of this report. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Group.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2020, the Group engaged in the following CCTs, details of which had been disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules:

CCTs with Alibaba Group

- (i) On 11 December 2019, Beijing GOT Technology Co., Ltd.* ("**Beijing GOT**", a wholly-owned subsidiary of the Company) entered into a cooperation framework agreement (the "**Alibaba Cooperation Framework Agreement**") with Alibaba (China) Technology Co. Ltd. ("**Alibaba China**", an indirect wholly-owned subsidiary of Alibaba Holding), subject to the annual cap amounts of HK\$70,000,000 and HK\$70,000,000 for the period commencing from 21 February 2020 (i.e. the effective date of the Alibaba Cooperation Framework Agreement) to 31 December 2020 and for the year ending 31 December 2021 respectively. Pursuant to the Alibaba Cooperation Framework Agreement, the Group may supply smart hardware and ancillary equipment (including, but are not limited to, point-of-sales (POS) terminals and face recognition payment equipment) (the "**Alibaba Smart Equipment**") and related aftersales maintenance services to Alibaba China and its affiliates (including "Lingshoutong" (零售通)).

The aforesaid annual caps were calculated with reference to (a) the estimated quantities of Alibaba Smart Equipment to be supplied by the Group to Alibaba China and its affiliated companies; and (b) the Group's projections on the unit price and average maintenance fees for the Alibaba Smart Equipment, which shall be computed in accordance with the Group's pricing policy, which includes, primarily, cost-plus pricing computations while giving due consideration to the prevailing price levels for similar products in the market.

Ali Fortune, the controlling shareholder of the Company, is indirectly held as to 60% by Alibaba Holding. Accordingly, Alibaba China, being an indirect wholly owned subsidiary of Alibaba Holding, is an associate of Ali Fortune and hence a connected person of the Company. The Alibaba Cooperation Framework Agreement and the transactions contemplated thereunder thus constitute CCTs of the Company under Chapter 20 of the GEM Listing Rules.

Since at least one of the applicable percentage ratios as defined in the GEM Listing Rules calculated with reference to the annual caps in respect of the Alibaba Cooperation Framework Agreement exceeds 5%, the Alibaba Cooperation Framework Agreement and the transactions contemplated thereunder are subject to the annual review, reporting, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Alibaba Cooperation Framework Agreement, the transactions contemplated thereunder and the annual caps thereof had been duly approved by independent Shareholders at the special general meeting of the Company held on 21 February 2020. For details of these CCTs, please refer to the circular of the Company dated 5 February 2020.

- (ii) On 20 December 2019, Beijing AGTech Co., Ltd.* ("**Beijing AGTech**"), being a wholly-owned subsidiary of the Company, entered into a technology services framework agreement (the "**2020 Technology Services Framework Agreement**") with Alibaba Cloud Computing Ltd. ("**Alibaba Cloud**"). Pursuant to the 2020 Technology Services Framework Agreement, Beijing AGTech will and will procure the Group to, where applicable, enter into specific agreements with Alibaba Cloud for the provision of technology services and resources, including authorisation for the use of cloud computing technologies and e-commerce technologies, and the provision of other technology services and support based on the business needs and operational requirements of the Group, including the provision of information technology infrastructure and hardware such as servers and data rooms, by Alibaba Cloud to the Group. The 2020 Technology Services Framework Agreement shall be for a term commencing on 1 January 2020 and ending on 31 December 2022. The Company initially expected that the maximum aggregate fees payable to Alibaba Cloud by the Group under the 2020 Technology Services Framework Agreement would not be more than HK\$3,300,000 for the year ended 31 December 2020, HK\$4,000,000 for the year ending 31 December 2021 and HK\$4,800,000 for the year ending 31 December 2022.

However, as announced by the Company on 17 December 2020, the Company subsequently revised the annual cap for the year ended 31 December 2020 upwards to HK\$3,800,000 with reference to (a) the fact that the historical transaction amount (unaudited) relating to the relevant technology services for the 11 months ended 30 November 2020 was already approximately HK\$2,930,000, and (b) the then expected transaction amounts relating to such technology services for the one-month period in December 2020; while the annual caps for the years ending 31 December 2021 and 2022 remain unchanged. These annual caps were primarily estimated based on the Group's expected demand and rate of usage for the relevant technology services during the term of the 2020 Technology Services Framework Agreement, the applicable rates of services currently published by Alibaba Cloud on its official website(s), and the discount rates historically offered by Alibaba Cloud to third parties.

Ali Fortune, the controlling shareholder of the Company, is indirectly held as to 60% by Alibaba Holding. Accordingly, Alibaba Cloud, being a consolidated entity of Alibaba Holding, is an associate of Ali Fortune and therefore a connected person of the Company. The transactions contemplated under the 2020 Technology Services Framework Agreement thus constitute CCTs of the Company under Chapter 20 of the GEM Listing Rules.

As each of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the 2020 Technology Services Framework Agreement is less than 5%, the transactions contemplated under the 2020 Technology Services Framework Agreement are subject to the annual review, reporting and announcement requirements, but exempt from the circular and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. For details of these CCTs, please refer to the announcements of the Company dated 20 December 2019 and 17 December 2020.

During the year ended 31 December 2020, the actual transaction amounts in respect of the CCTs with Alibaba Group described above were as follows:

CCTs with Alibaba Group	Total amount (HK\$'000)
(i) In respect of the Alibaba Cooperation Framework Agreement :	Nil ^{Note a}
(ii) In respect of the 2020 Technology Services Framework Agreement :	3,159 ^{Note b}

Notes:

- a. *The aggregate amount of these transactions amounted to HK\$Nil for the year ended 31 December 2020, which fell within the annual cap amount of HK\$70,000,000 for such year.*
- b. *The aggregate amount of these transactions amounted to approximately HK\$3,159,000 for the year ended 31 December 2020, which fell within the revised annual cap amount of HK\$3,800,000 for such year.*

Annual review of CCTs

The independent non-executive Directors reviewed the CCTs set out above, and confirmed that the CCTs set out above have been entered into:

- (i) in the ordinary and usual course of the business of the Group;
- (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreements governing them and are on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The independent non-executive Directors also considered that the internal control procedures put in place by the Group to monitor the CCTs are adequate and effective. The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules and has followed the policies and guidelines as set out in the Guidance Letter GL-73-14 issued by the Stock Exchange when determining the price and terms of the CCTs during the year under review.

The Company's auditor was engaged to report on the Group's CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor had issued its unqualified letter containing its findings, conclusions and confirmations in respect of the CCTs disclosed above in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor's letter had been provided by the Company to the Stock Exchange.

During the year ended 31 December 2020, the Company reviewed its related party transactions and confirmed that, save as disclosed above, there was no connected transaction or continuing connected transaction of the Company which was required to be disclosed pursuant to Chapter 20 of the GEM Listing Rules. Save as disclosed above, none of the related party transactions set out in Note 36 to the consolidated financial statements were such transactions required to be disclosed pursuant to Chapter 20 of the GEM Listing Rules.

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

As at 31 December 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 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 Qunyao	750,000	–	750,000	0.006%

Notes:

1. Based on a total of 11,672,342,235 Shares in issue as at 31 December 2020.
2. It represents 36,618,000 Shares and 9,540,000 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 & CEO of the Company, he was deemed to be interested in such Shares under the SFO.

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:

Name of Director	Nature of interests	Number of shares/ underlying shares held (Note 7)	Approximate percentage of issued shares of Alibaba Holding (Note 1)
Ms. Hu Taoye	Beneficial and equity derivative interests	134,560 (Note 2)	0.001%
Mr. Yang Guang	Beneficial and equity derivative interests	271,224 (Note 3)	0.001%
Mr. Li Faguang	Beneficial and equity derivative interests	142,624 (Note 4)	0.001%
Mr. Ji Gang	Beneficial and equity derivative interests	75,640 (Note 5)	negligible
Mr. Zou Liang	Beneficial and equity derivative interests	16,320 (Note 6)	negligible

Notes:

1. Based on a total of 21,688,948,800 ordinary shares in issue as at 31 December 2020.
2. It represents 98,560 ordinary shares and 36,000 restricted share units of Alibaba Holding beneficially held by Ms. Hu Taoye.
3. It represents 47,224 ordinary shares and 224,000 restricted share units of Alibaba Holding beneficially held by Mr. Yang Guang.
4. It represents 44,224 ordinary shares and 98,400 restricted share units of Alibaba Holding beneficially held by Mr. Li Faguang.
5. It represents 29,720 ordinary shares and 45,920 restricted share units of Alibaba Holding beneficially held by Mr. Ji Gang.
6. It represents 16,320 restricted share units of Alibaba Holding beneficially held by Mr. Zou Liang.
7. 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 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:

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 December 2020, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares (in respect of share options of the Company which were regarded as unlisted physically settled equity derivatives) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save for the fact that certain Directors have been granted award Shares under the Share Award Scheme through on-market acquisition of the Shares by the trustee of such scheme, at no time during the year under review was the Company, any of its holding company, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 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 (Note 2)	Beneficial owner	6,502,723,993 (Note 8)	55.71%
Alibaba Investment Limited (Note 2)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
API Holdings Limited (Note 2)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
Alibaba Holding (Note 3)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
API (Hong Kong) Investment Limited (Note 4)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
Shanghai Yunju Venture Capital Investment Co., Ltd. (formerly known as Shanghai Yunju Investment Management Co., Ltd.) (Note 5)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
Ant Holdco (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%
Mr. Jing Eric Xiandong (Note 7)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
Mr. Jiang Fang (Note 7)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
Mr. Hu Simon Xiaoming (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 December 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 31 December 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 December 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.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Company maintained sufficient public float of the Shares, representing no less than 25% of the total issued Shares as required under the GEM Listing Rules.

SHARE OPTIONS

A share option scheme of the Company was approved by the Shareholders at the special general meeting held on 23 December 2014 (the "**2014 Scheme**") and was adopted by the Company on the same date in place of the former share option scheme of the Company adopted on 18 November 2004 (the "**2004 Scheme**") (which had expired on 17 November 2014 and all options granted under the 2004 Scheme had lapsed in 2019). Particulars of the Company's Share Option Schemes (including the terms thereof and details of the share options granted thereunder) and details of movements in the share options under such schemes during the year under review are set out in Note 34 to the consolidated financial statements.

Under the 2014 Scheme, the total number of Shares which may be issued upon exercise of all options granted (and other share option schemes of the Company, if any) shall not exceed the "scheme mandate limit" of 443,431,786 Shares (being 10% of the Shares in issue on the date of the special general meeting of the Company held on 23 December 2014 for the purpose of, among other things, approving such scheme).

During the year ended 31 December 2020, no options were granted by the Company pursuant to the Share Option Schemes. No options were cancelled and forfeited, whereas options in respect of 80,660,698 Shares had expired during the year ended 31 December 2020. As at the date of this report, the total number of Shares still available for issue in respect of the share options granted under the 2014 Scheme (excluding, for the purpose of calculating the "scheme mandate limit", any options granted under the 2014 Scheme but forfeited or expired in accordance with the terms of such scheme) shall be 313,309,485 Shares, representing approximately 2.7% of the Company's issued share capital as at that date.

No options were exercised during the year ended 31 December 2020.

As at 31 December 2020, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Schemes was Nil (2019: 80,660,698), representing Nil% (2019: 1%) of the Company's issued share capital as at that date.

GRANT OF AWARD SHARES PURSUANT TO SHARE AWARD SCHEME

As disclosed in the announcement of the Company dated 17 March 2017, the Company has adopted the Share Award Scheme on 17 March 2017 (the "**Adoption Date**") which will allow the Company to grant award Shares to selected participants as incentives and/or rewards for their contribution to the Group.

On 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 hereof. 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 year under review, the trustee of the Share Award Scheme (the "**Trustee**") has purchased a total of 66,752,000 Shares on the Stock Exchange at a total consideration of approximately HK\$22.0 million to satisfy award Shares granted under the Share Award Scheme.

During the year under review, 52,744,000 award Shares were granted by the Company pursuant to the Share Award Scheme, 45,938,425 award Shares were vested in the grantees and 33,155,000 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.

EQUITY-LINKED AGREEMENT

The following equity-linked agreement was entered into by the Group during the year under review or subsisted at the end of the year:

Score Value Agreement

As disclosed in the Score Value Circular, the Score Value Agreement was entered into between the Company, the Purchaser, the Vendors and Score Value in relation to the acquisition by the Purchaser of a 100% equity interest in Score Value (i.e. the Score Value Transaction) for a maximum consideration of HK\$489.5 million (subject to downward adjustments). The maximum consideration is to be satisfied as to HK\$239.5 million in cash and as to HK\$250.0 million by way of the allotment and issue of a maximum of 168,918,918 Consideration Shares (being new Shares to be issued by the Company as defined in the Score Value Circular) at the issue price of HK\$1.48 per Share. Subject to the Score Value Group meeting certain operational targets (namely, launching the sales of a lottery game through mobile smart phone channel in prescribed number of provinces in the PRC) as set out in the section headed "Bonus Options" on page 11 of the Score Value Circular, the Company shall also grant the Bonus Options (as defined in the Score Value Circular) to the Vendors which shall entitle the Vendors to subscribe for a maximum of 166,666,666 Bonus Option Shares (as defined in the Score Value Circular) at a subscription price of HK\$1.8 per Bonus Option Share (for a maximum total amount of approximately HK\$300 million receivable by the Company). As the pre-condition for the grant of the Bonus Options (for details on such pre-condition, please refer to the Score Value Circular) was not fulfilled within 2 years from the date of the Score Value Agreement, the Company will no longer grant the Bonus Options to the Vendors.

Initial consideration in respect of the Score Value Agreement comprising HK\$109,125,000 in cash and 33,783,783 Consideration Shares had been paid and issued by the Company to the Vendors.

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 (comprising HK\$100 million in cash and 135,135,135 Consideration Shares) to the Vendors upon fulfilment of certain pre-conditions at a later stage, including the Game Approval Pre-condition and profit guarantees of an average of RMB20 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 the 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.

The Shenzhen Subsidiary of Score Value met the profit guarantees for the three years ended 31 December 2015, 2016 and 2017, and a total of 33,783,784 Shares had been issued to the Vendors accordingly. Save as disclosed above, the other pre-conditions for the payment of the other tranches of deferred consideration have not yet been fulfilled and the parties to the Score Value Agreement previously mutually agreed to further extend the deadline for fulfilment of such pre-condition to 31 December 2020. However, as disclosed in the announcement of the Company dated 6 January 2021, the Company has decided not to further extend such deadline. 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 will no longer be payable to the Vendors.

For further details on the updates on the Score Value Transaction, please refer to the section headed "UPDATE ON SCORE VALUE TRANSACTION" in the Discussion and Analysis of the Group's Results and Business above.

Save as disclosed above, and in the sections headed "SHARE OPTIONS" and "GRANT OF AWARD SHARES PURSUANT TO SHARE AWARD SCHEME" in this Directors' Report, no equity-linked agreements were entered into by the Group during the year under review or subsisted at the end of the year.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of revenue for the year under review attributable to the Group's major customers were as follows:

	2020	2019
– the largest customer	34.2%	39.5%
– five largest customers combined	74.1%	73.3%

The percentages of purchases for the year under review attributable to the Group's major suppliers were as follows:

	2020	2019
– the largest supplier	16.0%	14.3%
– five largest suppliers combined	43.8%	37.9%

At no time during the year under review did the Directors, their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the total number of issued Shares) have an interest in any of the Group's five largest customers or suppliers.

No single customer accounted for more than 35% of the Group's total revenue from sales of goods or rendering of services for the year under review and the largest customer is a provincial sports lottery centre in the PRC with satisfactory settlement history. The Group continues to expand the customer base and thus we do not consider that the relationships with our customers expose the Group's business to any substantial risks.

INTERESTS IN COMPETING BUSINESS

None of the Directors, controlling shareholder of the Company and their respective associates have an interest in a business, which competes or may compete with the businesses of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has confirmed his/her independence (together with the independence of his/her respective "immediate family members" as defined under Rule 20.10(1)(a) of the GEM Listing Rules) pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors are independent.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

EMOLUMENT POLICY

As incentives for their contributions to the Group, the employees of the Group and all the Directors (including the independent non-executive Directors and non-executive Directors) may be granted share options or award Shares by the Company from time to time pursuant to the Share Option Schemes or the Share Award Scheme respectively.

The remuneration committee reviews and recommends to the Board for approval of the emoluments of the Directors, having regard to the Group's operating results, individual performance, time commitment and responsibilities, and comparable market remuneration packages for executive and non-executive directors of listed issuers in Hong Kong. The remuneration committee of the Company has delegated the responsibility to the executive Directors to approve specific remuneration packages of senior management since the executive Directors have a better understanding of the level of expertise, experience and performance expected of the senior management in the daily business operations.

RETIREMENT AND PENSION PLAN

To comply with the statutory requirements of the Mandatory Provident Fund ("MPF") Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), the Group has set up the MPF Scheme. Mandatory contributions to the scheme are made by both the employers and employees at 5% of the employees' monthly relevant income capped at HK\$30,000. The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. During the year, the Group made contributions to the MPF Scheme amounted to approximately HK\$0.5 million (2019: approximately HK\$0.5 million). During the year under review, no forfeited contributions had been used by the employer to reduce the existing level of contributions.

LOAN TO AN OFFICER

A loan granted to an officer of the Company for an original period of 2 years was expired on 31 December 2018 and extended for three years. It is repayable by monthly instalments at interest rate with reference to market rate. The transaction is fully exempted from the connected transaction requirements under Rule 20.74 of the GEM Listing Rules.

DONATIONS

During the year under review, the Group made donations amounted to HK\$197,000 (2019: Nil) for charitable purposes.

CONTROL AGREEMENTS ADOPTED BY THE GROUP TO INDIRECTLY CONTROL OPERATING SUBSIDIARIES OF THE COMPANY (NAMELY, SILVERCREEK AND CAIXIAOER) IN CHINA

In respect of Silvercreek

A wholly-owned subsidiary of the Company, AGTech iGaming Limited, completed the acquisition of the entire issued share capital of Fortune Happy Investment Limited (the “**Target Company**”) in December 2011.

The Target Company is a company incorporated in Hong Kong with limited liability and is an investment holding company holding a 100% equity interest in 深圳市福悦信息諮詢有限公司 (Shenzhen Fortune Happy Information Advisory Co., Ltd.) (the “**WFOE**”) which is a wholly foreign owned enterprise established under the laws of the PRC. The WFOE, in turn, controls a 100% equity interest in an operating subsidiary, Silvercreek, through a set of control agreements (the “**Control Agreements**”) entered into between the WFOE and two individual shareholders of Silvercreek (the “**Nominee Shareholders**”) who are PRC nationals acting as nominees to together hold the entire equity interest in Silvercreek on behalf of the WFOE. The WFOE has transferred all of its rights and obligations under Control Agreements to a wholly-owned subsidiary of the Company, 世紀星彩企業管理有限公司 (China Lottery Management Co., Ltd.) (“**CLMC**”), on 4 May 2017. Thus, CLMC controls 100% equity interest in Silvercreek. During the year under review, the Nominee Shareholders were Mr. Zhang Ting (who held a 95% equity interest in Silvercreek as at 31 December 2020) and Mr. Wang Jian (who held a 5% equity interest in Silvercreek as at 31 December 2020).

Silvercreek is a limited liability company established under the laws of the PRC and is principally engaged in internet information service business (referred to as the “**Restricted Business**”).

Silvercreek holds the necessary PRC internet content provider and PRC telecom service provider licences to operate the Restricted Business in the PRC which is subject to foreign investment restrictions. Accordingly, the Control Agreements were adopted so as to allow CLMC to gain full effective control over the management and financial operation of Silvercreek and enable the economic benefits of Silvercreek to be consolidated into the consolidated financial statements of the Group. The Control Agreements were not adopted for reasons or requirements other than the aforesaid foreign investment restrictions in respect of the Restricted Business in the PRC. For the year ended 31 December 2020, net assets totalling approximately HK\$5.6 million and revenue totalling approximately HK\$1.0 million of Silvercreek were consolidated into the consolidated financial statements of the Group via the Control Agreements.

Set out below is a summary of the Control Agreements and their key terms which serve to protect the interests of CLMC as the beneficial owner of Silvercreek:

- (i) under a *loan agreement* (貸款協議) between CLMC and the Nominee Shareholders, CLMC (as the lender) agreed to lend a loan amounting to RMB50 million (equivalent to approximately HK\$56.24 million) to the Nominee Shareholders (as the borrowers) for their onward investment in Silvercreek such that they will together have 100% equity interest in Silvercreek. The loan must only be repaid by way of the Nominee Shareholders transferring their equity interests in Silvercreek to CLMC or its nominee and may only be used by the Nominee Shareholders for the purpose of investing in Silvercreek as its increased registered capital. The Nominee Shareholders shall pay any dividends, interests or benefits received from Silvercreek to CLMC. Where permissible under the PRC law, CLMC has the right to acquire from the Nominee Shareholders their entire equity interests in Silvercreek or all the assets of Silvercreek and use the outstanding loan owed by the Nominee Shareholders to CLMC as settlement of the consideration for the acquisition;
- (ii) under an *equity pledge agreement* (股權質押合同) between CLMC and the Nominee Shareholders, the Nominee Shareholders agreed to pledge their respective equity interests in Silvercreek (together with any dividends, interests, investment return or other benefits generated from such equity interests) to CLMC to secure the due performance of their obligations under the loan agreement mentioned in (i) above. The equity pledge agreement ensures that the Nominee Shareholders cannot transfer their respective equity interests in Silvercreek to other parties;
- (iii) under a *call option agreement* (購買選擇權協議) between CLMC, the Nominee Shareholders and Silvercreek, where permissible under the PRC law, CLMC or its nominee shall be entitled to exercise an exclusive and irrevocable option (granted by the Nominee Shareholders) to acquire part or all of the Nominee Shareholders' equity interests in Silvercreek or its assets. The consideration for such acquisition shall be settled with and offset against the outstanding loan owed by the Nominee Shareholders to CLMC under the loan agreement mentioned in (i) above, provided that such consideration shall be adjusted on a pro rata basis if the aforesaid option is partially exercised only. In the event that CLMC exercises the aforesaid option, the Nominee Shareholders and Silvercreek shall unconditionally assist CLMC in respect of all necessary procedures for the equity transfer such as obtaining government approval and consent, and handling registration and filing matters. The call option agreement allows CLMC to directly hold the entire equity interests or assets in Silvercreek when the PRC law lifts the foreign investment restrictions in respect of the Restricted Business in the PRC; and
- (iv) under a *declaration of trust* (信託承諾及聲明書) between CLMC and the Nominee Shareholders, the Nominee Shareholders declared that they are only holding the equity interests in Silvercreek on trust for CLMC and do not possess any shareholders' rights in respect of such equity interests. The Nominee Shareholders shall vote at shareholders' meetings in accordance with the written instructions of CLMC or shall sign any power of attorney or other document(s) requested by CLMC in order to allow

the authorized representative of CLMC to participate and vote at the shareholders' meeting of Silvercreek or exercise all the rights entitled by the board of directors of Silvercreek. In the event of bankruptcy or death of the Nominee Shareholders or that the Nominee Shareholders refuse, are unable or it is otherwise inappropriate for them, to act as nominees to hold the equity interests in Silvercreek, CLMC shall be entitled to, at its sole discretion, authorize other nominees to replace the Nominee Shareholders to hold the equity interests in Silvercreek on trust for CLMC. Under those circumstances, the Nominee Shareholders, the official receiver, the personal representative(s) of the deceased Nominee Shareholder(s) and/or other persons acting in the name or on behalf of the Nominee Shareholders shall immediately transfer the equity interests in Silvercreek to the person(s) designated by CLMC in writing in accordance with the declaration of trust. The declaration of trust grants CLMC voting rights in respect of the equity interests in Silvercreek held on trust by the Nominee Shareholders so that CLMC can have effective control over Silvercreek.

All the above-mentioned Control Agreements provide for dispute resolution via arbitration in China. The PRC counsel of the Company was of the view that the initial Control Agreements did not violate the relevant PRC laws, had proper authorisation for their execution and were valid, legal and enforceable. However, there are substantial uncertainties regarding the interpretation and application of the PRC laws, rules and regulations currently in effect. Accordingly, the possibility cannot be ruled out that the PRC regulatory authorities and PRC courts may in the future take a view that is contrary to the views of the PRC counsel of the Company concerning the Control Agreements.

While there will be risks associated with this kind of shareholding arrangement which may affect the legal position of the Group as the beneficial owner of Silvercreek (such as in the event of death, bankruptcy or divorce of the Nominee Shareholders involved), the adoption of a combination of the Control Agreements (containing key terms as mentioned above) shall enable the Group to enforce its rights as the beneficial owner of Silvercreek in the event that such risks arise in the future. In addition, the existing director of Silvercreek is indeed a senior management personnel nominated by the Company, who has taken effective control over the day-to-day operations and management of Silvercreek.

During the year under review, there had been no material change in the Control Agreements and/or the circumstances under which they were adopted.

The Group has not unwound any of the Control Agreements as the foreign investment restrictions that led to the adoption of the Control Agreements have not been removed in the PRC.

The Group shall continue to closely monitor the policy development of the PRC government with respect to lottery sales via internet and mobile. With its valuable licenses and its established relationships in the PRC lottery industry, Silvercreek is well-equipped to enable the Group to participate in and bid for customer contracts in pursuit of any potential mobile and/or internet lottery distribution business opportunities as and when they arise and are permissible in the PRC.

In respect of Caixiaoer

CLMC, a wholly-owned subsidiary of the Company, and two individual shareholders of Caixiaoer (the "**Caixiaoer Nominee Shareholders**"), who are PRC nationals acting as nominees to jointly hold the entire equity interest in Caixiaoer on behalf of CLMC, entered into a set of control agreements (the "**Caixiaoer Control Agreements**"), pursuant to which CLMC shall control the 100% equity interest in Caixiaoer, an operating subsidiary. Thus, CLMC controls 100% equity interest in Caixiaoer. As at 31 December 2020, the Caixiaoer Nominee Shareholders were Ms. Han Yi (who held a 90% equity interest in Caixiaoer) and Mr. Luo Shihui (who held a 10% equity interest in Caixiaoer).

Caixiaoer is a limited liability company established under the laws of the PRC and is principally engaged in providing lottery information, such as winning numbers and trend charts, through online channels. In addition, it also researches and develops and operates a number of casual games to boost users' interest and enhance user loyalty (the "**Caixiaoer Restricted Business**").

Caixiaoer holds the necessary Internet Content Provider License and Permit for Production and Operation of Radio and Television Programs to operate the Caixiaoer Restricted Business in the PRC which is subject to foreign investment restrictions. Accordingly, the Caixiaoer Control Agreements were adopted so as to allow CLMC to gain full effective control over the management and financial operation of Caixiaoer and enable the economic benefits of Caixiaoer to be consolidated into the consolidated financial statements of the Group. The Caixiaoer Control Agreements were not adopted for reasons or requirements other than the aforesaid foreign investment restrictions in respect of the Caixiaoer Restricted Business in the PRC. For the year ended 31 December 2020, net liabilities totalling approximately HK\$1.7 million and no revenue of Caixiaoer were consolidated into the consolidated financial statements of the Group via the Caixiaoer Control Agreements.

Set out below is a summary of the Caixiaoer Control Agreements and their key terms which serve to protect the interests of CLMC as the beneficial owner of Caixiaoer:

- (i) under a loan agreement (借款協議) between CLMC and the Caixiaoer Nominee Shareholders, CLMC (as the lender) agreed to lend a loan amounting to RMB25 million (equivalent to approximately HK\$28.12 million) to the Caixiaoer Nominee Shareholders (as the borrowers) for their onward investment in Caixiaoer such that they will together hold 100% equity interest in Caixiaoer. The loan may be repaid by way of the Caixiaoer Nominee Shareholders transferring their equity interests in Caixiaoer to CLMC or its nominee and may only be used by the Caixiaoer Nominee Shareholders for the purpose of investing in Caixiaoer as its increased registered capital. The Caixiaoer Nominee Shareholders shall pledge their entire equity interests in Caixiaoer to the lender as security for the loan. Where permissible under the PRC law, CLMC has the right to acquire from the Caixiaoer Nominee Shareholders their entire equity interests in Caixiaoer or all the assets of Caixiaoer and use the outstanding loan owed by the Caixiaoer Nominee Shareholders to CLMC as settlement of the consideration for the acquisition;

-
- (ii) under an equity pledge agreement (股權質押協議) between CLMC and the Caixiaoer Nominee Shareholders, the Caixiaoer Nominee Shareholders agreed to pledge their respective equity interests in Caixiaoer (including but not limited to any bonus, dividends or other cash and non-cash benefits generated from such pledged equity interests) to CLMC to secure the due performance of their obligations under the loan agreement mentioned in (i) above. This equity pledge agreement ensures that the Caixiaoer Nominee Shareholders cannot transfer their respective equity interests in Caixiaoer to other parties;
 - (iii) under an exclusive call option agreement (獨家購買權合同) between CLMC, the Caixiaoer Nominee Shareholders and Caixiaoer, where permissible under the PRC law, CLMC may, according to the call option exercise procedures determined by itself and at the price stated in such agreement, require the Caixiaoer Nominee Shareholders to perform and complete all approval and registration procedures required under PRC law so as to allow the acquisition(s) of all or part of the equity interests in Caixiaoer that are currently held or will be held by the Caixiaoer Nominee Shareholders by CLMC or its designee(s). Caixiaoer Nominee Shareholders and Caixiaoer have also granted CLMC and/or its designee an irrevocable and exclusive right to acquire all or part of the assets of Caixiaoer. The exclusive call option is an exclusive right of CLMC. CLMC may elect to acquire all or part of the equity interests held by any existing shareholders of Caixiaoer, or to acquire all or part of the assets of Caixiaoer, or to exercise both rights at the same time;
 - (iv) under an exclusive business cooperation agreement (獨家業務合作協議) between CLMC and Caixiaoer, CLMC, as the exclusive service provider of Caixiaoer, will provide comprehensive technical support, business support and relevant consulting services to the operation of Caixiaoer during the term of the agreement. Such services include all the necessary services within the main business scope of Caixiaoer as determined by CLMC from time to time, including but not limited to technical services, business consulting, asset and equipment leasing, market consulting, system integration and system maintenance services. Both parties agreed that during the term of the agreement, CLMC will enjoy and bear all the economic benefits and risks arising from any business of Caixiaoer; in the event of any operating loss or difficulties experienced by Caixiaoer, CLMC may provide any form of financial support permitted by the prevailing law; and
 - (v) under a voting right entrustment agreement (表決權委托協議) and power of attorney undertaking (授權委托書) between CLMC and Caixiaoer Nominee Shareholders, Caixiaoer Nominee Shareholders unconditionally and irrevocably entrust CLMC and/or its designated third party to exercise the trustee's right as a shareholder of the company as permitted under PRC law, including: convene, attend, and preside the company's general meeting and signing relevant resolutions, meeting minutes and other relevant documents as an agent of Caixiaoer Nominee Shareholders, and sign all documents that required to be signed by the company's shareholders and any documents that will be submitted to company registration authority for approval, registration, and filing purposes on behalf of Caixiaoer Nominee Shareholders; vote on all matters that may be resolved or considered by shareholders under the

requirements of PRC law and articles of association on behalf of Caixiaoer Nominee Shareholders; sell, transfer, pledge or dispose of all or part of the equity interests held by Caixiaoer Nominee Shareholders in the company, and sign all necessary documents and perform all necessary procedures to fulfill such purposes on behalf of Caixiaoer Nominee Shareholders; rights to nominate, appoint or elect directors, supervisors, managers and other senior management of the company; authorize or resolve on the disposal of the company's assets on behalf of Caixiaoer Nominee Shareholders; resolve on the dissolution and liquidation of the company on behalf of Caixiaoer Nominee Shareholders and form liquidation group on behalf of Caixiaoer Nominee Shareholders to exercise the power granted to a liquidation group by law during liquidation, including but not limited to resolving on the disposal of the company's assets; and other powers exercised by shareholders as required under PRC law and the articles of association. All assets acquired by Caixiaoer Nominee Shareholders after the company's bankruptcy, liquidation, dissolution or termination, including the company's equity interests, will be transferred to the trustee at nil consideration or at the lowest price permitted by the prevailing PRC law, or the then liquidator will dispose of all assets, including equity interests, of the company to protect the direct or indirect rights of Caixiaoer Nominee Shareholders and/or creditors. In the event of death, incapacity, married, divorce, bankruptcy of the Caixiaoer Nominee Shareholders or other circumstances that may affect Caixiaoer Nominee Shareholders' exercise of the equity interests held by Caixiaoer Nominee Shareholders, the successor of Caixiaoer Nominee Shareholders or the then shareholder or assignee of the company's equity interests will be deemed to be a party to the agreement and succeed/assume all rights and obligations of Caixiaoer Nominee Shareholders under the agreement. The voting rights entrustment agreement and power of attorney undertakings grant CLMC voting rights in respect of the equity interests in Caixiaoer held on trust by the Caixiaoer Nominee Shareholders so that CLMC can have effective control over Caixiaoer.

All the above-mentioned Caixiaoer Control Agreements provide for dispute resolution via arbitration in China. The PRC counsel of the Company was of the view that the Caixiaoer Control Agreements did not violate the relevant PRC laws; the execution and enforcement of the relevant Caixiaoer Control Agreements by CLMC and Caixiaoer did not violate the provisions of their respective articles of association; the execution and validity of the Caixiaoer Control Agreements do not require and are not conditional upon any prior approval of the PRC government body; and the Caixiaoer Control Agreements were valid, legal and binding on the signing parties. However, the PRC counsel of the Company also advised that there are substantial uncertainties regarding the interpretation and application of the PRC laws, rules and regulations currently in effect. Accordingly, the possibility cannot be ruled out that the PRC regulatory authorities and PRC courts may in the future take a view that is contrary to the view of the PRC counsel of the Company concerning the Caixiaoer Control Agreements.

While there will be risks associated with this kind of shareholding arrangement which may affect the legal position of the Group as the beneficial owner of Caixiaoer (such as in the event of death, bankruptcy or divorce of the Caixiaoer Nominee Shareholders involved), the adoption of a combination of the Caixiaoer Control Agreements (containing key terms as mentioned above) shall enable the Group to enforce its rights as the beneficial owner of Caixiaoer in the event that such risks arise in the future. In addition, the existing director of Caixiaoer is indeed a senior management personnel nominated by the Company, who has taken effective control over the day-to-day operations and management of Caixiaoer.

During the year under review, there had been no material change in the Caixiaoer Control Agreements and/or the circumstances under which they were adopted.

The Group has not unwound any of the Caixiaoer Control Agreements as the foreign investment restrictions that led to the adoption of the Caixiaoer Control Agreements have not been removed in the PRC.

The Group shall continue to closely monitor the policy development of the PRC government with respect to foreign investment decisions. Through Caixiaoer, the Group hopes to continue growing its online presence in preparation for any potential approval and authorisation of online distribution of lottery products in the future.

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. Ms. Monica Maria Nunes is the chairperson of the Audit Committee. The consolidated financial statements of the Group for the year ended 31 December 2020 have been reviewed and commented on by the Audit Committee.

AUDITOR

PwC was appointed as the auditor of the Company in December 2016. There was no change of auditors of the Company in the past three years. A resolution for the re-appointment of PwC as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company. The consolidated financial statements of the Group for the year ended 31 December 2020 have been audited by PwC.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS DURING THE YEAR UNDER REVIEW

There were no significant investments, material acquisitions and disposals that constituted “notifiable transactions” under Chapter 19 of the GEM Listing Rules during the year ended 31 December 2020.

BUSINESS REVIEW

(a) **Review of the Group's business:**

Detailed discussion and analysis of the industries in which the Group operates, and the Group's business and performance for the year ended 31 December 2020 are set out in the “Discussion and Analysis of the Group's Results and Business” section on pages 101 to 112 of this annual report.

(b) Principal risks and uncertainties facing the Group:**(i) Risks relating to lottery games under development or pending approval**

- The Group does not receive any revenue for the development of lottery games, game software, related supporting systems or lottery hardware. Income is only generated after the entering into of relevant technical services agreement with the customers (which are governmental lottery authorities or operators authorized by such authorities) and upon the launch of a lottery game. As the launch of a lottery game is subject to the approval of the MOF, there is no assurance that the new lottery games that the Group has developed or that have been submitted to the MOF for approval will be accepted and approved by the MOF. Without the prior approvals and consents from the necessary authorities, including the MOF's approval (which is still pending as of the date hereof), there is no assurance that the new lottery games that have been developed by the Group or that have been submitted to the MOF for approval will be launched to the market. Accordingly, the Group may not be able to recover its costs and expenses incurred for the development of these lottery games and the Group may not be able to realize the revenues it is aiming to realize through these newly developed lottery games.
- The Group acts as a technology supplier to our customers and receives service fees on and subject to the terms and conditions of the relevant technical service agreements between the Group and the customers. Accordingly, the terms and conditions of such technical service agreements are critical to the Group. The terms of the technical service agreements that the Group may enter in the future in respect of lottery games that have been developed by the Group or that have been submitted to the MOF for approval may not be as favourable as the terms that the Group is expecting. There is also no assurance that such service agreements can be entered into by the Group at all.

(ii) Uncertainties for the Group resulting from the PRC regulatory regime

- Under the current PRC regulatory regime, lottery products offered by provincial lottery administration centres may be discontinued or subject to restriction and regulations by the relevant national lottery administration centres. There is no assurance that the lottery products and the underlying system and technology supplied by the Group will be maintained, and if such lottery products are discontinued or restricted, there may be a material and adverse effect on the revenue, financial condition and results of operations of the Group. Furthermore, there may be risks that the administrative authorities might adjust the percentage

of issue fees of sales of lotteries, which may in turn affect the revenue sharing of such sales on which the supply of lottery games and the underlying supporting systems are based. In the case of decrease of issue fees, the technology providers receiving service fees on revenue-sharing basis may be requested to decrease their fees proportionally.

- While the Group believes that the potential of the mobile and internet distribution channels in the PRC lottery markets is substantial, there is uncertainty as to when such channels will be approved by the relevant lottery authorities and whether the Group will obtain the requisite licenses or acquire the right target companies with such license to conduct online sales and distribution of lottery products.
- On 23 October 2020, the Ministry of Finance, the Ministry of Civil Affairs and the General Administration of Sport of the PRC jointly announced a notice in relation to, among other things, the cessation of the sales of all 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) in the PRC, it is uncertain as to when the ban on quick-draw welfare lottery games and high frequency sports lottery games will be lifted or that any such games developed or to be developed by the Group will obtain the approval of the relevant PRC lottery authorities.
- It is one of the Group's corporate objectives to pursue overseas opportunities and globalize its business. However, geopolitical tensions, protectionist or national security policies in certain countries could, among other things, hinder the Group's ability to fulfill such objective or adversely affect the Group's investment in certain jurisdictions. For example, in 2020, India banned numerous Chinese mobile apps as tensions subsisted along its disputed border with the PRC. While the Group maintains only a minority equity interest in its investment in India with the majority stake thereof being held by a local partner in India, and such investment has not been adversely affected despite the geopolitical tensions between India and the PRC, there is no assurance that India will not further tighten its foreign investment regulation(s) in the future and the Group's investment in India may be adversely affected as a result.

- During the course of 2018 and 2019, it was 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 and hence the pace of the development of the Group's games and entertainment business in the PRC.

(c) Risk management measures and compliance with relevant laws and regulations:

While the above-mentioned risks and uncertainties facing the Group are often beyond the reasonable control of the Group as they relate to the decisions and policies of the governmental authorities and the regulatory regime of the PRC in general, we do have risk management measures in place to somewhat mitigate such risks. In particular, our RMICC will consult and confirm with the Legal Department of the Group on a regular basis as to whether:

- there are any new policies, rules and/or regulations in the PRC (or in any jurisdiction where the Group has operations) which may have a material impact on the business or trading prospect of the Group;
- the Group has complied with the relevant environmental, gaming or lottery related laws and regulations in the PRC (or in any jurisdiction where the Group has operations); and
- in respect of the Group's lottery business, counterparties of commercial contracts entered into by the Group are customers which are either governmental lottery authorities or operators authorized by such authorities.

We believe that, through ensuring the Group's ongoing legal compliance especially in relation to gaming or lottery related laws and regulations in the PRC, it will enhance our chance of winning any contracts or obtaining any game approval in the PRC lottery markets should such business opportunities come along. By keeping posted of the latest development in respect of any new policies, rules and/or regulations in the PRC, it will also help the Group adjust its business development initiatives in a timely manner to meet any new requirements of the governmental authorities, thus allowing us to shift our efforts and resources in the right direction and in a more effective manner accordingly.

During the year under review, the Group has been complying with the lottery and online gaming related laws and regulations in the PRC (including but not limited to Lottery Management Regulations (彩票管理條例); The Detailed Rules for the Implementation of Lottery Management Regulations (彩票管理條例實施細則); Measures for Lottery Issuance and Sales Management (彩票發行銷售管理辦法); The Interim Measures for the Administration of Internet Sales of Lottery (互聯網銷售彩票管理暫行辦法); The Interim Measures for the Administration of Telephone Sales of Lottery (電話銷售彩票管理暫行辦法)); Interim Provisions on the Administration of Internet Culture (互聯網文化管理暫行規定); and Notice on Comprehensive Prevention and Control of Children and Adolescents' Myopia Implementation Plan (綜合防控兒童青少年近視實施方案的通知)), and there is no incidence of non-compliance with any other relevant laws and regulations affecting the Group (including but not limited to Employment Ordinance of Hong Kong (Chapter 57 of the Laws of Hong Kong); Labour Law of the PRC (中華人民共和國勞動法), The Labour Contract Law of the PRC (中華人民共和國勞動合同法); Regulations of Paid Annual Leave of Employees (職工帶薪年休假條例); PRC Criminal Law (中華人民共和國刑法); PRC Anti-Unfair Competition Law (中華人民共和國反不正當競爭法); PRC Interim Provisions on Prohibiting Commercial Bribery (禁止商業賄賂行為的暫行規定); The Company Law of the PRC(中華人民共和國公司法); Hong Kong Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong)) that has come to the knowledge of the Directors.

(d) Significant event after the reporting period:

As of the date hereof, there was no significant event affecting the Group after 31 December 2020.

(e) Business outlook of the Group:

Details of the likely future development in the Group's business can be found in the section headed "Business Outlook" on pages 106 and 107 of this annual report.

(f) Analysis of financial key performance indicators (“KPIs”):

KPIs	Reasons for selection as KPIs	Financial Year 2020 (HK\$'000)	Financial Year 2019 (HK\$'000)	Variance
Revenue	To assess the sales performance and volume of transactions of the Group.	161,649	175,077	↓ 7.7%
Operating loss	To assess the Group's operating performance and cost management.	131,087	194,931	↓ 32.7%
Loss for the year attributable to owners of the Company	To assess the Group's profitability (after expenses).	121,372	123,883	↓ 2.0%

(g) Information on environmental matters of the Group:

The Group is committed to minimizing our impact on the environment by implementing policies for the responsible use of resources.

As we do not run any factories but outsource the manufacturing functions to outside suppliers/subcontractors to help produce our lottery hardware products, we do not anticipate any material risks in our operations in respect of environmental protection concerns, and the environmental related laws and regulations do not apply to our operations. Having said that, to help minimize the impact of our operations on the environment, the Group has made continuous effort to support low-carbon offices, in that employees are encouraged to observe our policies and business practices on energy and resource savings, such as:

- **Electricity savings:**
Computers should be turned off completely when employees leave office or when not in use, and lights should be switched off in unoccupied space.
- **Use of recycled paper:**
Recycled paper is used for printing emails and other documents for internal usage.

-
- **Increased use of soft copies:**

As email has become an increasingly popular channel for employees to share information and communicate, a lot of the documents and information can now be distributed to, and circulated among, employees in soft copies via our corporate email accounts. This has immensely reduced the use of paper in our office.
 - **5-day work week:**

Employees in Hong Kong are in general required to work 5 days a week only in order to save them on time and costs to commute between their homes and the workplace on Saturdays, and also help save electricity in the office on Saturdays as well as improve the air pollution condition in the city by reducing traffic. We believe that employees can still satisfactorily fulfill their job duties within a 5-day work week if they work efficiently and with proper time management. On the other hand, employees in the PRC are already not required to work on Saturdays by PRC law.
 - **Use of public transportations:**

We encourage employees to use public transportations (subways and buses rather than taxi) for errands.
 - **Office design that makes full use of natural light:**

Scientific design of the office has been adopted so that natural light could be made full use of, rather than electricity.
- (h) Relationships with our stakeholders:**

We believe that the success of our operations depends largely on our long-term relationships with our stakeholders. By engaging with our key stakeholders (including our Shareholders, business partners, employees, suppliers/subcontractors, customers and the community) on an ongoing basis, it provides an opportunity for the Group to listen to their concerns and build on common goals. This will in turn drive our business development initiatives in the right direction and make our operations sustainable.

Set out below is a table summarizing the Group's relationships with its key stakeholders:

Stakeholders of the Group	Relationships with the Group
Shareholders	<p>The Group strives to not only maximize the Shareholders' return through continuous business development, but also to maintain a high level of transparency and accountability to the Shareholders in various ways, such as:</p> <ul style="list-style-type: none"> • maintaining and employing a policy of open and timely disclosure of relevant information to the Shareholders through announcements, circulars, quarterly, interim and annual reports; • maintaining effective communications with the Shareholders through annual general meeting and the official website of the Company; • implementing policies of the Group in respect of sustainability management of its operations so as to reduce their impact on the environment but create a positive social impact on the community where the Group operates; and • setting up the RMICC to help detect risks associated with our operations and minimize their impact.
Business partners	<p>Apart from maintaining close working relationships with Alibaba Group, Ant Group and its business partners on virtual sports lottery games supplied in the PRC, the Group has been pursuing opportunities abroad to globalize its business by strategically working with leading local business partners in selected overseas markets.</p>

Stakeholders of the Group**Relationships with the Group**

Employees

Apart from salaries, the Group offers to its employees other fringe benefits including year-end bonus, discretionary bonus, Share Option Schemes, Share Award Scheme, contributory provident fund, social security fund and medical benefits.

In addition, the Group offers valuable opportunities for our employees to enhance their professional knowledge and skills through (i) on-the-job training, and (ii) other training activities sponsored by the Group.

(i) On-the-job training:
The research and development team of the Group comprises veteran professionals in the PRC lottery and gaming industries. Through working with these professionals, employees can share knowledge base and learn state-of-the-art technology and business practices from their superiors.

(ii) Other training activities:
In-house briefing materials on latest corporate governance and listing rule requirements are provided to Directors and company secretary. Directors and employees also attend in-house and external training seminars on job-related topics, or participate in industry-specific seminars and conferences from time to time.

Suppliers/subcontractors

The Group does not run any factories but outsources the manufacturing functions to outside suppliers/subcontractors to help produce our lottery hardware products.

Stakeholders of the Group

Relationships with the Group

Customers (including governmental lottery authorities or operators authorized by such authorities, and online consumers in respect of games and entertainment business)

During the year under review, the largest customer and the five largest customers (combined) of the Group accounted for approximately 34.2% and approximately 74.1% of the total revenue of the Group respectively. No single customer accounted for more than 35% of the Group's total revenue from sales of goods or rendering of services for the year under review and the largest customer is a provincial sports lottery centre in the PRC with satisfactory settlement history. The Group continues to expand the customer base and thus we do not consider that the relationships with our customers expose the Group's business to any substantial risks.

The Group works closely with its customers in respect of its lottery business to implement responsible lottery measures and prevent problem gaming in various ways.

As regards the Group's non-lottery games and entertainment business, anti-addiction measures are also implemented as appropriate and as required.

Stakeholders of the Group**Relationships with the Group**

Community

We strive to actively contribute to the development of a responsible lottery gaming industry which will raise important public funds for charity, welfare and sports development projects in China. We are actively involved in sports development and charity events, and we have been the sponsor of a wide range of sports events.

We strive to support a healthy PRC lottery market for the community, with a view to developing new forms of legal and regulated lottery distribution channels in order to crack down on the illegal gambling market in China.

The footprint of our business spans across China and selected overseas markets. We employ around 292 employees and help sustain job opportunities in the communities where we operate.

On behalf of the Board

Sun Ho

Chairman & CEO

23 March 2021

FINANCIAL SUMMARY

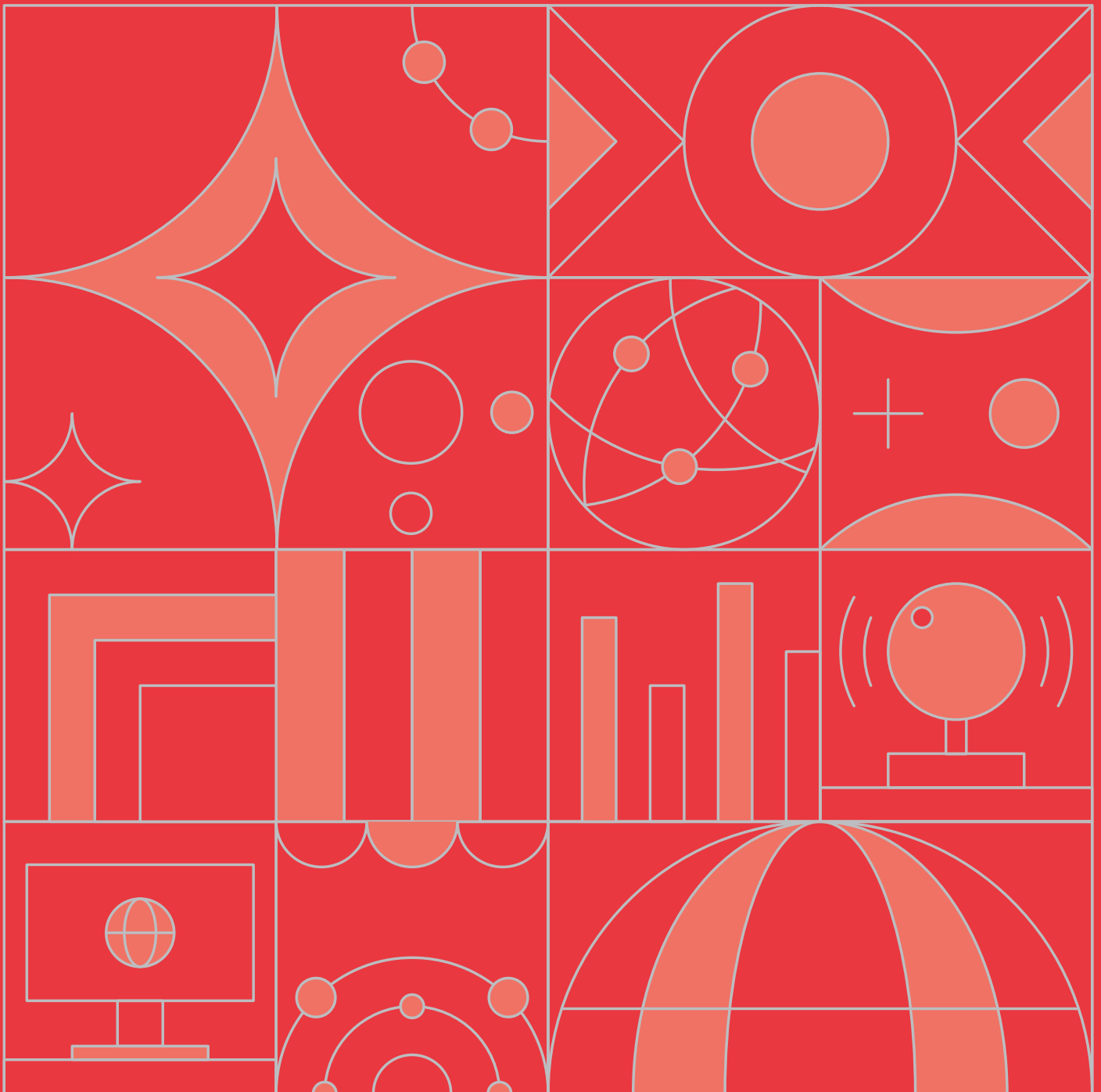
RESULTS

	For the year ended 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	161,649	175,077	168,573	302,210	251,492
Operating loss	131,087	194,931	261,979	242,584	267,630
(Loss)/Profit for the year attributable to owners of the Company	(121,372)	(123,883)	315,157	(365,664)	332,989

ASSETS AND LIABILITIES

	As at 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Total assets	3,148,432	3,254,718	3,721,541	3,988,869	4,034,351
Total liabilities	(205,118)	(239,496)	(688,810)	(1,283,305)	(1,730,606)
Net assets	(2,943,314)	3,015,222	3,032,731	2,705,564	2,303,745
Equity attributable to owners of the Company	2,895,740	2,982,224	2,983,982	2,658,374	2,267,872
Non-controlling interests	47,574	32,998	48,749	47,190	35,873
	2,943,314	3,015,222	3,032,731	2,705,564	2,303,745

2020 FINANCIAL REPORT



FINANCIAL CONTENTS

162

Independent Auditor's Report

167

**Consolidated Statement of Profit or Loss and Other
Comprehensive Income**

169

Consolidated Statement of Financial Position

171

Consolidated Statement of Changes in Equity

173

Consolidated Statement of Cash Flows

176

Notes to the Consolidated Financial Statements

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE SHAREHOLDERS OF AGTECH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of AGTech Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 167 to 254, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to revenue recognition:

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition</p> <p>Refer to Notes 2.23 and 5 to the consolidated financial statements.</p> <p>The Group recognized revenue of HK\$161,649,000 (2019: HK\$175,077,000) from sales of lottery hardware, lottery games and systems, provision of lottery distribution and ancillary services, games and entertainment during the year ended 31 December 2020.</p> <p>Sales of lottery hardware are recognized when a group entity has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. For provision of lottery games and systems, lottery distribution and ancillary services and games and entertainment, revenue is recognized when the services are rendered according to the terms of service agreements.</p> <p>We focused on this area due to the magnitude and the volume of revenue transactions of the Group.</p>	<p>In response to this key audit matter, our audit work included controls testing and substantive procedures as follows:</p> <ul style="list-style-type: none"> • evaluated and tested the design and operating effectiveness of controls over the capture and measurement of revenue transactions; • evaluated the appropriateness of accounting policies on revenue recognition for the existing business models and the appropriateness of related accounting estimates and judgments made; • performed substantive testing on the accuracy and occurrence of revenue using sampling techniques by examining contracts or service agreements, invoices and customer receipts and obtaining confirmations from customers; and • performed cut-off testing on certain revenue transactions before and after year end to assess whether the transactions were recognized in the proper period by tracing to contracts or service agreements, invoices, customer receipts and contract liabilities calculation. <p>Based on the procedures performed, the revenue recognized was supported by the audit evidence that we obtained and in accordance with the accounting policies of the Group.</p>

OTHER INFORMATION

The Directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shin Wai Kit Ricky.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	5	161,649	175,077
Other income	7	10,859	8,849
Net other gains/(losses)	8	11,426	(19,695)
Employee benefits expenses	9	(178,928)	(200,424)
Purchase of and changes in inventories		(45,041)	(57,623)
Depreciation expenses	15, 16	(23,754)	(23,581)
Other operating expenses	10	(67,298)	(77,534)
Operating loss		(131,087)	(194,931)
Gain on fair value changes of convertible bonds	30	–	85,190
Gain on fair value changes of contingent consideration payables	29	–	7,795
Gain on derecognition of contingent consideration payables	29	69,589	–
Net finance income	11	44,063	30,870
Share of results of investments accounted for using equity method	21	(83,205)	(38,195)
Loss before income tax		(100,640)	(109,271)
Income tax expenses	12	(8,814)	(4,332)
Loss for the year	13	(109,454)	(113,603)
Other comprehensive income:			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Currency translation differences		33,611	(11,113)
Other comprehensive income for the year, net of tax		33,611	(11,113)
Total comprehensive income for the year		(75,843)	(124,716)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
(Loss)/profit attributable to:			
Owners of the Company		(121,372)	(123,883)
Non-controlling interests		11,918	10,280
		(109,454)	(113,603)
Total comprehensive income attributable to:			
Owners of the Company		(90,419)	(133,599)
Non-controlling interests		14,576	8,883
		(75,843)	(124,716)
Loss per share			
Basic	14	(HK1.05 cents)	(HK1.09 cents)
Diluted	14	(HK1.05 cents)	(HK1.09 cents)

The notes on pages 176 to 254 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment	15	7,288	5,685
Right-of-use assets	16	54,197	21,135
Investment properties	17	43,941	47,997
Goodwill	18	1,112,230	1,067,576
Other intangible assets	19	1,742	1,742
Deferred income tax assets	20	4,522	6,057
Investments accounted for using equity method	21	–	14,300
Other receivables, deposits and prepayments	22	16,389	42,931
		1,240,309	1,207,423
Current assets			
Inventories	23	22,659	11,923
Trade receivables	24	11,067	26,646
Other receivables, deposits and prepayments	22	166,193	87,350
Cash and bank balances	25	1,708,204	1,921,376
		1,908,123	2,047,295
Total assets		3,148,432	3,254,718
Current liabilities			
Trade payables	27	10,358	9,157
Accruals and other payables	28	100,441	91,369
Contract liabilities	26	10,644	7,290
Current income tax liabilities		261	2,814
Lease liabilities	16	19,250	14,581
Contingent consideration payables	29	–	69,589
		140,954	194,800

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Non-current liabilities			
Deferred income tax liabilities	20	5,889	6,425
Provision for warranties	31	21,938	31,172
Accruals and other payables	28	143	–
Lease liabilities	16	36,194	7,099
		64,164	44,696
Total liabilities		205,118	239,496
Net assets		2,943,314	3,015,222
Equity			
Share capital	32	23,344	23,344
Reserves attributable to owners of the Company		2,872,396	2,958,880
		2,895,740	2,982,224
Non-controlling interests		47,574	32,998
Total equity		2,943,314	3,015,222

The consolidated financial statements on pages 167 to 254 were approved by the Board of Directors on 23 March 2021 and were signed on its behalf by:

Sun Ho
Director

Hu Taoye
Director

The notes on pages 176 to 254 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company											Attributable to non-controlling interests HK\$'000	Total HK\$'000	
	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
	(Note 32)		(Note (a))			(Note (b))		(Note (c))	(Note (d))	(Note (e) and (f))	(Note (f))			
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 year	-	-	-	-	-	-	-	-	-	-	(121,372)	(121,372)	11,918	(109,454)
Other comprehensive income for the year	-	-	-	-	-	-	30,953	-	-	-	-	30,953	2,658	33,611
Total comprehensive income for the year	-	-	-	-	-	-	30,953	-	-	-	(121,372)	(90,419)	14,576	(75,843)
Recognition of equity settled share-based payments	-	-	-	-	25,875	-	-	-	-	-	-	25,875	-	25,875
Lapse of share options	-	-	-	(47,547)	-	-	-	-	-	-	47,547	-	-	-
Purchase of shares under share award scheme	-	-	(22,020)	-	-	-	-	-	-	-	-	(22,020)	-	(22,020)
Transfer of shares upon vesting of share awards under share award scheme	-	5,412	30,850	-	(36,262)	-	-	-	-	-	-	-	-	-
Transaction with shareholder	-	-	-	-	-	-	-	-	-	1,343	-	1,343	-	1,343
- Employee share-based compensation	-	-	-	-	-	-	-	-	-	1,343	-	1,343	-	1,343
- Employee share-based compensation recharge	-	-	-	-	-	-	-	-	-	(1,263)	-	(1,263)	-	(1,263)
Transfer to accumulated losses for derecognition of equity portion of contingent considerations (Note (f))	-	-	-	-	-	-	-	-	-	(30,405)	30,405	-	-	-
Transfer from accumulated losses	-	-	-	-	-	2,503	-	-	-	-	(2,503)	-	-	-
Balance at 31 December 2020	23,344	3,395,298	(122,981)	-	39,979	26,756	108,924	47,191	14,402	45,081	(682,254)	2,895,740	47,574	2,943,314

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Attributable to owners of the Company											Attributable to non-controlling interests	Total	
	Share capital	Share premium	Shares held for share award scheme	Share options reserve	Share awards reserve	Statutory reserve	Exchange reserve	Contributed surplus	Property revaluation reserve	Other reserve	Accumulated losses			Subtotal
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 32)		(Note (a))			(Note (b))		(Note (c))	(Note (d))	(Note (e))				
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 year	-	-	-	-	-	-	-	-	-	-	(123,883)	(123,883)	10,280	(113,603)
Other comprehensive income for the year	-	-	-	-	-	-	(9,716)	-	-	-	-	(9,716)	(1,397)	(11,113)
Total comprehensive income for the year	-	-	-	-	-	-	(9,716)	-	-	-	(123,883)	(133,599)	8,883	(124,716)
Recognition of equity settled share-based payments	-	-	-	5,217	26,958	-	-	-	-	-	-	32,175	-	32,175
Issue of shares upon conversion of convertible bonds	800	127,681	-	-	-	-	-	-	-	-	-	128,481	-	128,481
Lapse of share options	-	-	-	(55,054)	-	-	-	-	-	-	55,054	-	-	-
Purchases of shares under share award scheme	-	-	(28,433)	-	-	-	-	-	-	-	-	(28,433)	-	(28,433)
Transfer of shares upon vesting of share awards under share award scheme	-	(7,524)	45,427	-	(37,903)	-	-	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	(152)	-	(152)	(24,634)	(24,786)
Transactions with a shareholder	-	-	-	-	-	-	-	-	-	798	-	798	-	798
- Employee share-based compensation recharge	-	-	-	-	-	-	-	-	-	(1,028)	-	(1,028)	-	(1,028)
Transfer from accumulated losses	-	-	-	-	-	3,114	-	-	-	-	(3,114)	-	-	-
Balance at 31 December 2019	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

Notes:

- Shares held for share award scheme represents shares of the Company that are held by the trustee for the purpose of granting award shares under the share award scheme (see Note 34 for further information). Shares vested to selected participants are recognized on a weighted average basis. As at 31 December 2020, 171,120,900 shares were held for share award scheme (2019: 150,507,325).
- In accordance with the statutory requirements in the PRC, subsidiaries of the Company registered in the PRC are required to transfer a certain percentage of their annual net income from retained earnings to statutory reserve. Statutory reserve is not distributable.
- Contributed surplus represents the transfer from the share premium account in prior years.
- Property revaluation reserve represents cumulative gains arising from the revaluation of property, plant and equipment that have been transferred to investment properties. Items included in the property revaluation reserve will not be reclassified subsequently to profit or loss.
- Other reserve represents the equity portion of contingent considerations related to the acquisition of a subsidiary, transactions with a shareholder and transactions with non-controlling interests.
- As at 31 December 2020, the conditions of obtaining the game approval (the "Game Approval Pre-condition") by the mutually agreed extended deadline of 31 December 2020 and commencing first round game sales after obtaining such approval had not yet been fulfilled as at 31 December 2020, and the Company decided not to further extend the deadline for fulfilling the Game Approval Pre-condition. Accordingly, the equity portion of contingent considerations of approximately HK\$30,405,000 was re-classified from other reserve into accumulated losses as at 31 December 2020.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities		
Loss before income tax	(100,640)	(109,271)
Adjustments for:		
Share-based payments	27,218	32,973
Depreciation expenses	23,754	23,581
(Reversal of provision for warranties)/provision for warranties	(5,879)	6,762
Gain on disposals of property, plant and equipment	(25)	(49)
Loss on fair value changes of investment properties	6,748	2,269
Gain on fair value changes of contingent consideration payables	–	(7,795)
Gain on fair value changes of convertible bonds	–	(85,190)
Gain on derecognition of contingent consideration payables	(69,589)	–
Loss allowance on loan to		
– a joint venture	263	–
– an associate	64	–
Net finance income	(44,063)	(30,870)
Share of results of investments accounted for using equity method	83,205	38,195
	(78,944)	(129,395)
Changes in working capital		
Inventories	(9,445)	4,777
Trade receivables	16,369	(2,729)
Other receivables, deposits and prepayments	(70)	9,255
Amounts due from/to fellow subsidiaries	11,792	5,701
Amount due from/to a joint venture	(11,638)	(7,141)
Amount due from an associate	–	(24,203)
Amount due to non-controlling interests	(504)	(1,137)
Trade payables	582	(6,281)
Contract liabilities	2,735	(4,869)
Accruals and other payables	(7,374)	(21,508)
Provision for warranties	(6,255)	(7,905)
Cash used in operations	(82,752)	(185,435)
Income taxes paid	(11,028)	(2,226)
Net cash used in operating activities	(93,780)	(187,661)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Cash flows from investing activities		
Purchases for property, plant and equipment	(4,805)	(1,778)
Proceeds from disposal of property, plant and equipment	25	69
Investment in a joint venture	(41,874)	–
Prepaid capital contribution in a joint venture	–	(28,178)
Loan to a joint venture	(69,771)	–
Increase in fixed deposits held at bank with original maturity over three months	(690,302)	(778,544)
Decrease in pledged bank deposits	2,249	2,672
Interest received	49,810	59,446
Net cash used in investing activities	(754,668)	(746,313)
Cash flows from financing activities		
Redemption of convertible bonds	–	(232,608)
Payments to trustees for purchase of shares under share award scheme	(10,918)	(21,606)
Interest element of lease rentals paid	(1,815)	(1,417)
Payment of principal portion of lease liabilities	(19,787)	(20,477)
Transactions with non-controlling interests	–	(24,786)
Net cash used in financing activities	(32,520)	(300,894)
Net decrease in cash and cash equivalents	(880,968)	(1,234,868)
Cash and cash equivalents at beginning of year	1,123,876	2,353,368
Exchange (losses)/gains on cash and cash equivalents	(5,528)	5,376
Cash and cash equivalents at end of year	237,380	1,123,876

Note: The principal non-cash transactions included issue of shares upon conversion of convertible bonds, purchases and transfer of shares upon vesting of share awards under share award scheme discussed in Notes 30 and 34.

The notes on pages 176 to 254 are an integral part of these consolidated financial statements.

(a) Reconciliation of liabilities arising from financing activities:

	Lease liabilities HK\$'000	Convertible bonds HK\$'000	Total HK\$'000
Balance as at 1 January 2019	38,470	418,818	457,288
Conversion during the year	–	(128,481)	(128,481)
Gain on fair value changes	–	(85,190)	(85,190)
Acquisition of leases	4,052	–	4,052
Interest expense	1,417	27,461	28,878
Cash flows	(21,894)	(232,608)	(254,502)
Currency translation difference	(365)	–	(365)
Balance as at 31 December 2019 and 1 January 2020	21,680	–	21,680
Acquisition of leases	50,785	–	50,785
Interest expense	1,815	–	1,815
Cash flows	(21,602)	–	(21,602)
Currency translation difference	2,766	–	2,766
Balance as at 31 December 2020	55,444	–	55,444

The notes on pages 176 to 254 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

AGTech Holdings Limited (the “Company”) and its subsidiaries (together “the Group”) are principally engaged in lottery, games and entertainment businesses in the People’s Republic of China (“PRC”) and selected international markets.

The Company was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Directors regard Ali Fortune Investment Holding Limited, a private limited company incorporated in the British Virgin Islands (“BVI”), as the immediate holding company of the Company, and Alibaba Group Holding Limited (“Alibaba”), a company incorporated in the Cayman Islands, its share of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited and the American depositary shares of which are listed on the New York Stock Exchange, as the ultimate holding company of the Company.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, contingent consideration payables and embedded derivative of convertible bonds, which are measured at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

New standards and amendments adopted by the Group

The following new standards and amendments have been adopted by the Group for the first time for the financial year beginning on 1 January 2020:

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting
Amendments to HKFRS 3	Definition of a Business

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

New standards and amendments not yet adopted

The following new standards and amendments to existing standards are effective for annual periods beginning on or after 1 January 2021 and have not been applied in preparing these consolidated financial statements:

		Effective for accounting periods beginning on or after
Amendments to HKAS 39, HKFRS 7, HKFRS 9, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform	1 January 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018-2020	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment of the impact of these new standards and amendments to standards on its result of operation and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss (Note 2.8).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) *Business combinations (continued)*

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Investments accounted for using equity method

2.3.1 Joint arrangements

The Group has applied HKFRS 11 “Joint Arrangements” to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group’s share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group’s share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other long-term unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group’s interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3.2 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor’s share of the profit or loss of the investee after the date of acquisition.

The Group’s share of post-acquisition profit or loss is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other long-term unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Investments accounted for using equity method (continued)

2.3.2 Associates (continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of results of investments accounted for using equity method' in the consolidated statement of profit or loss and other comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive Directors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Hong Kong dollar ("HK\$") which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within 'net other gains or losses'.

Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment

Property, plant and equipment comprise land and buildings held for use in the production or supply of goods or services, or for administrative purposes. Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land	Over the lease term
Buildings	5%
Leasehold improvements	20% or over the relevant lease terms, whichever is shorter
Computer equipment	20% – 33 1/3%
Furniture, fixtures and equipment	20% – 33 1/3%
Motor vehicles	10% – 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss.

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognized in equity as a revaluation of property, plant and equipment. However, if the fair value of the property at the date of transfer which results in a reversal of the previous impairment loss, the write-back is recognized in profit or loss.

2.8 Goodwill and intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Goodwill and intangible assets (continued)

(b) Intangible assets acquired separately

Intangible assets separately acquired are shown at historical cost. Intangible assets that have a finite useful life are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of intangible assets over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to depreciation or amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

(a) Classification

The Group classifies its financial assets as those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in 'net other gains or losses'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment testing of trade receivables is described in Note 3.1(b).

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.10 for further information about the Group's accounting for trade receivables and Note 2.11 for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Shares held for share award scheme

Share awards granted under share award scheme are satisfied by shares acquired by the trustee from the market. Where the Company's shares are acquired from the market by the trustee under the share award scheme, the total consideration of shares acquired from the market (including any directly attributable incremental costs) is presented as "shares held for share award scheme" and deducted from total equity. Upon vesting, the related costs of the vested shares for share award scheme purchased from the market are credited to "shares held for share award scheme", with a corresponding adjustment made to "share premium".

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Convertible bonds

Convertible bonds with conversion options which are not settled by exchanging a fixed amount of cash or other financial asset for a fixed number of the Company's ordinary shares comprise a derivative component and a liability component.

At initial recognition, the derivative component of the convertible bonds is measured at fair value. Any excess of the proceeds over the amount initially recognized as the derivative component is recognized as the liability component. Transaction costs relating to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognized initially as part of the liability component. The portion relating to the derivative component is recognized immediately in profit or loss.

The derivative component is subsequently remeasured at fair value, with changes in fair value recognized immediately in profit or loss. The liability component is subsequently measured at amortised cost. The interest expense recognized in profit or loss on the liability component is calculated using the effective interest method.

Convertible bonds are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

(a) Defined contribution plans

The Group pays contributions to publicly or privately administered funds on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

The contributions are recognized as 'employee benefits expense' when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plans

The Group recognizes a liability and an expense for bonuses. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from Directors, eligible employees and other eligible participants as consideration for equity instruments (share options and share awards) of the Group.

The fair value of the services received in exchange for the grant of the share options and share awards is recognized as an expense, with a corresponding increase in 'share options reserve' and 'share awards reserve'. The total amount to be expensed is determined by reference to the fair value of the share options and share awards granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

For share options and share awards that vest immediately at the date of grant, the fair value of the services received is expensed immediately to profit or loss. For share options and share awards that are conditional upon satisfying specified vesting conditions, the fair value of the services received is expensed on a straight-line basis over the vesting period.

At the end of each reporting period, the Group revises its estimates of the number of share options and share awards that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances services may be provided in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to 'share capital' and 'share premium'. The amount previously recognized in 'share options reserve' is reversed.

When the share awards are vested, the Company transfers shares held by the trustee to Directors and eligible employees. The amount previously recognized in 'share awards reserve' is reversed. The difference between the acquisition cost of the vested shares and the fair value of the shares at grant date is recorded in 'share premium'.

When the share options are still not exercised at the expiry date, the amount previously recognized in 'share options reserve' is transferred to 'accumulated losses'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for the expected cost of warranty obligations under the relevant sale of goods legislation are recognized at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods or services supplied, stated net of discounts, returns and value added taxes. The Group recognizes revenue when or as the control of the good or service is transferred to the customer and when specific criteria have been met for each of the Group's activities as described below. Payments received in advance that are related to sales of goods or provision of services not yet delivered to customers are deferred and recognized as contract liabilities.

Where multiple-element arrangement exists, the transaction price is allocated at the inception of the arrangement to each element based on their relative fair values for revenue recognition purposes. The transaction price is allocated to each element using the price charged consistently when each element is sold separately or third party evidence of the stand-alone selling price for each element, or if neither type of evidence is available, using management's best estimate of selling price. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. Incentives to customers are recorded as reduction of revenue.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year, except for some contracts for sales of goods which the payment terms might provide the customers with protection from the Group failing to adequately complete its obligation under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(a) Sales of goods

Sales of lottery hardware are recognized when a group entity has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

The Group's obligation to repair or replace faulty products under the standard warranty terms is recognized as a provision (Notes 2.22 and 31).

(b) Provision of services

For provision of lottery games and systems, lottery distribution and ancillary services and games and entertainment, revenue is primarily recognized over time when the services are rendered according to the terms of service agreements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Rental income

Rental income from investment property is recognized in profit or loss on a straight-line basis over the term of the lease.

2.25 Interest income

Interest income is recognized using the effective interest method.

2.26 Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Leases (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term (Note 17). Initial direct costs incurred in obtaining an operating lease are recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognized as contract assets if the cumulative revenue recognized in profit or loss exceeds cumulative payments made by customers. Conversely, the contract is a liability and recognized as contract liabilities if the cumulative payments made by customers exceeds the revenue recognized in profit or loss.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortized cost. Contract liabilities are recognized as revenue when the Group transfers the goods or services to the customers and therefore satisfied its performance obligation.

The incremental costs of obtaining a contract with a customer are capitalized and presented as contract related assets, if the Group expects to recover those costs, and are subsequently amortized on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Group recognizes an impairment loss in the consolidated income statement to the extent that the carrying amount of the contract related assets recognized exceeds the remaining amounts of consideration that the Group expects to receive less the costs that relate directly to providing those goods or services that have not been recognized as expenses.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) **Market risk**

(i) ***Foreign exchange risk***

Transactional currency exposures arise from revenue or expenses by operating units in currencies other than the units' functional currency. Substantially all of the Group's revenue and expenses are denominated in the functional currency of the operating units making the revenue, and substantially all the costs of sales and services are denominated in the units' functional currency. Accordingly, the Directors consider that the Group is not exposed to significant currency risk.

Majority of the Group's bank deposits were denominated in United States dollars ("US\$"), Hong Kong dollars ("HK\$") and Renminbi ("RMB"). RMB-denominated bank deposits were primarily held by the entities of which functional currency is RMB, and US\$ and HK\$ denominated bank deposits were primarily held by the entities of which functional currency is HK\$. Since HK\$ is pegged to US\$ under the Linked Exchange Rate System in Hong Kong, the Directors consider that there is no significant foreign exchange risk in respect to US\$.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Group is exposed to interest rate risk related primarily to its fixed deposits held at banks. The Directors consider the Group's exposure of fair value interest rate risk on fixed deposits is not significant as the interest bearing fixed deposits are within short maturity period.

The Group does not enter into any derivative financial instruments in order to mitigate its exposure associated with fluctuations relating to fair value of its cash flows of interest receipts. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

As the Group is not exposed to significant interest rate risk, the Directors consider the presentation of sensitivity analysis unnecessary.

(iii) Other price risk

As the Group has no significant investments in financial instruments at fair value, the Group is not exposed to significant price risk.

(b) Credit risk

The Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward looking information. Especially the following indicators are incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- actual or expected significant change in the operating results of the counterparty
- significant expected changes in the performance and behaviour of the counterparty, including changes in the payment status of counterparties in the group and changes in the operating results of the counterparty

A default on a financial asset is when the counterparty fails to make contractual payments when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery.

Cash and bank balances placed in renowned or high credit-rated financial institutions are considered to be of low credit risk as they have an investment credit rating with at least one major agency. There has been no recent history of default in relation to these banks and financial institutions. The identified impairment loss was immaterial.

For other receivables and deposits, the balances mainly comprise of loan to a joint venture, loan to an associate, amounts due from fellow subsidiaries, amount due from a joint venture, other tax recoverable and rental and utilities deposits. For amounts due from fellow subsidiaries and a joint venture, management consider they do not have significant credit risk due to the past payment history and also taking into account of the sound financial performance and position of their holding companies or significant shareholders to meet contractual cash flow obligations in the near term. The Group provided HK\$263,000 and HK\$64,000 of loss allowance on loan to a joint venture and loan to an associate respectively using the expected credit loss that incorporates key parameters, including probability of default, loss given default, exposures of default and other adjustment factors. Other tax recoverable from the tax authority of the PRC government is considered to be of low credit risk. Management considers rental and utilities deposits do not have significant credit risk since the deposits are refundable from landlords and counterparties upon end of lease term or recoverable by the Group through using the leased property and the utilities. For remaining balances, the Group carries out regular review on these balances and follow up action on any overdue amounts to minimise exposures to credit risk. During the year, loss allowance of HK\$327,000 (2019: HK\$Nil) were recognized in profit or loss in relation to other receivables and deposits.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

For trade receivables which primarily arise from sales with customers who are governmental lottery authorities or operators authorized by such authorities, no significant impairment allowance had been provided under lifetime expected credit loss assessment. Management considered there was no history of default of the debtors and also took into account of Group's view of current and forecast economic conditions that may affect the ability of the debtors to settle receivables.

No significant changes to the estimation techniques or significant assumptions were made during the year.

As at 31 December 2020, the Group is subject to concentration of credit risk as 43% (2019: 54%) of the Group's trade receivables were due from the Group's largest customer. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 24.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings or good reputation and on trade receivables, the Group does not have any other significant concentration of credit risk.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and reserve borrowing facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

At 31 December 2020, the Group has no available unutilised banking facilities (2019: HK\$Nil).

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	On demand or within 1 year HK\$'000	More than 1 year but not more than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
At 31 December 2020				
Trade payables	10,358	–	10,358	10,358
Accruals and other payables	92,232	143	92,375	92,375
Lease liabilities	23,667	40,948	64,615	55,444
	126,257	41,091	167,348	158,177
At 31 December 2019				
Trade payables	9,157	–	9,157	9,157
Accruals and other payables	82,163	–	82,163	82,163
Contingent consideration payables settled by cash	50,000	–	50,000	44,927
Lease liabilities	15,219	8,091	23,310	21,680
	156,539	8,091	164,630	157,927

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2019.

The capital structure of the Group consists of net debt (which includes trade payables, accruals and other payables, contract liabilities, lease liabilities and contingent consideration payables, net of cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital and reserves).

The Group is not subject to any externally imposed capital requirements.

The Directors review the capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buybacks as well as the issue of new debt.

The net debt-to-equity ratio at the end of the reporting period was as follows:

	2020 HK\$'000	2019 HK\$'000
Debt	168,821	189,879
Less: cash and cash equivalents	(237,380)	(1,123,876)
Net cash	68,559	933,997
Equity attributable to owners of the Company	2,895,740	2,982,224
Net debt-to-equity ratio	N/A	N/A

As at 31 December 2020, the Group was in net cash position, taking into accounts its debt and cash and cash equivalents.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

No financial instruments of the Group was carried at fair value as at 31 December 2020. The table below analyses the Group's financial instruments carried at fair value as at 31 December 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial liabilities at fair value through profit or loss				
Contingent consideration payables	24,662	–	44,927	69,589

See Notes 17 and 29 for disclosures of the measurement of investment properties and contingent consideration payables that are measured at fair value.

There were no transfers between level 1, level 2 and level 3 during the year.

Valuation processes of the Group

The fair values of the Group's investment properties as at 31 December 2020 and 2019 and contingent consideration payables as at 31 December 2019 have been arrived at on the basis of valuation carried out on the respective dates by Asset Appraisal Limited ("AAL"). The fair values of the embedded derivative of convertible bonds as at 22 July 2019 have been arrived at on the basis of valuation carried out by GW Financial Advisory Services Limited ("GWFAASL"). AAL and GWFAASL are independent professional valuers not connected to the Group, and are members of the Hong Kong Institute of Surveyors and have appropriate qualifications and relevant experience.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The Group's finance team reviewed the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the management. Discussions of valuation processes and results are held between the management, finance team and valuers at least two times per year, in line with the Group's interim and annual reporting dates.

At each financial year end, the finance team:

- verifies all major inputs to the independent valuation reports;
- assess valuations movements when compared to the prior year valuation reports; and
- holds discussions with the independent valuers.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 17.

(b) Impairment assessment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8. Significant judgements were required to determine the cash generating unit or group of cash generating units where the impairment assessment is performed, and to determine the appropriate recoverable amount being higher amount of the fair value less costs of disposal and value in use. If the share price of the Company as at 31 December 2020 had increased/decreased by 50%, the fair value less costs of disposal of the Group would have increased/decreased by approximately HK\$1,663,309,000. Details of the judgement and assumptions have been disclosed in Note 18.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Recognition of deferred income tax assets

Deferred tax assets in relation to temporary differences have been recognized in the consolidated statement of financial position. The recognition of deferred tax assets mainly depends on whether sufficient taxable temporary differences of future assessable profits will be available in the future. In cases where the actual future assessable profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss in the period of the reversal takes place.

(d) Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from subsidiaries in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend, where the Group considers that if it is probable that the profits of the subsidiaries in the PRC will not be distributed in the foreseeable future, then no withholding taxes are provided.

(e) Valuation of contingent consideration payables

The fair value of contingent consideration payables has been determined based on discounted cash flows. These calculations require the use of estimates, including discount rates. Details of the judgement and assumptions have been disclosed in Note 29.

(f) Estimated impairment of trade and other receivables

The Group estimates the provisions for impairment of trade and other receivables by assessing their recoverability based on credit history, prevailing market conditions as well as forward looking estimates at the end of each reporting period. This requires the use of estimates and judgements. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amount of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the provisions at the end of each reporting period.

(g) Provision for warranties

The Group generally offers two-to-eight year warranties for its hardware. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. Factors that could impact the estimated claim information include the success of the Group's productivity and quality initiatives, as well as parts and labour costs.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(h) Share-based payments

The Group is required to expense its employees' share-based compensation awards in accordance with HKFRS 2 "Share-based payment". The Group measures share-based compensation cost based on the fair value on the grant date of each award. This cost is recognized over the period during which an employee is required to provide service in exchange for the award or the requisite service period, usually the vesting period, and is adjusted for actual forfeitures that occur before vesting. The Group is required to use certain assumptions, including the forfeitures and the service period of each employee, to assess the fair value of share-based compensation. The use of different assumptions and estimates could produce materially different estimated fair values for the share-based compensation awards and related expenses.

5 REVENUE

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

	2020 HK\$'000	2019 HK\$'000
Lottery hardware	73,387	104,785
Lottery games and systems (Note)	46,303	43,296
Provision of lottery distribution and ancillary services	24,455	18,285
Games and entertainment	17,504	8,711
	161,649	175,077

Note:

On 23 October 2020, the Ministry of Finance, the Ministry of Civil Affairs and the General Administration of Sport of the PRC jointly announced a notice in relation to, among other things, the proposed 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) (the "Joint Notice"). As a result of the Joint Notice, which applied to all 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) in the PRC, the Group received a written implementation letter dated 23 October 2020 from Jiangsu Sports Lottery Administration Centre in relation to, among other matters, the cessation of the sales of a football themed virtual sports lottery game "e-Ball Lottery" in Jiangsu Province of the PRC with effect from 1 November 2020. As a result of the Joint Notice, the sales of a motor racing-themed virtual sports lottery game "Lucky Racing" in Hunan Province of the PRC, as a high frequency sports lottery game has also ceased from 9 February 2021.

6 SEGMENT INFORMATION

Information reported to the executive Directors, being the chief operating decision-maker (“CODM”), for the purposes of resources allocation and assessment of performance focuses specifically on the revenue analysis by principal categories of the Group’s business and the profit or loss of the Group as a whole.

Accordingly, the CODM have determined that the Group has one sole operating segment. The information regarding revenue derived from the principal businesses described above is set out in Note 5.

Additional disclosure in relation to segment information is not presented as the CODM assess the performance of the sole operating segment identified based on the consistent information as disclosed in the consolidated financial statements.

The total segment profit or loss is equivalent to profit or loss for the year as shown in the consolidated statement of profit or loss and other comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the consolidated statement of financial position.

Geographical information

The Group’s operations are mainly located in the PRC.

The Group’s revenue from external customers by location of operations and information about its non-current assets* by location of assets are detailed below:

	Revenue from external customers		Non-current assets*	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
PRC	144,559	167,989	1,229,050	1,150,802
Hong Kong	–	–	6,738	8,085
Others	17,090	7,088	–	42,479
	161,649	175,077	1,235,788	1,201,366

* Non-current assets represent non-current assets other than deferred income tax assets.

6 SEGMENT INFORMATION (continued)

Information about major customers

Revenue from customers contributing over 10% of total revenue of the Group is as follows:

	2020 HK\$'000	2019 HK\$'000
Customer A	55,229	69,130
Customer B	N/A*	21,611
Customer C	27,209	N/A*
Customer D	17,013	N/A*
	99,451	90,741

* The corresponding customer did not contribute over 10% to the Group's revenue in 2019 or 2020.

7 OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Rental income from investment properties	3,314	3,320
Recharge for technical services to a joint venture	1,330	1,600
Recharge for rental services to a joint venture	1,782	–
Write-back of contract liabilities in relation to games and entertainment business	–	2,577
Others	4,433	1,352
	10,859	8,849

8 NET OTHER GAINS/(LOSSES)

	2020 HK\$'000	2019 HK\$'000
Loss on fair value changes of investment properties (Note 17)	(6,748)	(2,269)
Foreign exchange gain/(loss)	18,476	(17,475)
Loss allowance on loan to		
– a joint venture	(263)	–
– an associate	(64)	–
Gain on disposals of property, plant and equipment	25	49
	11,426	(19,695)

9 EMPLOYEE BENEFITS EXPENSES

	2020 HK\$'000	2019 HK\$'000
Fees, salaries, discretionary bonuses and other benefits	132,614	136,781
Share-based payments	27,218	27,706
Defined contributions plans	19,096	35,937
Total employee benefits expenses	178,928	200,424

(a) Defined contribution plans

The Group participates in employee social security plans as required by the regulations in the PRC. The Group also participates in the Mandatory Provident Fund scheme to which all qualified employees of the Group in Hong Kong are entitled. The assets of the retirement benefit schemes are held, separately from those of the Group, in funds under the control of the trustees. The employees of the subsidiaries in the PRC are members of social security schemes operated by the relevant local government authorities. The pension plans are funded by payments from employees and by the relevant group companies. The amounts charged to profit or loss represent contributions payable by the Group at the specified rates according to the respective plans. The only obligation of the Group in respect of the retirement benefit schemes is to make the specified contributions. In response to the impact of the COVID-19 pandemic, one-off concession under social security schemes had been provided in the PRC for the year ended 31 December 2020.

Contributions totalling approximately HK\$686,000 (2019: HK\$1,727,000) were payable to the fund at the year-end.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2019: one) Director whose emolument is reflected in the analysis shown in Note 37. The emoluments payable to the remaining four (2019: four) individuals during the year are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and other benefits	5,904	5,792
Defined contributions plans	237	432
Discretionary bonus	456	1,525
Share-based payments	10,200	9,887
	16,797	17,636

9 EMPLOYEE BENEFITS EXPENSES (continued)

(b) Five highest paid individuals (continued)

Their emoluments fell within the following bands:

	2020 Number of individuals	2019 Number of individuals
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$3,500,001 to HK\$4,000,000	1	–
HK\$4,000,001 to HK\$4,500,000	1	1
HK\$4,500,001 to HK\$5,000,000	–	1
HK\$5,500,001 to HK\$6,000,000	1	1
	4	4

No emoluments were paid by the Group to any of the above four (2019: four) individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 OTHER OPERATING EXPENSES

	2020 HK\$'000	2019 HK\$'000
Marketing and distribution expenses	18,506	14,071
Technology service fees	12,543	6,691
Legal and professional fees	11,053	8,275
(Reversal of provision for warranties)/provision for warranties	(5,879)	6,762
Management and administrative service fees to fellow subsidiaries	7,951	7,087
Share-based payments for other eligible participants	–	5,267
Rent, rates and property management fees	3,799	4,316
Office expenses	2,982	4,163
Travel and transportation expenses	3,732	8,903
Research and development costs	2,001	1,670
Auditor's remuneration	1,500	1,500
Others	9,110	8,829
	67,298	77,534

11 NET FINANCE INCOME

	2020 HK\$'000	2019 HK\$'000
Interest income on bank deposits	44,293	58,990
Interest income on loan to an associate	1,400	758
Interest income on loan to a joint venture	185	–
Interest expense on convertible bonds (Note 30)	–	(27,461)
Interest expense on lease liabilities	(1,815)	(1,417)
	44,063	30,870

12 INCOME TAX EXPENSES

Taxation has been calculated on the estimated assessable profit for the year at the rates prevailing in the countries in which the members of the Group operate.

No provision for Hong Kong profits tax has been made, as there were no assessable profits arising in or derive from Hong Kong for the both years.

北京亞博高騰科技有限公司(Beijing AGTech GOT Technology Co., Ltd.*) (“GOT”), 北京思德泰科科技發展有限公司(Beijing Systek Science & Technology Development Co., Ltd.*) (“Beijing Systek”) and 深圳中林瑞德科技有限公司(Shenzhen Zoom Read Tech Co., Ltd.*) (“Shenzhen Subsidiary”) are subject to PRC Enterprise Income Tax (“EIT”) at 15% for both years, as GOT, Beijing Systek and Shenzhen Subsidiary are recognized as High and New Technology Enterprise under the PRC EIT Law. 北京亞博高騰科技有限公司(Beijing AGTech Co., Ltd.*) is subject to PRC EIT at 15% and 25% for the years ended 31 December 2020 and 2019 respectively, as it is recognized as a High and New Technology Enterprise under the PRC EIT Law for the year ended 31 December 2020. Other PRC subsidiaries of the Group are subject to PRC EIT at 25% for both years.

* For identification purpose only

	2020 HK\$'000	2019 HK\$'000
Current tax:		
– PRC EIT on assessable profit for the year	7,412	4,356
– Adjustments in respect of prior years	594	145
Deferred tax (Note 20):		
– Origination and reversal of temporary differences	808	(169)
Income tax expense	8,814	4,332

12 INCOME TAX EXPENSES (continued)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to loss/profit of the consolidated entities as follows:

	2020 HK\$'000	2019 HK\$'000
Loss before income tax	(100,640)	(109,271)
Tax calculated at domestic income tax rates	(17,822)	(22,105)
Income not subject to tax	(40,328)	(40,208)
Expenses not deductible for tax purposes	26,285	15,965
Utilisation of previously unrecognized tax losses	(197)	(4,551)
Tax losses and other temporary differences for which no deferred income tax asset was recognized	40,282	55,086
Adjustments in respect of prior years	594	145
Income tax expenses	8,814	4,332

13 LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2020 HK\$'000	2019 HK\$'000
Share-based payments		
– Directors and eligible employees (Note 9)	27,218	27,706
– Other eligible participants	–	5,267
Auditor's remuneration		
– Audit services	1,500	1,500

14 LOSS PER SHARE

(a) Basic

Basic loss or earning per share is calculated by dividing the loss attributable to owners of the Company for the year ended 31 December 2020 of approximately HK\$121,372,000 (2019: loss of approximately HK\$123,883,000) by the weighted average number of ordinary shares outstanding during the year of approximately 11,672,342,000 (2019: approximately 11,450,972,000) shares and excluding the weighted average number of shares held for share award scheme of approximately 167,787,000 (2019: approximately 108,824,000) 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 three categories of dilutive potential ordinary shares: contingent considerations, share options and share awards. The contingent considerations are assumed to have been settled in ordinary shares, and the profit or loss attributable to owners of the Company is adjusted to eliminate the relevant fair value changes. For the share options and share awards, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and share awards.

For the year ended 31 December 2020, contingent considerations and share options are excluded from the computation of the diluted loss per share as there were no outstanding contingent considerations and share options as at 31 December 2020. For the years ended 31 December 2020 and 2019, 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. For the year ended 31 December 2019, the computation of the diluted loss per share does not assume the exercise of the outstanding share options as this would decrease the diluted loss per share. For the year ended 31 December 2019, 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 December 2019.

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost						
Balance at 1 January 2019	840	8,342	3,962	1,342	5,865	20,351
Additions	-	397	546	835	-	1,778
Disposals	-	-	(267)	(58)	(241)	(566)
Currency translation differences	(16)	(160)	(66)	(142)	(60)	(444)
Balance at 31 December 2019 and 1 January 2020	824	8,579	4,175	1,977	5,564	21,119
Additions	-	-	360	4,445	-	4,805
Disposals	-	-	(105)	(13)	-	(118)
Currency translation differences	53	518	228	714	191	1,704
Balance at 31 December 2020	877	9,097	4,658	7,123	5,755	27,510
Accumulated depreciation and impairment						
Balance at 1 January 2019	441	6,285	2,419	482	3,731	13,358
Depreciation charge	42	1,161	954	542	290	2,989
Disposals	-	-	(267)	(38)	(241)	(546)
Currency translation differences	(9)	(132)	(46)	(121)	(59)	(367)
Balance at 31 December 2019 and 1 January 2020	474	7,314	3,060	865	3,721	15,434
Depreciation charge	41	951	993	1,304	340	3,629
Disposals	-	-	(105)	(13)	-	(118)
Currency translation differences	33	479	206	371	188	1,277
Balance at 31 December 2020	548	8,744	4,154	2,527	4,249	20,222
Net book amount						
Balance at 31 December 2020	329	353	504	4,596	1,506	7,288
Balance at 31 December 2019	350	1,265	1,115	1,112	1,843	5,685

16 LEASES

This note provides information for leases where the Group is a lessee.

- (i) Amounts recognized in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	31 December 2020 HK\$'000	31 December 2019 HK\$'000
Right-of-use assets		
Buildings	54,197	21,135
	54,197	21,135
Lease liabilities		
Current	19,250	14,581
Non-current	36,194	7,099
	55,444	21,680

Additions to the right-of-use assets during the year ended 31 December 2020 was HK\$50,785,000 (2019: HK\$4,052,000).

16 LEASES (continued)

- (ii) Amounts recognized in the consolidated statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	2020 HK\$'000	2019 HK\$'000
Depreciation charge of right-of-use assets		
Buildings	20,125	20,592
	20,125	20,592
Interest expense (included in net finance income)	1,815	1,417
Expense relating to short-term leases (included in other operating expenses)	154	577

The total cash outflow for leases in the year ended 31 December 2020 was HK\$21,756,000 (2019: HK\$21,894,000).

- (iii) The Group's leasing activities and how these are accounted for

The Group leases various offices and staff quarters. Rental contracts are typically made for a fixed periods of one year to eight years, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

- (iv) Extension and termination options

Extension and termination options are included in the leases of the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

17 INVESTMENT PROPERTIES

	2020 HK\$'000	2019 HK\$'000
At fair value		
Balance at beginning of year	47,997	51,228
Loss on fair value changes	(6,748)	(2,269)
Currency translation differences	2,692	(962)
Balance at end of year	43,941	47,997
	2020 HK\$'000	2019 HK\$'000
Amounts recognized in profit or loss		
Rental income	3,314	3,320
Direct operating expenses from properties that generated rental income	(965)	(910)
	2,349	2,410

The Group's properties interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

As at 31 December 2020, no investment properties of the Group (2019: HK\$Nil) were pledged to secure bank borrowings and banking facilities granted to the Group.

17 INVESTMENT PROPERTIES (continued)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2020 and 2019 are as follows:

	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
Office units in the PRC				
31 December 2020	–	43,941	–	43,941
31 December 2019	–	47,997	–	47,997

There were no transfers between level 1, level 2 and level 3 during the year.

Valuation techniques

The fair value was determined using the market comparable approach based on recent market prices without any significant adjustments being made to the market observable data. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The most significant input into this valuation approach is price per square foot.

There were no changes to the valuation techniques during the year.

18 GOODWILL

	2020 HK\$'000	2019 HK\$'000
Cost		
Balance at beginning of year	1,070,433	1,084,317
Currency translation differences	44,654	(13,884)
Balance at end of year	1,115,087	1,070,433
Accumulated impairment		
Balance at beginning and end of year	2,857	2,857
Net book amount		
Balance at end of year	1,112,230	1,067,576

Goodwill of the Group arose on the acquisition of subsidiaries in the past which was attributable to the synergies expected from the combined operations of the Group, the assembled workforce and their knowledge and experience surrounding lottery and games related businesses. The group of cash generating units to which the goodwill is allocated is the Group as a whole, being the only operating segment.

As at 31 December 2020 and 2019, the recoverable amount of the Group was determined based on fair value less costs of disposal, which was estimated by management with reference to the transaction price of the Company's listed shares on GEM of The Stock Exchange of Hong Kong Limited. Management considered the recoverable amount of the Group was higher than its carrying amount as at 31 December 2020 and 2019.

During the year ended 31 December 2020 and 2019, the management determined that there was no impairment of goodwill based on the fair value less costs of disposal model.

19 OTHER INTANGIBLE ASSET

	2020 HK\$'000	2019 HK\$'000
Cost		
Balance at beginning and end of year	1,742	1,742
Accumulated impairment		
Balance at beginning and end of year	–	–
Net book amount		
Balance at end of year	1,742	1,742

The other intangible asset comprised club membership and the Directors consider that it has indefinite useful life.

20 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2020 HK\$'000	2019 HK\$'000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	3,291	4,676
Deferred tax assets to be recovered within 12 months	1,231	1,381
	4,522	6,057
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	5,889	6,425
	5,889	6,425

20 DEFERRED INCOME TAX (continued)

The movement in deferred income tax assets and liabilities during the year, without consideration of the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Provision for warranties	
	2020 HK\$'000	2019 HK\$'000
Balance at beginning of year	6,057	6,349
Currency translation differences	285	(121)
Charged to profit or loss	(1,820)	(171)
Balance at end of year	4,522	6,057

Deferred tax liabilities

	Investment properties	
	2020 HK\$'000	2019 HK\$'000
Balance at beginning of year	6,425	6,778
Currency translation differences	476	(13)
Charged to profit or loss	(1,012)	(340)
Balance at end of year	5,889	6,425

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2020, no withholding tax had been provided for the earnings of approximately HK\$171,324,000 (2019: HK\$157,172,000) expected to be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK\$1,190,978,000 (2019: HK\$985,152,000) available for offsetting against future profits of the companies in which the losses arose. Included in the estimated unused tax losses are losses of approximately HK\$852,422,000 (2019: HK\$673,569,000) that will expire within 5 years generally or 10 years for High and New Technology Enterprises and Small Low-Profit Enterprise under the EIT Law of the PRC. Other estimated unused tax losses of approximately HK\$338,556,000 (2019: HK\$311,583,000) may be carried forward indefinitely. Some of the tax loss brought forward amounts are subject to review by the tax authority later on once the subsidiaries commence to earn assessable profits. No deferred tax asset has been recognized in respect of these estimated unused tax losses due to unpredictability of future profit streams.

21 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Associate

The amounts recognized in the consolidated statement of financial position are as follows:

	2020 HK\$'000	2019 HK\$'000
Unlisted investment, at cost	291	291
Share of post-acquisition profit or loss and other comprehensive income, net of dividends received	(291)	(291)
	–	–

There is no associate that is individually material to the Group. The amounts recognized in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2020 HK\$'000	2019 HK\$'000
The Group's share of:		
Loss from continuing operation	–	(98)
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	–	–
	–	(98)

The amount of unrecognized share of loss of an associate for the current year was approximately HK\$4,699,000 (2019: HK\$5,225,000).

Details of the Group's associate are as follows:

Name of entity	Place of incorporation	Class of shares held	% of ownership interest		Principal activities	Measurement method
			2020	2019		
Star N Cloud Network Intelligence Company Limited	Macau	Ordinary	30%	30%	I.T. Investment and business consulting	Equity

The associate is a private company and there is no quoted market price available for its shares.

21 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Joint venture

The amounts recognized in the consolidated statement of financial position are as follows:

	2020 HK\$'000	2019 HK\$'000
Unlisted investment, at cost	125,845	55,793
Share of post-acquisition profit or loss and other comprehensive income, net of dividends received	(122,922)	(39,717)
Exchange difference	(2,923)	(1,776)
	–	14,300

The amounts recognized in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2020 HK\$'000	2019 HK\$'000
The Group's share of:		
Loss from continuing operation	(83,205)	(38,097)
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	–	–
	(83,205)	(38,097)

The amount of unrecognized share of loss of a joint venture for the current year was approximately HK\$2,098,000 (2019: Nil).

21 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Joint venture (continued)

The tables below provide summarised financial information for the joint venture that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint venture and not the Group's share of those amounts.

	2020 HK\$'000	2019 HK\$'000
Current assets		
Cash and cash equivalents	96,039	33,676
Other current assets	26,374	38,216
	122,413	71,892
Non-current assets	59,493	64,030
Current liabilities		
Financial liabilities (excluding trade and other payables and provisions)	87,489	1,007
Other current liabilities	98,200	35,147
	185,689	36,154
Non-current liabilities	880	6,157
Net (liabilities)/assets	(4,663)	93,611

Prepaid capital contribution by shareholders of approximately HK\$61,834,000 was included in the net assets of the joint venture as at 31 December 2019.

21 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)**Joint venture (continued)**

	2020 HK\$'000	2019 HK\$'000
Revenue	116,476	18,031
Interest income	2,296	–
Marketing expense	(153,881)	(32,462)
Depreciation and amortisation	(2,800)	(1,889)
Interest expense	(532)	–
Income tax expense	(1,500)	(5,274)
Loss from continuing operations	(191,660)	(99,630)
Loss from discontinued operations	–	–
Loss for the period	(191,660)	(99,630)
Other comprehensive income	(111)	6
Total comprehensive income	(191,711)	(99,624)
Dividend received from joint venture	–	–

Details of the Group's joint venture are as follows:

Name of entity	Place of incorporation	% of ownership interest		Principal activities	Measurement method
		2020	2019		
Paytm First Games Private Limited	India	45%	45%	Development and operating platforms for users to participate in and play various games	Equity

The joint venture is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the joint venture.

22 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK\$'000	2019 HK\$'000
Other receivables, net of loss allowance	140,993	52,683
Interest receivables	4,200	9,903
Rental, utility and other deposits	25,221	27,531
Prepayments	12,168	40,164
	182,582	130,281
Less non-current portion	(16,389)	(42,931)
	166,193	87,350

At 31 December 2019, none of the other receivables, deposits and prepayments was impaired. The financial assets included in the above balances related to receivables on which there was no recent history of default.

At 31 December 2020, other receivables included amounts due from fellow subsidiaries of approximately HK\$1,878,000 (2019: HK\$1,772,000), amount due from a joint venture of approximately HK\$19,561,000 (2019: HK\$7,963,000), loan to an associate together with accrued interest thereon less loss allowance of approximately HK\$31,192,000 (2019: HK\$29,847,000) and loan to a joint venture together with accrued interest thereon less loss allowance of approximately HK\$69,693,000 (2019: Nil).

Loan to a joint venture of approximately HK\$69,771,000 (2019: Nil) was unsecured, carried interest of 5.25% (2019: Nil) per annum and repayable within one year from the reporting date. Provision for loss allowance of HK\$263,000 (2019: Nil) was made on this loan.

Loan to an associate of approximately HK\$29,097,000 (2019: HK\$29,089,000) was unsecured, carried interest of 4.8% (2019: 4.8%) per annum and repayable on demand. Provision for loss allowance of HK\$64,000 (2019: Nil) was made on this loan.

Except for the above balances, other balances were unsecured, interest-free and repayable on demand.

At 31 December 2019, prepayments included prepaid capital contribution in Paytm First Games Private Limited, a joint venture of the Group of approximately HK\$28,178,000. The shares were subsequently allotted to the Group on 7 January 2020.

The fair value of other receivables and deposits approximated to their carrying amount.

The carrying amounts of the other receivables and deposits were mainly denominated in RMB, US\$ and HK\$.

The maximum exposure to credit risk at the reporting date was the carrying value of each class of receivables mentioned above. The Group did not hold any collateral as security.

23 INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Raw materials	15,176	3,859
Work in progress	619	737
Finished goods	6,864	7,327
	22,659	11,923

The cost of inventories recognized as expense and included in 'purchase of and changes in inventories' amounted to approximately HK\$45,041,000 (2019: HK\$57,623,000). There were no inventory write-downs for the years ended 31 December 2020 and 2019.

24 TRADE RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	11,067	26,646

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. No interest is charged on trade receivables.

Ageing analysis of trade receivables based on the date of the relevant invoice or demand note was as follows:

	2020 HK\$'000	2019 HK\$'000
0 to 30 days	9,731	24,358
31 to 60 days	219	1,730
61 to 90 days	48	228
91 to 120 days	–	11
121 to 365 days	1,069	319
	11,067	26,646

At 31 December 2020, trade receivables of approximately HK\$9,731,000 (2019: HK\$24,358,000) were full performing.

24 TRADE RECEIVABLES (continued)

At 31 December 2020, trade receivables of approximately HK\$1,336,000 (2019: HK\$2,288,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The fair value of trade receivables approximated to their carrying amount. The carrying amounts of trade receivables were denominated in RMB.

The maximum exposure to credit risk at the reporting date was the carrying value of trade receivables. The Group did not hold any collateral as security.

25 CASH AND BANK BALANCES

	2020 HK\$'000	2019 HK\$'000
Cash and cash equivalents	237,380	1,123,876
Fixed deposits held at bank with original maturity over three months	1,465,185	778,544
Pledged bank deposits	289	2,504
Restricted cash	5,350	16,452
	1,708,204	1,921,376

Cash and cash equivalents comprised cash in hand, deposits held at call with bank, other short-term highly liquid investments with original maturities of three months or less, carrying effective interest ranging from 0.001% to 0.3% (2019: 0.001% to 3.350%) per annum.

As at December 2020, fixed deposits held at bank with original maturity over three months carried effective interest at 1.05% per annum (2019: 3.15%).

Pledged bank deposits represented deposits pledged with banks to secure letters of guarantee granted to the Group carrying effective interest at Nil (2019: Nil) per annum. The pledged bank deposits will be released upon expiry of the relevant letters of guarantee.

Cash and bank balance above included approximately HK\$5,350,000 (2019: approximately HK\$16,452,000) which are held by trustees of the Company for purchases of shares under share award scheme. These deposits are not available for general use by the Group.

25 CASH AND BANK BALANCES (continued)

As at 31 December 2020 and 2019, cash and bank balances were denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
HK\$	11,123	22,342
RMB	218,902	125,061
United States dollars	1,477,861	1,773,668
Others	318	305
	1,708,204	1,921,376

RMB is currently not a freely convertible currency in the international market. The conversion of RMB into foreign currencies and remittance of RMB out of the PRC are subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

26 CONTRACT LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Contract liabilities in relation to lottery hardware	9,027	5,185
Contract liabilities in relation to provision of lottery distribution and ancillary services	743	1,283
Contract liabilities in relation to games and entertainment	874	822
Total current contract liabilities	10,644	7,290

26 CONTRACT LIABILITIES (continued)

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	2020 HK\$'000	2019 HK\$'000
Revenue recognized that was included in the contract liability balance at the beginning of year		
Lottery hardware	5,013	4,893
Provision of lottery distribution and ancillary services	1,292	319
	6,305	5,212

27 TRADE PAYABLES

Ageing analysis of the trade payables based on invoice date was as follows:

	2020 HK\$'000	2019 HK\$'000
0 to 30 days	7,909	6,825
31 to 60 days	47	10
61 to 90 days	11	3
91 to 120 days	10	7
121 to 365 days	–	1,735
Over 365 days	2,381	577
	10,358	9,157

The average credit period is 30 days.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. Trade payables were non-interest bearing.

28 ACCRUALS AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Accrued expenses	27,785	34,069
Other payables	72,799	57,300
	100,584	91,369
Less non-current portion	(143)	–
	100,441	91,369

As at 31 December 2020, other payables included an amount due to non-controlling interests of approximately HK\$Nil (2019: HK\$486,000) and amounts due to fellow subsidiaries of approximately HK\$54,183,000 (2019: HK\$37,976,000), which was unsecured, interest-free and repayable on demand.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame. Other payables were non-interest-bearing.

The other payables were mainly denominated in RMB.

The fair value of other payables approximated to their carrying amounts.

29 CONTINGENT CONSIDERATION PAYABLES

	2020 HK\$'000	2019 HK\$'000
Payables settled by cash upon obtaining the game approval	–	44,927
Payable settled by issue of shares upon commencing first round game sales	–	24,662
	–	69,589

29 CONTINGENT CONSIDERATION PAYABLES (continued)

	2020 HK\$'000	2019 HK\$'000
Balance at beginning of year	69,589	77,384
Gain on fair value changes recognized in profit or loss	–	(7,795)
Gain on derecognition of contingent consideration payables recognized in profit or loss	(69,589)	–
Balance at end of year	–	69,589

Valuation techniques

The fair value of contingent consideration payables to be settled by cash (upon obtaining the game approval) was determined by discounting the contractual cash flows over the contractual term of the consideration payables at discount rates which were appropriate to the riskiness of the consideration payables, with reference to the prevailing market rates and other relevant indicators.

The fair value of contingent consideration payable to be settled by issue of shares (upon commencing first round game sales) was determined by using the published closing price per share with reference to other relevant indicators.

Information about fair value measurement using significant unobservable inputs (level 3) – contingent consideration payables settled by cash

As at 31 December 2019

Description	Fair value (HK\$'000)	Valuation technique	Unobservable inputs	Range (Weighted average)	Relationship of unobservable inputs to fair value
Payables settled by cash	44,927	Discounted cash flow	Discount rate	11.292%	The higher the discount rate, the lower the fair value

As at 31 December 2020, the conditions of obtaining the game approval (the “Game Approval Pre-condition”) by the mutually agreed extended deadline of 31 December 2020 and commencing first round game sales after obtaining such approval had not yet been fulfilled as at 31 December 2020, and the Company decided not to further extend the deadline for fulfilling the Game Approval Pre-condition. Accordingly, the contingent consideration payables, being HK\$69,589,000 as at 31 December 2019, were written back to profit or loss for the year ended 31 December 2020.

In addition, according to the terms of the sale and purchase agreement for the acquisition of Score Value Limited (“Score Value Agreement”), if the Game Approval Pre-condition is not granted by the relevant government authority of the PRC by the mutually agreed extended deadline of 31 December 2020, Immense Wisdom Limited and King Achieve Limited, the vendors in the Score Value Agreement (the “Vendors”), are required to refund HK\$50 million to the Company (the “Refund Amount”) within 30 working days after 31 December 2020, and the Company shall no longer be required to pay to the Vendors the contingent considerations.

With respect to the Refund Amount which represented a contingent receivable to be measured at fair value, management of the Company has reassessed that the fair value was close to zero based on the Vendors’ creditworthiness or financial performance as at 31 December 2020.

30 CONVERTIBLE BONDS

On 19 July 2019, Ali Fortune Investment Holding Limited exercised the conversion rights attaching to the convertible bonds in the aggregate principal amount of HK\$99,720,000. Accordingly, an aggregate of 400,000,000 shares were allotted and issued at the then conversion price of HK\$0.2493 per share on 22 July 2019.

As no further conversion rights attaching to the convertible bonds were exercised by Ali Fortune Investment Holding Limited on or before the maturity date, the Company redeemed the remaining convertible bonds in an aggregate principal amount of HK\$232,608,165 on 10 August 2019 pursuant to the instrument of the convertible bonds.

At 31 December 2020 and 31 December 2019, there were no convertible bonds outstanding.

	Debt instrument HK\$'000	Embedded derivative HK\$'000	Total HK\$'000
At 1 January 2019	303,634	115,184	418,818
Conversion during the year	(98,487)	(29,994)	(128,481)
Gain on fair value changes	–	(85,190)	(85,190)
Interest expense	27,461	–	27,461
Redemption during the year	(232,608)	–	(232,608)
At 31 December 2019 and 31 December 2020	–	–	–

31 PROVISION FOR WARRANTIES

	2020 HK\$'000	2019 HK\$'000
Balance at beginning of year	40,378	42,327
Amount (credited)/charged to profit or loss	(5,879)	6,762
Amounts utilised	(6,255)	(7,905)
Currency translation differences	1,903	(806)
Balance at end of year	30,147	40,378
Less non-current portion	(21,938)	(31,172)
	8,209	9,206

The Group provides warranties to its customers on certain of its products, under which faulty products are repaired or replaced. The amount of provision for the warranties was estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

At the end of the reporting period, the Group estimated that provision for warranties are expected to be utilised in seven years.

Reversal of provision for warranties of approximately HK\$5,879,000 (2019: provision of warranties of HK\$6,762,000) was included in 'other operating expenses'.

32 SHARE CAPITAL

	Number of shares (in thousand)	HK\$'000
Authorized:		
Ordinary shares of HK\$0.002 each	20,000,000	40,000
Issued and fully paid:		
At 1 January 2019	11,272,342	22,544
Conversion of convertible bonds (Note (i))	400,000	800
At 31 December 2019 and 31 December 2020	11,672,342	23,344

Notes:

- (i) On 19 July 2019, Ali Fortune Investment Holding Limited exercised the conversion rights attaching to the convertible bonds in the aggregate principal amount of HK\$99,720,000. Accordingly, an aggregate of 400,000,000 shares were allotted and issued at the then conversion price of HK\$0.2493 per share on 22 July 2019. The shares rank pari passu with all the existing shares in issue.

33 DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2019: Nil).

34 SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme prior to 17 November 2014 (“2004 Share Option Scheme”)

The 2004 Share Option Scheme was adopted pursuant to a resolution passed on 18 November 2004 for the primary purpose of providing incentives to Directors and eligible participants (as defined in the 2004 Share Option Scheme). Under the 2004 Share Option Scheme, the Board may at its discretion grant options to eligible employees, including Directors of the Company and its subsidiaries, certain consultants, suppliers or customers of the Group who, in the sole discretion of the Board, have contributed or will contribute or can contribute to the Group, to subscribe for shares in the Company from time to time. The maximum number of shares which may be issued upon exercise of all options to be granted under the 2004 Share Option Scheme and any other schemes shall not exceed 10% of the shares in issue at the date of approval of the 2004 Share Option Scheme, without prior approval from the Shareholders. The number of shares in respect of which options may be granted under the 2004 Share Option Scheme to any individual in any one year is not permitted to exceed 1% of the shares in issue at the date of approval of the 2004 Share Option Scheme, without prior approval from the Shareholders.

Options granted to a Director, the chief executive or substantial Shareholder of the Company or any of their associates (as defined in the GEM Listing Rules) require the approval of independent non-executive Directors (excluding an independent non-executive Director who is the prospective grantee in question). Options granted to substantial Shareholders or independent non-executive Directors or their respective associates in excess of 0.1% of the Company’s share capital and with a value in excess of HK\$5 million must be approved in advance by the Shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per option. Options may be exercised at any time from the date of grant of the share option to a period to be notified by the Board to each grantee at the time of making such offer, which shall expire in 10 years from the date of grant.

The subscription price of the share option is determined by the Board, and the amount will not be less than the higher of (a) the closing price of shares on the Stock Exchange on the date of grant; (b) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

The 2004 Share Option Scheme is valid for a period of 10 years commencing on the adoption date of 18 November 2004 and was expired in 2014. Thereafter, no further options would be granted under the 2004 Share Option Scheme but the subsisting options granted thereunder prior to the expiry date will continue to be valid and exercisable in accordance with the terms of the 2004 Share Option Scheme.

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

34 SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share option scheme on or after 23 December 2014 (“2014 Share Option Scheme”)

The 2014 Share Option Scheme was adopted pursuant to a resolution passed on 23 December 2014 for the primary purpose of providing incentives to Directors and eligible participants (as defined in the 2014 Share Option Scheme). Under the 2014 Share Option Scheme, the Board may at its discretion grant options to eligible employees, including Directors of the Company and its subsidiaries, certain consultants, suppliers or customers of the Group who, in the sole discretion of the Board, have contributed or will contribute or can contribute to the Group, to subscribe for shares in the Company from time to time. The maximum number of shares which may be issued upon exercise of all options to be granted under the 2014 Share Option Scheme and any other schemes shall not exceed 10% of the shares in issue at the date of approval of the 2014 Share Option Scheme, without prior approval from the Shareholders. The number of shares in respect of which options may be granted under the 2014 Share Option Scheme to any individual in any one year is not permitted to exceed 1% of the shares in issue at the date of approval of the 2014 Share Option Scheme, without prior approval from the Shareholders.

Options granted to a Director, the chief executive or substantial Shareholder of the Company or any of their associates (as defined in the GEM Listing Rules) require the approval of independent non-executive Directors (excluding an independent non-executive Director who is the prospective grantee in question). Options granted to substantial Shareholders or independent non-executive Directors or their respective associates in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5 million must be approved in advance by the Shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per option. Options may be exercised at any time from the date of grant of the share option to a period to be notified by the Board to each grantee at the time of making such offer, which shall expire in 10 years from the date of grant.

The subscription price of the share option is determined by the Board, and the amount will not be less than the higher of (a) the closing price of shares on the Stock Exchange on the date of grant; (b) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a Share on the date of grant.

The 2014 Share Option Scheme is valid for a period of 10 years commencing on the adoption date of 23 December 2014.

34 SHARE-BASED PAYMENT TRANSACTIONS (continued)

The following table discloses details and movements of the Company's share options held by Directors, eligible employees and other eligible participants of the Group during the years ended 31 December 2020 and 2019:

	Date of grant	Exercise Price per share (HK\$)	Exercise period	Outstanding at 1 January 2020	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2020
Directors:								
2014 Share Option Scheme	1 June 2015	0.858	1 June 2016 – 31 May 2020	750,000	-	(750,000)	-	-
Eligible employees:								
2014 Share Option Scheme	20 January 2015	0.92	20 January 2016 – 19 January 2020	2,137,500	-	(2,137,500)	-	-
Other eligible participants:								
2014 Share Option Scheme	20 January 2015/ 7 July 2015	0.92/1.102	20 January 2016 – 6 July 2020	77,773,198	-	(77,773,198)	-	-
Total				80,660,698	-	(80,660,698)	-	-
Exercisable at beginning or end of year				80,660,698				-
Weighted average exercise price				HK\$1.078	-	HK\$1.078	-	-

34 SHARE-BASED PAYMENT TRANSACTIONS (continued)

	Date of grant	Exercise Price per share (HK\$)	Exercise period	Outstanding at 1 January 2019	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at 31 December 2019
Directors:								
2004 Share Option Scheme	21 January 2014	1.31	21 January 2015 – 20 January 2019	125,000	-	(125,000)	-	-
2014 Share Option Scheme	1 June 2015	0.858	1 June 2016 – 31 May 2020	1,500,000	-	(750,000)	-	750,000
Eligible employees:								
2004 Share Option Scheme	2 January 2014/ 21 January 2014	1.19/1.31	2 January 2015 – 20 January 2019	15,247,060	-	(15,247,060)	-	-
2014 Share Option Scheme	20 January 2015	0.92	20 January 2016 – 19 January 2020	4,475,000	-	(2,137,500)	(200,000)	2,137,500
Other eligible participants:								
2004 Share Option Scheme	21 January 2014	1.31	21 January 2015 – 20 January 2019	1,375,000	-	(1,375,000)	-	-
2014 Share Option Scheme	20 January 2015/ 7 July 2015	0.92/1.102	20 January 2016 – 6 July 2020	155,546,390	-	(77,773,192)	-	77,773,198
Total				178,268,450	-	(97,407,752)	(200,000)	80,660,698
Exercisable at beginning or end of year				97,407,752				80,660,698
Weighted average exercise price				HK\$1.0923	-	HK\$1.0988	HK\$0.92	HK\$1.078

34 SHARE-BASED PAYMENT TRANSACTIONS (continued)

No share options were exercised during the year ended 31 December 2020 and 31 December 2019.

As at 31 December 2020, the number of shares in respect of which options had been granted and remained outstanding under the 2014 Share Option Scheme was Nil (2019: 80,660,698), totally representing approximately Nil (2019: 1%) of the Company's issued share capital as at that date. Options in respect of 80,660,698 shares expired during the year ended 31 December 2020, and as a result, all options granted under 2014 Share Option Scheme had lapsed.

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.

Expiry date and exercise price of share options outstanding at the end of the year are as follows:

Expiry date	Range of exercise price per share option	Number of share options	
		2020	2019
2020	HK\$0.8580 – HK\$1.1020	–	80,660,698
		–	80,660,698

No share options were granted during the year ended 31 December 2020 (2019: Nil).

34 SHARE-BASED PAYMENT TRANSACTIONS (continued)

The fair values of options granted in previous years were calculated using the binominal model, details of which are as follows:

	Date of grant		
	7 July 2015	1 June 2015	20 January 2015
Number of shares to be issued upon exercise of options granted	300,312,280	72,944,800	52,200,000
Estimated fair values of options granted (rounded to HK\$'000)	HK\$143,454	HK\$29,474	HK\$22,915
Significant inputs into the model:			
Closing share price at date of grant	HK\$1.0200	HK\$0.8400	HK\$0.9200
Exercise price	HK\$1.1020	HK\$0.8580	HK\$0.9200
Expected volatility	66.39%-75.55%	66.59%-73.87%	65.85%-72.71%
Expected life of options	2-5 years	2-5 years	2-5 years
Risk-free interest rate	0.401%-1.156%	0.444%-1.104%	0.344%-0.971%
Dividend yield	Nil	Nil	Nil

Expected volatility was determined by using the historical volatility of the share prices of other companies in the similar industry over the expected life of the options. No other feature of the options granted was incorporated into the measurement of fair values.

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

34 SHARE-BASED PAYMENT TRANSACTIONS (continued)

On 22 June 2015, certain options previously granted to eligible employee were forfeited by cancellation. On 7 July 2015, the Company granted options carrying rights to subscribe a total of 19,219,500 shares under the Share Option Scheme to eligible employee and other eligible participants, options carrying rights to subscribe 19,219,500 shares were identified by the Company as replacement equity instruments for the cancelled equity instruments. The decreased value arising from the aforementioned cancellation and replacement was approximately HK\$13,220,000, which represented the difference between the fair value of the replacement options and the fair value of the cancelled options at the date of the replacement options were granted. Then fair values of the replacement options and cancelled options were estimated using the binominal method. The following table lists the inputs to the model used:

	Number of shares in respect of the cancelled options	Number of shares in respect of the replacement options
Number of shares to be issued upon exercise of options granted	19,219,500	19,219,500
Estimated fair values of options granted (rounded to HK\$'000)	HK\$22,486	HK\$9,266
Significant inputs into the model:		
Closing share price at date of the replacement options were granted	HK\$1.2700	HK\$1.0200
Exercise price	HK\$0.1006	HK\$1.1020
Expected volatility	65.10%-68.49%	66.39%-71.74%
Expected life of options	1.15-2.15 years	2-5 years
Risk-free interest rate	0.158%-0.464%	0.401%-1.156%
Dividend	Nil	Nil

Expected volatility was determined by using the historical volatility of the share prices of other companies in the similar industry over the expected life of the options. No other feature of the options granted was incorporated into the measurement of fair values.

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

Share award scheme ("Share Award Scheme")

The Company has adopted the Share Award Scheme on 17 March 2017 (the "Adoption Date") which allows the Company to grant award Shares to selected participants as incentives and/or rewards for their contribution to the Group.

34 SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share award scheme (“Share Award Scheme”) (continued)

Set out below are a summary of all the grants of award Shares under the Share Award Scheme since the Adoption Date up to and including 31 December 2020:

Date of grant	Grantees	Number of award Shares granted	Approximate % of issued share capital of the Company as at the relevant financial year end date	Closing market price per Share at the relevant date of grant (HK\$)	Aggregate market value of the relevant award Shares granted (based on closing market price at the relevant date of grant) (HK\$)
15 May 2017	Directors and eligible employees	100,618,500	0.9% as at 31 December 2017	1.33	133,822,605
10 January 2018	Certain eligible persons	28,800,000	0.26% as at 31 December 2018	1.26	36,288,000
11 September 2018	Director and certain eligible persons	75,690,000	0.67% as at 31 December 2018	0.58	43,900,200
17 May 2019	Certain eligible persons	55,200,000	0.47% as at 31 December 2019	0.45	24,840,000
9 December 2019	Director and certain eligible persons	16,100,000	0.14% as at 31 December 2019	0.315	5,071,500
20 May 2020	Director and certain eligible persons	52,744,000	0.45% as at 31 December 2020	0.48	25,317,120
Total:		329,152,500			

All of the 329,152,500 award Shares shall be granted by way of acquisition of existing Shares from the market by the trustee of the Share Award Scheme (the “Trustee”). The Board shall cause to pay the Trustee the purchase price and the related expenses from the Company’s cash resources. The Trustee shall purchase from the market the relevant number of award Shares and shall hold the award Shares on trust for the relevant selected participants until they are vested in such selected participants and delivered in accordance with the terms of the Share Award Scheme. There is no condition, performance target or lock up restriction attached to the award Shares.

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

34 SHARE-BASED PAYMENT TRANSACTIONS (continued)**Share award scheme ("Share Award Scheme") (continued)**

	Directors	Eligible employees	Total
Outstanding at 1 January 2019	18,430,000	115,709,250	134,139,250
Granted during the year	6,000,000	65,300,000	71,300,000
Vested during the year	(3,270,000)	(32,078,425)	(35,348,425)
Forfeited during the year	(6,850,000)	(25,202,400)	(32,052,400)
Outstanding at 31 December 2019 and 1 January 2020	14,310,000	123,728,425	138,038,425
Granted during the year	384,000	52,360,000	52,744,000
Vested during the year	(4,770,000)	(41,168,425)	(45,938,425)
Forfeited during the year	–	(33,155,000)	(33,155,000)
Outstanding at 31 December 2020	9,924,000	101,765,000	111,689,000

The award Shares shall be vested over four years period and the fair value was determined based on the published closing price of the Company's shares at the respective grant dates. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares. The weighted average fair value of award Shares granted during the year ended 31 December 2020 was HK\$0.48 per share (2019: HK\$0.42 per share).

35 OPERATING LEASE COMMITMENTS

The Group as lessor

Property rental income earned during the year was approximately HK\$3,314,000 (2019: HK\$3,320,000). All of the Group's investment properties are held for rental purposes. The properties held have committed tenants for the next one to two years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2020 HK\$'000	2019 HK\$'000
Within one year	3,852	1,764
In the second to fifth years inclusive	2,514	–
	6,366	1,764

36 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in these consolidated financial statements, the following transactions were carried out with related parties:

(a) Sales of services

	Note	2020 HK\$'000	2019 HK\$'000
Revenue of games and entertainment business from fellow subsidiaries	(i)	413	499
Revenue of games and entertainment business from a joint venture	(ii)	17,013	7,079
Recharge for technical services to a joint venture	(iii)	1,330	1,600
Recharge for rental services to a joint venture	(iv)	1,782	–

Notes:

- (i) This represents the revenue received from fellow subsidiaries for games and entertainment business which is based on pre-determined fee basis as stipulated in the agreement.
- (ii) This represents the revenue received from a joint venture for games and entertainment business which is based on pre-determined fee basis as stipulated in the agreement.
- (iii) This represents the recharge for technical services to a joint venture which is charged at pre-determined fee basis as stipulated in the agreement.
- (iv) This represents the recharge for rental services to a joint venture which is charged at pre-determined fee basis as stipulated in the agreement.

36 RELATED PARTY TRANSACTIONS (continued)**(b) Purchases of goods and services**

	Note	2020 HK\$'000	2019 HK\$'000
Recharge for operation of lottery distribution from fellow subsidiaries	(i)	1,976	2,294
Recharge for operation of games and entertainment business from a fellow subsidiary	(ii)	225	–
Purchase of marketing services for games and entertainment business from fellow subsidiaries	(iii)	14	756
Purchase of technology services from fellow subsidiaries	(iv)	3,162	1,625
Recharge for rental services from fellow subsidiaries	(v)	171	162
Recharge for management and administrative services from fellow subsidiaries	(vi)	7,951	7,087
Purchase of marketing services for lottery distribution business from a fellow subsidiary	(vii)	209	136

Notes:

- (i) This represents the recharge for operation of lottery distribution from fellow subsidiaries which is based on pre-determined fee basis as stipulated in the agreement.
- (ii) This represents the recharge for operation of games and entertainment business from a fellow subsidiary which is based on pre-determined fee basis as stipulated in the agreement.
- (iii) This represents the marketing fees paid/payable to fellow subsidiaries for supply of products or services offered to individual users on certain online platforms operated by the Group at a discounted price.
- (iv) This represents the service fee on technology services and resources provided by fellow subsidiaries which is charged based on the actual usage of those services.
- (v) This represents the recharge of rental services from fellow subsidiaries which is fully exempted from the connected transaction requirements under Rule 20.74 of the GEM Listing Rules.
- (vi) This represents the recharge of management and administrative services from fellow subsidiaries which is fully exempted from the connected transaction requirements under Rule 20.96 of the GEM Listing Rules.
- (vii) This represents the marketing fees paid/payable to a fellow subsidiary for supply of products for lottery distribution business based on prices that would be available to independent third parties. This transaction is fully exempted from the connected transaction requirements under Rule 20.74 of the GEM Listing Rules.

36 RELATED PARTY TRANSACTIONS (continued)

(c) Key management compensation

The remuneration of the Directors (who are the key management personnel of the Group) during the year was as follows:

	2020 HK\$'000	2019 HK\$'000
Short-term employee benefits	5,831	5,892
Share-based payments	4,515	4,533
Post-employment benefits	198	210
	10,544	10,635

(d) Loan to related parties

	Note	2020 HK\$'000	2019 HK\$'000
Loan to an officer	(i)	2,214	2,215
Loan to a joint venture, net of loss allowance	(ii)	69,693	–
Loan to an associate, net of loss allowance	(iii)	31,192	29,847

Notes:

- (i) This represents the loan granted to an officer of the Company for an original period of two years which was expired on 31 December 2018 and extended for three years. It is repayable by monthly instalments at interest rate with reference to market rate and secured by the Company's shares held by the officer. The transaction is fully exempted from the connected transaction requirements under Rule 20.74 of the GEM Listing Rules.
- (ii) This represents the loan granted to the subsidiary of the Group's joint venture. It was unsecured, carried interest of 5.25% per annum and repayable within one year from the reporting date.
- (iii) This represents the loan granted to an associate. It was unsecured, carried interest of 4.8% per annum and repayable on demand.

37 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The remuneration of every Director and the chief executive is set out below:

For the year ended 31 December 2020

	Fees HK\$'000	Salaries, discretionary bonuses and other benefits in kind HK\$'000	Share-based payments (Note (i)) HK\$'000	Contributions to retirement benefit schemes HK\$'000	Total emoluments HK\$'000
Executive Directors:					
Mr. Sun Ho	4,290	–	3,117	198	7,605
Ms. Hu Taoye	–	941	1,398	–	2,339
Non-executive Directors:					
Mr. Li Faguang	–	–	–	–	–
Mr. Yang Guang	–	–	–	–	–
Mr. Ji Gang	–	–	–	–	–
Mr. Zou Liang	–	–	–	–	–
Independent non-executive Directors:					
Ms. Monica Maria Nunes	200	–	–	–	200
Mr. Feng Qing	200	–	–	–	200
Dr. Gao Jack Qunyao	200	–	–	–	200
Total emoluments	4,890	941	4,515	198	10,544

37 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

For the year ended 31 December 2019

	Fees HK\$'000	Salaries, discretionary bonuses and other benefits in kind HK\$'000	Share-based payments (Note (i)) HK\$'000	Contributions to retirement benefit schemes HK\$'000	Total emoluments HK\$'000
Executive Directors:					
Mr. Sun Ho	4,290	–	2,956	198	7,444
Ms. Hu Taoye	–	876	798	–	1,674
Mr. Zhou Haijing	33	93	741	12	879
Non-executive Directors:					
Mr. Li Faguang	–	–	–	–	–
Mr. Yang Guang	–	–	–	–	–
Mr. Ji Gang	–	–	–	–	–
Mr. Zou Liang	–	–	–	–	–
Independent non-executive Directors:					
Ms. Monica Maria Nunes	200	–	–	–	200
Mr. Feng Qing	200	–	19	–	219
Dr. Gao Jack Qunyao	200	–	19	–	219
Total emoluments	4,923	969	4,533	210	10,635

Note:

- (i) Share-based payments represent estimated money value of the share options and share awards granted to the Directors and chief executive, for details of which, please refer to Note 34 above.

Mr. Sun Ho is also the chief executive and his emoluments disclosed above include those for services rendered by him as the chief executive.

No emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office (whether in the capacity as Director or any other capacity while Director) during the year ended 31 December 2020 (2019: Nil). None of the Directors waived or agreed to waive their emoluments during the year ended 31 December 2020 (2019: Nil).

There are no loans, quasi-loans or other dealings in favour of Directors, their controlled bodies corporate and connected entities with such Directors during the year ended 31 December 2020 (2019: Nil).

Save as disclosed under the section headed "DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS" in the Directors' Report of this annual report, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: None).

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 HK\$'000	2019 HK\$'000
Non-current assets		
Investments in subsidiaries	–	–
Current assets		
Amounts due from subsidiaries	3,239,686	3,588,665
Other receivables, deposits and prepayments	3,480	2,159
Cash and bank balances	5,980	19,420
	3,249,146	3,610,244
Total assets	3,249,146	3,610,244
Current liabilities		
Accruals and other payables	7,835	6,211
Amounts due to subsidiaries	14,492	11,753
Contingent consideration payables	–	69,589
	22,327	87,553
Total liabilities	22,327	87,553
Net assets	3,226,819	3,522,691
Equity		
Share capital	23,344	23,344
Reserves	3,203,475	3,499,347
Total equity	3,226,819	3,522,691

The financial statements were approved by the Board of Directors on 23 March 2021 and were signed on its behalf by:

Sun Ho
Director

Hu Taoye
Director

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)**Reserve movement**

	Share premium HK\$'000	Shares held for share award scheme HK\$'000	Share options reserve HK\$'000	Share awards reserve HK\$'000	Contributed surplus HK\$'000	Other reserve HK\$'000	(Accumulated Losses)/ Retained Earnings HK\$'000	Total HK\$'000
Balance at 1 January 2019	3,269,729	(148,805)	97,384	61,311	47,191	30,406	(9,136)	3,348,080
Profit for the year	-	-	-	-	-	-	20,074	20,074
Recognition of equity settled share-based payments	-	-	5,217	26,958	-	-	-	32,175
Issue of shares upon conversion of convertible bonds	127,681	-	-	-	-	-	-	127,681
Lapse of share options	-	-	(55,054)	-	-	-	55,054	-
Purchase of shares under share award scheme	-	(28,433)	-	-	-	-	-	(28,433)
Transfer of shares upon vesting of share awards under share award scheme	(7,524)	45,427	-	(37,903)	-	-	-	-
Transaction with a shareholder								
– Employee share-based compensation	-	-	-	-	-	798	-	798
– Employee share-based compensation recharge	-	-	-	-	-	(1,028)	-	(1,028)
Balance at 31 December 2019	3,389,886	(131,811)	47,547	50,366	47,191	30,176	65,992	3,499,347
Loss for the year	-	-	-	-	-	-	(299,807)	(299,807)
Recognition of equity settled share-based payments	-	-	-	25,875	-	-	-	25,875
Lapse of share options	-	-	(47,547)	-	-	-	47,547	-
Purchase of shares under share award scheme	-	(22,020)	-	-	-	-	-	(22,020)
Transfer of shares upon vesting of share awards under share award scheme	5,412	30,850	-	(36,262)	-	-	-	-
Transaction with shareholder								
– Employee share-based compensation	-	-	-	-	-	1,343	-	1,343
– Employee share-based compensation recharge	-	-	-	-	-	(1,263)	-	(1,263)
Transfer to retained earnings for derecognition of equity portion of contingent considerations	-	-	-	-	-	(30,405)	30,405	-
Balance at 31 December 2020	3,395,298	(122,981)	-	39,979	47,191	(149)	(155,863)	3,203,475

39 PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2020 and 2019 are set out as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ registration and kind of legal entity	Principal place of operations	Issued and fully paid share capital/ registered capital/ paid-up capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Asia Gaming Technologies Limited	Incorporated	Hong Kong, limited liability company	PRC	Ordinary shares of HK\$51,224,490	51% (held indirectly)	Sales and distribution of software games and system and provision of maintenance, after-sales, training and consultancy services for such products
亞博泰科科技 (北京) 有限公司 (Asia Gaming Technologies (Beijing) Co., Ltd.*)	Wholly-foreign owned enterprise	PRC, limited liability company	PRC	Paid-up capital of HK\$13.8 million	51% (held indirectly)	Sales and distribution of software games and system and provision of maintenance, after-sales, training and consultancy services for such products
亞博泰科科技 (天津) 有限公司 (Asia Gaming Technologies (Tianjin) Co., Ltd.*)	Wholly-foreign owned enterprise	PRC, limited liability company	PRC	Paid-up capital of RMB10 million	51% (held indirectly)	Sales and distribution of software games and system and provision of maintenance, after-sales, training and consultancy services for such products
Maxprofit Management Limited	Incorporated	Hong Kong, limited liability company	Hong Kong	Ordinary shares of HK\$600,000	100% (held indirectly)	Provision of management services for the Group
Beijing Systek	Wholly-foreign owned Enterprise	PRC, limited liability company	PRC	Paid-up capital of HK\$21 million	100% (held indirectly)	Research and development of sports lottery information technology
世紀星彩企業管理有限公司 (China Lottery Management Co., Ltd.*)	Wholly-foreign owned Enterprise	PRC, limited liability company	PRC	Registered capital of HK\$150 million	100% (held indirectly)	Provision of sports lottery management and marketing consultancy services and supply of sports lottery sales terminals (and accessories)
SYSTEK LTD	Incorporated	BVI, limited liability company	PRC	1 ordinary share of US\$1	100% (held indirectly)	Investment holding
SHINING CHINA INC	Incorporated	BVI, limited liability company	PRC	50,000 ordinary shares of US\$1 each	100% (held indirectly)	Investment holding

39 PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Form of business structure	Place of incorporation/ registration and kind of legal entity	Principal place of operations	Issued and fully paid share capital/ registered capital/ paid-up capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Exequus Co. Ltd.	Incorporated	BVI, limited liability company	PRC	50,000 ordinary shares of US\$1 each	100% (held indirectly)	Investment holding
Fortune Happy Investment Limited	Incorporated	Hong Kong, limited liability company	Hong Kong	Ordinary shares of HK\$10,000	100% (held indirectly)	Investment holding
北京亞博科技有限公司 (Beijing AGTech Co., Ltd.)*	Domestic enterprise	PRC, limited liability company	PRC	Registered capital of RMB30 million	100% (held indirectly)	Investment holding
GOT	Domestic enterprise	PRC, limited liability company	PRC	Registered capital of RMB100 million	100% (held indirectly)	Research, development and production of sports lottery terminals and systems
深圳市銀溪數碼技術有限公司 (Shenzhen Silvercreek Digital Technology Co., Ltd.)* (Note)	Domestic enterprise	PRC, limited liability company	PRC	Paid-up capital of RMB30 million	100% (held indirectly)	Provision for lottery organisations with comprehensive phone and mobile betting solutions
Score Value Limited	Incorporated	BVI, limited liability company	PRC	50,000 ordinary shares of US\$1 each	100% (held indirectly)	Investment holding
Sincere Honor Holdings Limited	Incorporated	Hong Kong, limited liability company	Hong Kong	Ordinary shares of HK\$10,000	100% (held indirectly)	Investment holding
Shenzhen Subsidiary	Domestic enterprise	PRC, limited liability company	PRC	Paid-up capital of RMB5 million	100% (held indirectly)	Research and development, quality assurance and sale of handheld lottery sales equipment, provision of after-sales maintenance services

* For identification purpose only

39 PRINCIPAL SUBSIDIARIES (continued)

Note:

The equity interest of Shenzhen Silvercreek Digital Technology Co., Ltd. is held by individual nominees on behalf of the Group.

The above table lists out the principal subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the year and at the end of the reporting period.

The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

The Group had no subsidiaries which have material non-controlling interests for the years ended 31 December 2020 and 2019.

40 TRANSACTION WITH NON-CONTROLLING INTERESTS

On 16 September 2019, the Group acquired an additional 55% of the issued shares of 深圳世紀星彩企業管理有限公司 (formerly known as 順豐彩 (深圳) 科技發展有限責任公司) (Shenzhen Century Star Lottery Enterprise Management Limited*) ("Shenzhen Century") for HK\$24,786,000. Immediately prior to the purchase, the carrying amount of the existing 55% non-controlling interest in Shenzhen Century was HK\$24,634,000. The Group recognized a decrease in non-controlling interests of HK\$24,634,000 and a decrease in equity attributable to owners of the parent of HK\$152,000. The effect on the equity attributable to the owners of Shenzhen Century during the year is summarised as follows:

	2020 HK\$'000	2019 HK\$'000
Carrying amount of non-controlling interests acquired	–	24,634
Consideration paid to non-controlling interests	–	(24,786)
Excess of consideration paid recognized in the transactions with non-controlling interests reserve within equity	–	(152)

* For identification purpose only