

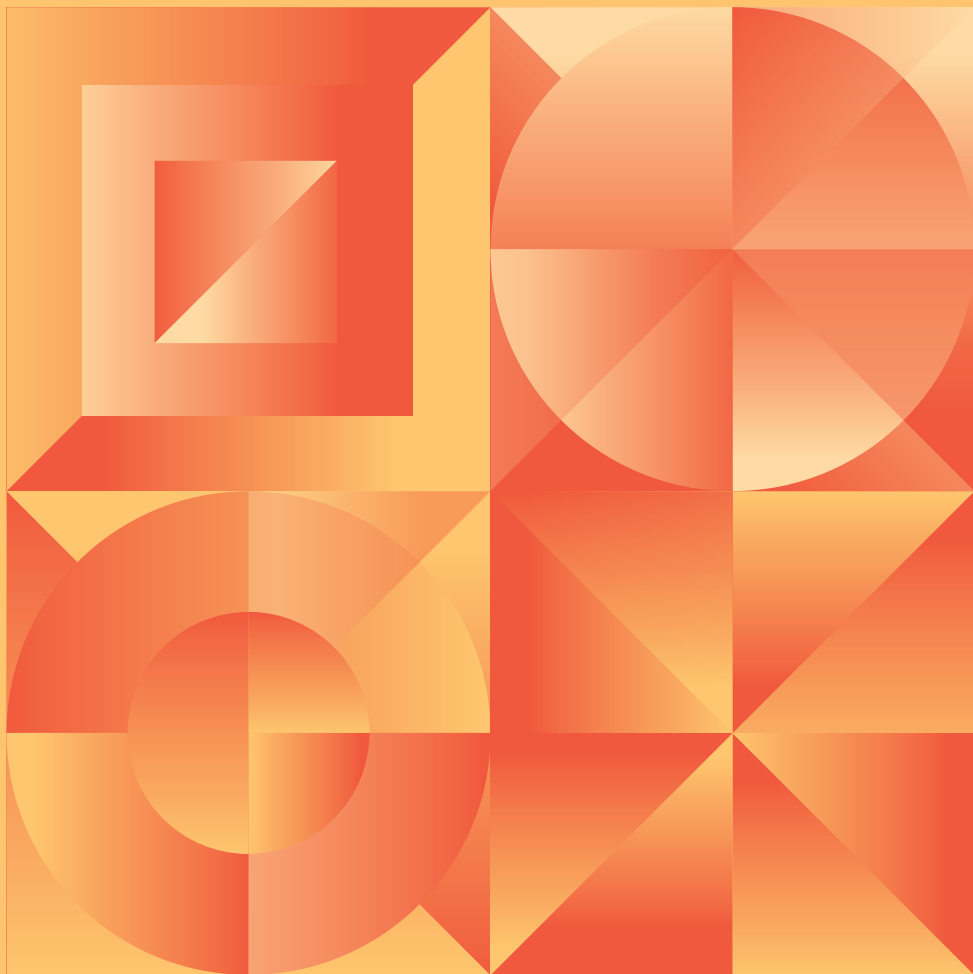


# 2021

**AGTech Holdings Limited**

(Incorporated in Bermuda with limited liability)  
Stock Code: 8279

## THIRD QUARTERLY REPORT



Fortune ▪ Happiness ▪ Health ▪ Luck ▪ Responsibility

## CHARACTERISTICS OF GEM

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

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

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

## FINANCIAL HIGHLIGHTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

- Revenue of the Group for the Nine-Month Period amounted to approximately HK\$144.9 million (Nine months ended September 30, 2020: approximately HK\$106.1 million), representing an increase of approximately 36.6% over the corresponding period in 2020. For the Nine-Month Period, revenue contributions were mainly derived from lottery hardware sales and services, provision of lottery distribution and ancillary services, non-lottery hardware sales and services in the PRC, and games and entertainment business in India.
- Operating loss for the Nine-Month Period was approximately HK\$65.3 million (Nine months ended September 30, 2020: approximately HK\$124.5 million), representing a decrease of approximately 47.6% over the corresponding period in 2020. Such decrease was mainly due to the increase in total revenue and the related cost and expenses of the Group as mentioned above, the change from a foreign exchange loss of approximately HK\$0.6 million for the nine months ended September 30, 2020 to a foreign exchange gain of approximately HK\$12.2 million for the Nine-Month Period, a decrease in employee benefits expenses by approximately HK\$31.0 million as compared to the corresponding period in 2020 and increase in other income by approximately HK\$5.7 million as compared to the corresponding period in 2020.
- The loss for the Nine-Month Period was approximately HK\$46.3 million (Nine months ended September 30, 2020: approximately HK\$156.9 million), representing a decrease of approximately 70.5% over the corresponding period in 2020.
- The Board does not recommend the payment of an interim dividend for the Nine-Month Period.

### THIRD QUARTERLY RESULTS

The Board announces the unaudited consolidated results of the Group for the three months ended September 30, 2021 (the “**Three-Month Period**”) and the nine months ended September 30, 2021 (the “**Nine-Month Period**”), together with the comparative unaudited figures for the corresponding period in 2020 as below.

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

For the three months and nine months ended September 30, 2021

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	2	<b>66,982</b>	62,193	<b>144,913</b>	106,080
Other income		<b>2,110</b>	2,234	<b>13,938</b>	8,194
Net other gains/(losses)		<b>5,819</b>	13,555	<b>13,349</b>	(601)
Employee benefits expenses		<b>(33,435)</b>	(48,599)	<b>(108,294)</b>	(139,297)
Purchases of and changes in inventories		<b>(27,619)</b>	(20,250)	<b>(55,844)</b>	(30,168)
Depreciation expenses		<b>(3,836)</b>	(5,698)	<b>(14,252)</b>	(17,223)
Other operating expenses		<b>(20,259)</b>	(22,310)	<b>(59,084)</b>	(51,490)
<b>Operating loss</b>		<b>(10,238)</b>	(18,875)	<b>(65,274)</b>	(124,505)
Gain on fair value changes of financial assets		<b>3,593</b>	–	<b>3,056</b>	–
Gain on fair value changes of contingent consideration payables		–	4,013	–	1,323
Net finance income		<b>3,947</b>	10,109	<b>13,962</b>	34,921
Share of results of investments accounted for using equity method		–	(39,528)	–	(60,678)
<b>Loss before income tax</b>		<b>(2,698)</b>	(44,281)	<b>(48,256)</b>	(148,939)
Income tax credit/(expense)	3	<b>9</b>	(2,867)	<b>1,916</b>	(7,949)
<b>Loss for the period</b>		<b>(2,689)</b>	(47,148)	<b>(46,340)</b>	(156,888)

	Notes	Three months ended		Nine months ended	
		September 30, 2021	2020	September 30, 2021	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other comprehensive income:</b>					
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Currency translation differences		699	21,169	7,323	10,938
Other comprehensive income for the period, net of tax		699	21,169	7,323	10,938
<b>Total comprehensive income for the period</b>		<b>(1,990)</b>	<b>(25,979)</b>	<b>(39,017)</b>	<b>(145,950)</b>
<b>(Loss)/profit attributable to:</b>					
Owners of the company		<b>(3,154)</b>	(52,795)	<b>(46,738)</b>	(170,161)
Non-controlling interests		465	5,647	398	13,273
		<b>(2,689)</b>	(47,148)	<b>(46,340)</b>	(156,888)
<b>Total comprehensive income attributable to:</b>					
Owners of the company		<b>(2,513)</b>	(33,177)	<b>(40,045)</b>	(160,175)
Non-controlling interests		523	7,198	1,028	14,225
		<b>(1,990)</b>	(25,979)	<b>(39,017)</b>	(145,950)
<b>Loss per share</b>					
Basic	4	<b>(HK0.03 cent)</b>	(HK0.46 cent)	<b>(HK0.41 cent)</b>	(HK1.48 cents)
Diluted	4	<b>(HK0.03 cent)</b>	(HK0.46 cent)	<b>(HK0.41 cent)</b>	(HK1.48 cents)

Notes:

## 1. BASIS OF PREPARATION

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

The consolidated financial information has not been audited by the Company’s auditors, but has been reviewed and commented on by the Company’s audit committee. The accounting policies applied and significant judgements made by management in applying the Group’s accounting policies are consistent with those of the Group’s annual financial statements for the year ended December 31, 2020, except for the adoption of new or revised standards, amendments and interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning January 1, 2021.

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

## 2. REVENUE

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

	Three months ended		Nine months ended	
	September 30, 2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000	September 30, 2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Lottery				
(i) Lottery hardware sales and services	39,113	36,474	78,839	48,889
(ii) Lottery distribution through physical channels and ancillary services	9,493	7,517	28,845	14,524
(iii) Lottery games and systems	–	17,178	67	40,556
Games and entertainment	9,972	1,024	20,103	2,111
Non-lottery hardware sales and services	8,404	–	17,059	–
	<b>66,982</b>	62,193	<b>144,913</b>	106,080

**3. INCOME TAX CREDIT/(EXPENSE)**

Income tax credit/(expense) for the Three-Month Period and Nine-Month Period represent PRC Enterprise Income Tax.

**4. LOSS PER SHARE****(a) Basic**

Basic earning or loss per share is calculated by dividing the unaudited loss attributable to owners of the Company for the Three-Month Period of approximately HK\$3,154,000 and unaudited loss attributable to owners of the Company for the Nine-Month Period of approximately HK\$46,738,000 (for the three months and nine months ended September 30, 2020: loss of approximately HK\$52,795,000 and loss of approximately HK\$170,161,000 respectively) by the weighted average number of ordinary shares outstanding during the Three-Month Period and Nine-Month Period of approximately 11,672,342,000 shares (for the three months and nine months ended September 30, 2020: approximately 11,672,342,000 shares) and excluding the weighted average number of shares held for share award scheme during the Three-Month Period and Nine-Month Period of approximately 141,945,000 shares and 152,065,000 shares respectively (for the three months and nine months ended September 30, 2020: approximately 172,866,000 shares and 166,825,000 shares respectively).

**(b) Diluted**

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

For the Three-Month Period and Nine-Month Period, contingent considerations and share options are excluded from the computation of the diluted loss per share as there were no contingent considerations and share options outstanding as at September 30, 2021. 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 three months and nine months ended September 30, 2020, share options are excluded from the computation of the diluted loss per share as there were no share options outstanding as at September 30, 2020. The computation of the diluted loss per share does not assume the vesting of the outstanding share awards, as they would decrease the diluted loss per share. Contingent considerations are not treated as outstanding and are excluded from the computation of the diluted loss per share as the conditions are not satisfied as at September 30, 2020.

**5. DIVIDEND**

The Board does not recommend the payment of an interim dividend for the Nine-Month Period (2020: Nil).

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

For the Nine-Month Period

	Attributable to owners of the Company											Attributable to non-controlling interests	Total	
	Share capital	Share premium	Shares held for share award scheme	Share options reserve	Share awards reserve	Statutory reserve	Exchange reserve	Contributed surplus	Property revaluation reserve	Other reserve	Accumulated losses			Subtotal
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at January 1, 2021	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
Loss for the period	-	-	-	-	-	-	-	-	-	-	(46,738)	(46,738)	398	(46,340)
Other comprehensive income for the period	-	-	-	-	-	-	6,693	-	-	-	-	6,693	630	7,323
Total comprehensive income for the period	-	-	-	-	-	-	6,693	-	-	-	(46,738)	(40,045)	1,028	(39,017)
Recognition of equity settled share-based payments	-	-	-	-	15,414	-	-	-	-	-	-	15,414	-	15,414
Purchase of shares under share award scheme	-	-	(2,312)	-	-	-	-	-	-	-	-	(2,312)	-	(2,312)
Transfer of shares upon vesting of share awards under share award scheme	-	2,905	20,064	-	(22,969)	-	-	-	-	-	-	-	-	-
Transfer to accumulated losses	-	-	-	-	-	(3,354)	-	-	-	-	3,354	-	-	-
Transactions with a shareholder	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Employee share-based compensation	-	-	-	-	-	-	-	-	633	-	633	-	-	633
- Employee share-based compensation recharge	-	-	-	-	-	-	-	-	(1,128)	-	(1,128)	-	-	(1,128)
<b>Balance at September 30, 2021</b>	<b>23,344</b>	<b>3,398,203</b>	<b>(105,229)</b>	<b>-</b>	<b>32,424</b>	<b>23,402</b>	<b>115,617</b>	<b>47,191</b>	<b>14,402</b>	<b>44,586</b>	<b>(725,638)</b>	<b>2,868,302</b>	<b>48,602</b>	<b>2,916,904</b>
Balance at January 1, 2020	23,344	3,389,886	(131,811)	47,547	50,366	24,253	77,971	47,191	14,402	75,406	(636,331)	2,982,224	32,998	3,015,222
Loss for the period	-	-	-	-	-	-	-	-	-	-	(170,161)	(170,161)	13,273	(156,888)
Other comprehensive income for the period	-	-	-	-	-	-	9,986	-	-	-	-	9,986	952	10,938
Total comprehensive income for the period	-	-	-	-	-	-	9,986	-	-	-	(170,161)	(160,175)	14,225	(145,950)
Recognition of equity settled share-based payments	-	-	-	-	23,465	-	-	-	-	-	-	23,465	-	23,465
Lapse of share options	-	-	-	(47,547)	-	-	-	-	-	-	47,547	-	-	-
Purchase of shares under share award scheme	-	-	(20,713)	-	-	-	-	-	-	-	-	(20,713)	-	(20,713)
Transfer of shares upon vesting of share awards under share award scheme	-	3,381	27,297	-	(30,678)	-	-	-	-	-	-	-	-	-
Transactions with a shareholder	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Employee share-based compensation	-	-	-	-	-	-	-	-	-	964	-	964	-	964
- Employee share-based compensation recharge	-	-	-	-	-	-	-	-	-	(957)	-	(957)	-	(957)
<b>Balance at September 30, 2020</b>	<b>23,344</b>	<b>3,393,267</b>	<b>(125,227)</b>	<b>-</b>	<b>43,153</b>	<b>24,253</b>	<b>87,957</b>	<b>47,191</b>	<b>14,402</b>	<b>75,413</b>	<b>(758,945)</b>	<b>2,824,808</b>	<b>47,223</b>	<b>2,872,031</b>



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

The Group is an integrated technology and services company engaged in the lottery and mobile games and entertainment market with a focus on the PRC and selected international markets. As a member of Alibaba Group, the Group is the exclusive lottery platform of Alibaba Group and Ant Group.

Currently, the Group's businesses are broadly divided into three categories:

- (i) Lottery:
  - (a) lottery hardware sales and services;
  - (b) lottery distribution through physical channels and ancillary services;
- (ii) Games and entertainment; and
- (iii) Non-lottery hardware sales and services.

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.

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\*, during the Nine-Month Period, PRC lottery sales amounted to approximately RMB278.5 billion, representing an increase of approximately 20.7% over the corresponding period in 2020. Of this, Welfare Lottery amounted to approximately RMB102.2 billion, representing an increase of approximately 0.3% compared to the corresponding period in 2020. Sports Lottery achieved sales of approximately RMB176.3 billion, representing an increase of approximately 36.9% compared to the corresponding period in 2020.

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 October 23, 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 November 1, 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 online gaming market in India has seen tremendous growth in recent years, driven by the surge in digital usage and growth in digital payments ecosystem. According to a report on India’s Media & Entertainment (“**M&E**”) sector by Ernst & Young Associates LLP (“**EY**”)\*, it is estimated by EY that the online gaming segment revenue in India grew 18% in 2020 to reach INR77 billion (equivalent to approximately HK\$7.99 billion or approximately US\$1.03 billion) as online gamers grew 20% from 300 million in 2019 to 360 million in 2020, and is expected to reach 510 million by 2022. Transaction-based game revenues grew 21% on the back of fantasy sports, rummy and poker, while casual gaming revenues grew 7% led by in-app purchases. The revenue of this online gaming segment is expected to reach INR155 billion (equivalent to approximately HK\$16.09 billion or approximately US\$2.07 billion) by 2023 at a compound annual growth rate of 27% to become the third largest segment of the Indian M&E sector.

\* Source: *“Playing by new rules: India’s Media & Entertainment sector reboots in 2020 (March 2021) by EY”*

## Retail Market Point-of-sale (“POS”) Hardware

According to the National Bureau of Statistics, China’s total retail sales of consumer goods reached approximately RMB21.2 trillion in the first half of 2021, an increase of 23% year on year, with a two-year average growth rate of 4.4%. With the continuous technology and innovation driven transformation of the retail market, payment related hardware is in a stage of integration with the retail industry. As of 2020\*, China’s mobile payment transaction scale has maintained a high growth rate of 24% with room for improvement.

Mobile payment has gradually evolved from a simple payment feature to comprehensive payment solutions. Smart POS terminals are replacing traditional POS machines, payment hardware has evolved from single POS terminals to integrated payment devices, and payment scenarios are moving towards unmanned operation. With the continuing expansion of the PRC retail sector, demand for POS hardware will increase in the payment field.

\* Source: “Overall performance of the payment system in 2020 (March 2021) by The People’s Bank of China”

## BUSINESS REVIEW

### Hardware

#### ***The development, sale and maintenance of hardware (terminals and other lottery related equipment)***

The Group primarily supplies to Sports Lottery and has hardware deployed in multiple provinces, cities, municipalities and autonomous regions across China. The Group is one of the leading suppliers in China of lottery terminals. The Group continues to focus on research and development in order to broaden and improve its product spectrum and develop new hardware ranges.

During the Nine-Month Period, the Group won twenty lottery hardware tenders to supply lottery terminals to the SLACs in Guangxi Zhuang Autonomous Region, Fujian province, Jiangsu province, Hubei province, Sichuan province, Shandong province, Henan province, Hebei Province, Zhejiang province, Jilin province, Hunan province, Shanxi province, Inner Mongolia Autonomous Region, Guangdong province, Gansu province, Shanghai Municipality and Tianjin Municipality of the PRC. 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 and other hardware markets.

***Supply of non-lottery hardware and equipment***

In addition to lottery hardware supplies, expansion to other consumer sectors has continued to be a focus for the Group. With a view to broadening product spectrum of its hardware business utilizing the research and development capability of the Group and in view of the fact that many of the hardware supplies for the retail market share similar technology and components underlying the lottery hardware products supplied by the Group throughout many years, the Group has extended its hardware product offering to smart hardware in the retail sector. During the Nine-Month Period, the Group commenced the supply of non-lottery hardware (such as POS terminals) for use in the PRC retail sector.

**Lottery Distribution and Ancillary Services*****Lottery Distribution via Retail Sales Outlets***

The Group currently distributes lottery (including lotto, sports lottery and instant scratch tickets) by expanding its physical lottery sales channels in China, which are mostly retail sales outlets operated by Alibaba Group. During the Nine-Month Period, the Group generated revenue from the distribution of lottery through retail sales outlets, representing an increase of approximately 90% over the corresponding period in 2020. Such increase was mainly attributable to the increase in average lottery sales volume per sales outlet as a result of the rebound from the COVID-19 pandemic impact and the Group's continuous efforts in expanding its network of collaborating retail sales outlets for lottery distribution with an increase of approximately 70% in the number of such outlets over the corresponding period in 2020.

***Lottery Resources Channel Operations and Platform Services***

The Group has successfully launched its dedicated lottery resources channel on Taobao and 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.

The content 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. With the addition of sports events content, we will continue to expand our range of tools and products according to market demands and users' needs. 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 policy approval and authorization of online distribution of lottery products in the future.

## 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. The Group has been active in building its online presence and customer-base through various online channels by offering various types of proprietary non-lottery games and entertainment content. Currently, the principal source of revenue in relation to the Group's games and entertainment business comes from the mobile games and entertainment platform, Paytm First Games, which is operated by its 45%-owned joint venture company in India as described below.

## International Market

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

- (i) Paytm First Games Private Limited in India:

A joint venture company of the Group with One97 Communications Limited ("**One97**"), namely, Paytm First Games Private Limited (the "**JV**"), continued to develop and operate its mobile games and entertainment platform, namely "Paytm First Games", in India during the Nine-Month Period. One97 is the owner of Paytm, which is a leading mobile payment platform in India. Paytm First Games offers players a unique online experience with popular games content such as rummy and fantasy sports games. While the COVID-19 pandemic affected operations of many industries on a global basis, the online gaming industry in India witnessed a significant growth this past year with more players staying home and playing online games to pass their time.

As brand influence of the platform continues to grow, and in addition to the momentum building off a successful Indian Premier League (IPL) cricket tournament in 2020, the most popular and locally followed professional cricket league in India, Paytm First Games will strive to continue to grow its user base, further monetizing this unique platform and capitalizing on the significant potential of the fast-growing mobile games and entertainment market in India. In 2020, IPL cricket tournament was held from September to November, which led to an increase in revenue since then. The latest 2021 IPL cricket tournament commenced in April 2021. However, due to the COVID-19 pandemic, the tournament had been suspended temporarily but resumed in September 2021. During the Nine-Month Period, the Group generated revenue of approximately HK\$18.1 million (For the nine months ended September 30, 2020: approximately HK\$1.7 million) from the provision of online game contents to Paytm First Games.

With an outlook in grooming the platform to become one of the major market players, the Group is fully committed to the development of Paytm First Games and will continue to dedicate additional resources and funding to this joint venture in order to further its future expansion.

(ii) Ant Bank (Macao) Limited (the “**Ant Bank**”) in Macau:

The Ant Bank is a joint venture company held as to 66.7% by two indirectly wholly-owned subsidiaries of Ant Holdco and as to 33.3% by a 30% indirectly owned associated company of the Company. The Ant Bank officially commenced operations in April 2019, with a business scope of providing mobile payment services and financial banking services such as deposit, loan and remittance services to residents and small and medium-sized enterprises (“**SMEs**”) of Macau. The chairman and chief executive officer of the Company (“**CEO**”), Mr. Sun Ho, and the non-executive Director, Mr. Ji Gang, are also directors of the Ant Bank.

In September 2019, the Ant Bank officially launched the Alipay (Macao) e-wallet payment service in Macau. Macau users of the Alipay (Macao) e-wallet can enjoy convenient Taobao online shopping experience by paying in Macanese patacas (MOP) without any handling fee, via topping up their accounts in convenience stores offline, or binding them with bank accounts of mainstream banks in Macau online. Furthermore, the Ant Bank continues to expand its online and offline payment scenarios, as well as opening and expanding offline merchant service network through cooperation with local acquirers. The Alipay (Macao) e-wallet has been selected as one of the eight locally-registered mobile payment platforms to participate in the electronic consumption benefits plan (電子消費優惠計劃) launched by the Government of Macau which has started to run from June 1 to December 31, 2021, as well as in the “Simple Pay” (聚易用) system launched by the Autoridade Monetaria de Macau (Monetary Authority of Macao) in the first quarter of 2021 which is an integrated payment system that combines different mobile payment platforms (including, among others, Alipay (Macao)) in one payment machine.

In addition to its e-wallet payment service, the Ant Bank provides internet financial products in Macau and brings contactless online financial services to Macau residents and SMEs. In terms of financial services for SMEs, the Ant Bank has leveraged Ant Group’s practical experience of focusing on inclusive financial services to provide credit loan services for Macau SMEs engaged in retailing, catering and trading services.

## **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 resources channel on Taobao and 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. The Group will continue to leverage and explore opportunities for collaboration with Alibaba Group's retail ecosystem to enhance on lottery distribution models. 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.

Transition to other consumer sectors presents an opportunity for the further development of the Group's hardware business. The hardware products supplied for the retail market 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.

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

### **Financial Performance Review**

Revenue of the Group for the Nine-Month Period amounted to approximately HK\$144.9 million (Nine months ended September 30, 2020: approximately HK\$106.1 million), representing an increase of approximately 36.6% over the corresponding period in 2020. For the Nine-Month Period, revenue contributions were mainly derived from lottery hardware sales and services, provision of lottery distribution and ancillary services, non-lottery hardware sales and services in the PRC, and games and entertainment business in India. The increase in revenue for the Nine-Month Period was caused by the increase in sales of lottery hardware of approximately HK\$30.0 million, increase of approximately HK\$14.3 million in revenue from the provision of lottery distribution and ancillary services, increase in sales of non-lottery hardware of approximately HK\$17.1 million and increase in revenue from games and entertainment business of approximately HK\$18.0 million, partially offset by the decrease in revenue of approximately HK\$40.5 million from the lottery games and systems business. Such increases in revenue from lottery hardware and provision of lottery distribution and ancillary services were mainly due to the continuous rebound of the Group's lottery business from the impact of the COVID-19 pandemic since the second half of 2020 and throughout the Nine-Month Period. In particular, the increase in revenue from the provision of lottery distribution services was due to the increase in average lottery sales volume per sales outlet as a result of the rebound from the COVID-19 pandemic impact and the continuous efforts of the Group in expanding its network of collaborating retail sales outlets for lottery distribution. In addition, the Group has commenced supplying non-lottery hardware (including POS terminals) during the Nine-Month Period, further broadening its source of revenue. The increase in revenue from games and entertainment business was mainly caused by an increase in content provision revenue from the Paytm First Games platform in India. The decrease in revenue from lottery games and system was due to the cessation of the sales of two virtual sports lottery games supplied by the Group, namely, "e-Ball Lottery" and "Lucky Racing", from November 1, 2020 and February 9, 2021 respectively.



As a result of the aforesaid mentioned increase in revenue of lottery hardware and non-lottery hardware, there was corresponding increase in purchases of and changes in inventories by approximately HK\$25.6 million to approximately HK\$55.8 million for the Nine-Month Period (Nine months ended September 30, 2020: approximately HK\$30.2 million).

Other operating expenses for the Nine-Month Period were approximately HK\$59.1 million (Nine months ended September 30, 2020: approximately HK\$51.5 million). The increase was mainly due to the increases in marketing and distribution expenses related to lottery distribution by approximately HK\$8.6 million and provision for hardware warranties by approximately HK\$2.2 million.

Operating loss for the Nine-Month Period was approximately HK\$65.3 million (Nine months ended September 30, 2020: approximately HK\$124.5 million). Such decrease in operating loss was mainly due to a combination of the following factors: (i) the increase in total revenue and the related cost and expenses of the Group as mentioned above; (ii) the changing from a foreign exchange loss of approximately HK\$0.6 million for the nine months ended September 30, 2020 to a foreign exchange gain of approximately HK\$12.2 million for the Nine-Month Period as a result of the appreciation of US\$ and RMB against HK\$ during the period, which gave rise to foreign exchange gain from translating the US\$ and RMB denominated balances to the Group's presentation currency; (iii) as a result of the Group's continuous measures to strengthen cost controls over operating costs and expenses to enhance the Group's competitive position, there was a decrease in employee benefits expenses by approximately 22.3% to approximately HK\$108.3 million for the Nine-Month Period (Nine months ended September 30, 2020: approximately HK\$139.3 million); and (iv) the increase in other income by approximately HK\$5.7 million.

The loss for the Nine-Month Period was approximately HK\$46.3 million (Nine months ended September 30, 2020: approximately HK\$156.9 million), representing a decrease of approximately 70.5% over the corresponding period in 2020. Besides the above reduction in operating loss, such decrease in loss was mainly due to the combined effect of the following factors: (i) the amount of investments accounted for using equity method was HK\$Nil as of December 31, 2020 in respect of the JV, and since then no share of results of the investments accounted for using equity method was recognized for the Nine-Month Period (Nine months ended September 30, 2020: Share of results of investments accounted for using equity method amounted to a loss of approximately HK\$60.7 million); (ii) the Group provided convertible term loan facilities# in the aggregate amount of INR985.5 million (or approximately HK\$103.3 million) to the JV during the Nine-Month Period, which facilities had been fully utilized by the JV. A fair value gain on such financial assets of approximately HK\$3.1 million was recognized for the Nine-Month Period (Nine months ended September 30, 2020: Nil); and (iii) the drop in interest income earned from the Group's deposits at banks by approximately HK\$21.2 million for the Nine-Month Period as a result of the decrease in deposit interest rates in the market.

- # The convertible term loans are repayable on the date falling after 60 months from the date of their utilization and may be converted into fully paid up shares of the JV either at the option of the Group (upon the occurrence of an event of default by the JV under the facilities) or otherwise by mutual agreement among the JV, One97 and the Group. The conversion price per share of the JV shall be equal to or higher than the fair market value per share of the JV subject to applicable law and to be determined by a qualified merchant banker, chartered accountant or practicing cost accountant mutually appointed by the JV and the Group in accordance with internationally acceptable pricing methodology for valuation on arm's length basis. The amount of the convertible term loan facilities is determined based on the working capital needs of the JV for product launches and other operating expenses.

The terms of the convertible term loan were determined after arm's length negotiations with reference to prevailing market practices. The convertible term loans are fully utilised by the JV as general working capital to further develop and operate its mobile games and entertainment platform. The convertible feature of the convertible term loans allows the Group to maintain its proportionate equity interests in the JV. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the JV and One97 are third parties independent of and not connected with the Company.

## USE OF PROCEEDS FROM THE SUBSCRIPTION

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

The Company announced various re-allocations (the “**2020 Re-allocations**”) of the Net Proceeds that remained as at March 31, 2020 together with their reasons in the Company’s first quarterly results announcement for the three months ended March 31, 2020, and such re-allocations had been implemented since then. As disclosed in the section headed “USE OF PROCEEDS FROM THE SUBSCRIPTION” of the annual report of the Company for the year ended December 31, 2020, Net Proceeds in the sum of approximately HK\$664.1 million remained as at December 31, 2020.

During the Nine-Month Period, approximately HK\$317.4 million in total was used by the Group for the business divisions of the Group and for investment, acquisition and general corporate purposes in the manner as set out in the table below. Net Proceeds in the sum of approximately HK\$346.7 million remained as at September 30, 2021, 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 Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2020	Amount of Net Proceeds actually used during the Nine-Month Period	Amount of Net Proceeds remained to be used as at September 30, 2021	Actual application of Net Proceeds during the Nine-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(i) Games and Entertainment:	approximately HK\$79.5 million (or approximately 12.0% of total remaining as at December 31, 2020)	approximately HK\$24.1 million	approximately HK\$55.4 million	The Net Proceeds were used in items (i)(a) to (i)(c).
(a) development, operation and promotion of the Chinese card game, GuanDan, and Two-on-One Poker				No material difference from intended usage noted following the 2020 Re-allocations.
(b) development, operation and promotion of the mind sports, leisure games and entertainment				The Net Proceeds allocated to “Games and Entertainment” are expected to be used on or before December 31, 2022.

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2020	Amount of Net Proceeds actually used during the Nine-Month Period	Amount of Net Proceeds remained to be used as at September 30, 2021	Actual application of Net Proceeds during the Nine-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
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(c) research and development ("R&D") of games and entertainment content that are not subject to the applicable lottery laws and regulations in the PRC or other overseas markets

(d) expansion and development of the Group's R&D capability in technology development for games and systems

(e) payment of marketing fees to merchants to promote and boost online activities by online users

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2020	Amount of Net Proceeds actually used during the Nine-Month Period	Amount of Net Proceeds remained to be used as at September 30, 2021	Actual application of Net Proceeds during the Nine-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
<b>(ii) Hardware, Lottery Games &amp; Systems:</b>	<b>approximately HK\$166.7 million</b> (or approximately 25.1% of total remaining as at December 31, 2020)	<b>approximately HK\$85.2 million</b>	<b>approximately HK\$81.5 million</b>	The Net Proceeds were used in items (ii)(a), (ii)(b) and (ii)(e).
(a) operation and development of lottery hardware and terminal production				No material difference from intended usage noted following the 2020 Re-allocations.
(b) operation and development of lottery software systems				The Net Proceeds allocated to "Hardware, Lottery Games & Systems" are expected to be used on or before December 31, 2022.
(c) development of ancillary parts for lottery hardware and terminal production				
(d) investment for lottery games				
(e) sourcing, manufacturing, operation and development of smart hardware and ancillary equipment and provision of related after-sales maintenance services				

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2020	Amount of Net Proceeds actually used during the Nine-Month Period	Amount of Net Proceeds remained to be used as at September 30, 2021	Actual application of Net Proceeds during the Nine-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
<b>(iii) Lottery Distribution:</b>	<b>approximately HK\$160.1 million</b>	<b>approximately HK\$51.0 million</b>	<b>approximately HK\$109.1 million</b>	The Net Proceeds were used in items (iii)(b) and (iii)(c).
(a) sales, marketing and distribution of virtual lottery games	(or approximately 24.1% of total remaining as at December 31, 2020)			No material difference from intended usage noted following the 2020 Re-allocations.
(b) sales, marketing and distribution of instant scratch lottery games				The Net Proceeds allocated to "Lottery Distribution" are expected to be used on or before December 31, 2022.
(c) sales, marketing and distribution of other categories of lottery games				
(d) online sales, marketing and distribution of lottery products (including but not limited to the future cooperation with Taobao and Alipay)				

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2020	Amount of Net Proceeds actually used during the Nine-Month Period	Amount of Net Proceeds remained to be used as at September 30, 2021	Actual application of Net Proceeds during the Nine-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
<b>(iv) Investment project(s) and acquisition(s):</b>	<b>approximately HK\$104.2 million</b> (or approximately 15.7% of total remaining as at December 31, 2020)	<b>approximately HK\$103.3 million</b>	<b>approximately HK\$0.9 million</b>	The Net Proceeds were used in item (iv)(d).
(a) potential investment project(s) in overseas markets in areas of lottery business and games and entertainment business				No material difference from intended usage noted following the 2020 Re-allocations.
(b) potential acquisition(s) of businesses engaged in lottery business and games and entertainment business				The Net Proceeds allocated to "Investment project(s) and acquisition(s)" are expected to be used on or before December 31, 2022.
(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 Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2020	Amount of Net Proceeds actually used during the Nine-Month Period	Amount of Net Proceeds remained to be used as at September 30, 2021	Actual application of Net Proceeds during the Nine-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(v) General corporate purposes:	approximately HK\$153.6 million (or approximately	approximately HK\$53.8 million	approximately HK\$99.8 million	The Net Proceeds were used in items (v)(a) and (v)(b).
(a) staff costs and other administrative expenses of the Group (including the costs relating to the Share Award Scheme)	23.1% of total remaining as at December 31, 2020)			No material difference from intended usage noted following the 2020 Re-allocations.
(b) general working capital of the Group				The Net Proceeds allocated to “General corporate purposes” are expected to be used on or before December 31, 2022.
<b>Grand total:</b>	<b>approximately HK\$664.1 million</b>	<b>approximately HK\$317.4 million</b>	<b>approximately HK\$346.7 million</b>	



## SUPPLEMENTAL INFORMATION ON USE OF PROCEEDS FROM THE SUBSCRIPTION FOR THE YEAR ENDED DECEMBER 31, 2020

In order to provide more comprehensive information on the use of the Net Proceeds to the Shareholders, set out below are the comparative figures on the use of the Net Proceeds for the full financial year ended December 31, 2020 as if the 2020 Re-allocations had been implemented since January 1, 2020:

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2019	Amount of Net Proceeds added/(deducted) as a result of the 2020 Re-allocations	Amount of Net Proceeds actually used during the year ended December 31, 2020	Amount of Net Proceeds remained to be used as at December 31, 2020	Actual application of Net Proceeds during the year ended December 31, 2020 (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(i) <b>Games and Entertainment:</b>	approximately HK\$415.3 million (or approximately 40.8% of total remaining as at December 31, 2019)	(approximately HK\$300.0 million)	approximately HK\$35.8 million	approximately HK\$79.5 million	The Net Proceeds were used in items (i)(a) to (i)(c).
(a) development, operation and promotion of the Chinese card game, GuanDan, and Two-on-One Poker					No material difference from intended usage noted following the 2020 Re-allocations.
(b) development, operation and promotion of the mind sports, leisure games and entertainment					The Net Proceeds allocated to "Games and Entertainment" are expected to be used on or before December 31, 2022.
(c) R&D of games and entertainment content that are not subject to the applicable lottery laws and regulations in the PRC or other overseas markets					
(d) expansion and development of the Group's R&D capability in technology development for games and systems					
(e) payment of marketing fees to merchants to promote and boost online activities by online users					

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2019	Amount of Net Proceeds added/(deducted) as a result of the 2020 Re-allocations	Amount of Net Proceeds actually used during the year ended December 31, 2020	Amount of Net Proceeds remained to be used as at December 31, 2020	Actual application of Net Proceeds during the year ended December 31, 2020 (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(ii) <b>Hardware, Lottery Games &amp; Systems:</b>	approximately HK\$12.8 million (or approximately 1.3% of total remaining as at December 31, 2019)	approximately HK\$250.0 million	approximately HK\$96.1 million	approximately HK\$166.7 million	The Net Proceeds were used in items (ii)(a) to (ii)(c) and (ii)(f).
(a) operation and development of lottery hardware and terminal production					No material difference from intended usage noted following the 2020 Re-allocations.
(b) operation and development of lottery software systems					The Net Proceeds allocated to "Hardware, Lottery Games & Systems" are expected to be used on or before December 31, 2022.
(c) development of ancillary parts for lottery hardware and terminal production					
(d) investment for lottery games					
(e) funding the remaining consideration for the Score Value Transaction contingent upon certain performance targets					
(f) sourcing, manufacturing, operation and development of smart hardware and ancillary equipment and provision of related after-sales maintenance services					

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2019	Amount of Net Proceeds added/(deducted) as a result of the 2020 Re-allocations	Amount of Net Proceeds actually used during the year ended December 31, 2020	Amount of Net Proceeds remained to be used as at December 31, 2020	Actual application of Net Proceeds during the year ended December 31, 2020 (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
<b>(iii) Lottery Distribution:</b>	<b>approximately HK\$166.1 million</b> (or approximately 16.3% of total remaining as at December 31, 2019)	<b>approximately HK\$50.0 million</b>	<b>approximately HK\$56.0 million</b>	<b>approximately HK\$160.1 million</b>	The Net Proceeds were used in items (iii)(b) to (iii)(d).
(a) sales, marketing and distribution of virtual lottery games					No material difference from intended usage noted following the 2020 Re-allocations.
(b) sales, marketing and distribution of instant scratch lottery games					The Net Proceeds allocated to "Lottery Distribution" are expected to be used on or before December 31, 2022.
(c) sales, marketing and distribution of other categories of lottery games					
(d) online sales, marketing and distribution of lottery products (including but not limited to the future cooperation with Taobao and Alipay)					
<b>(iv) Investment project(s) and acquisition(s):</b>	<b>approximately HK\$326.4 million</b> (or approximately 32.0% of total remaining as at December 31, 2019)	<b>(approximately HK\$180.0 million)</b>	<b>approximately HK\$42.2 million</b>	<b>approximately HK\$104.2 million</b>	The Net Proceeds were used in item (iv)(c).
(a) potential investment project(s) in overseas markets in areas of lottery business and games and entertainment business					No material difference from intended usage noted following the 2020 Re-allocations.
(b) potential acquisition(s) of businesses engaged in lottery business and games and entertainment business					The Net Proceeds allocated to "Investment project(s) and acquisition(s)" are expected to be used on or before December 31, 2022.
(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 Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2019	Amount of Net Proceeds added/(deducted) as a result of the 2020 Re-allocations	Amount of Net Proceeds actually used during the year ended December 31, 2020	Amount of Net Proceeds remained to be used as at December 31, 2020	Actual application of Net Proceeds during the year ended December 31, 2020 (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(v) General corporate purposes:	approximately HK\$98.1 million (or approximately 9.6% of total remaining as at December 31, 2019)	approximately HK\$180.0 million	approximately HK\$124.5 million	approximately HK\$153.6 million	The Net Proceeds were used in items (v)(a) and (v)(b).
(a) staff costs and other administrative expenses of the Group (including the costs relating to the Share Award Scheme)					No material difference from intended usage noted following the 2020 Re-allocations.
(b) general working capital of the Group					The Net Proceeds allocated to "General corporate purposes" are expected to be used on or before December 31, 2022.
<b>Grand total:</b>	<b>approximately HK\$1,018.7 million</b>	<b>-</b>	<b>approximately HK\$354.6 million</b>	<b>approximately HK\$664.1 million</b>	

### Reasons for the 2020 Re-allocations

Set out below is a summary of the major reasons for the 2020 Re-allocations in respect of the segments as set out in the table above:

- in respect of the segments (i), (ii) and (iii), given the highly uncertain and difficult time of the global and PRC business environment caused by the COVID-19 pandemic, coupled with the fact that all remaining Net Proceeds then allocated to the "Hardware, Lottery Games & Systems" business had been used up as of March 31, 2020 and the business opportunities presented in the "Lottery Distribution" business, the Group re-directed more resources from its "Games and Entertainment" business to its more stable and core "Hardware, Lottery Games & Systems" and "Lottery Distribution" businesses;
- in respect of segment (ii), a new sub-category (f) has been added to reflect the latest business development of the Group's hardware business under new retail initiatives; and
- in respect segments (iv) and (v), in view of the challenges facing the global economy and the likely adverse impact on global consumer spending, coupled with the expected difficulties in conducting due diligence on potential acquisition target(s) or investment project(s) and carrying out negotiations in overseas countries amidst the COVID-19 pandemic, the Company expected that the progress of the Group's potential acquisitions and investments would inevitably slow down and there is uncertainty as to when the situation will improve. Accordingly, the Group re-directed more resources and re-allocated approximately HK\$180 million from "Investment project(s) and acquisition(s)" to its "General corporate purposes" to enable the Group to maintain a healthy cash position in the future.

For further details on the reasons of the 2020 Re-allocations, please refer to the section headed “RE-ALLOCATION OF THE REMAINING NET PROCEEDS” in the Company’s first quarterly results announcement for the three months ended March 31, 2020.

### **VERY SUBSTANTIAL ACQUISITION (“VSA”) AND POSSIBLE CONTINUING CONNECTED TRANSACTIONS (“CCTS”) ENTERED INTO BY THE GROUP DURING THE THREE-MONTH PERIOD**

#### *The VSA*

As announced by the Company on September 10, 2021, two indirect wholly-owned subsidiaries of the Company entered into a conditional sale and purchase agreement of the same date (the “**Agreement**”) with, among others, the sellers to acquire the entire equity interest in Macau Pass Holding Ltd. (the “**Target**”, together with its subsidiaries, the “**Target Group**”) and 1% equity interest in Macau Pass S.A. (“**Macau Pass**”) (with 99% equity interest therein being held by the Target) (the “**Acquisition**”) at a maximum cash consideration of HK\$778 million (subject to downward adjustments).

The Target Group is principally engaged in (i) the provision of physical payment card services via “Macau Pass Cards” and ancillary card services; (ii) the provision of e-wallet services known as “MPay”; (iii) the provision of acquiring services for other payment service providers; and (iv) sales and leasing of payment terminals and equipment.

Upon completion of the Acquisition (the “**Closing**”), the Target will become an indirect wholly-owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the financial statements of the Group.

#### *Possible CCTs*

Macau Pass provides acquiring services to merchants enabling them to accept different payment methods of other payment service providers such as the “Alipay” e-wallet, the “AlipayHK” e-wallet and Ant Bank’s “Alipay (Macao)” e-wallet operated by 支付寶(中國)網絡技術有限公司 (Alipay.com Co., Ltd.), Alipay Singapore Holding Pte. Ltd. and Ant Bank (collectively, the “**Alipay Entities**”) and/or their affiliate(s), such that their customers may choose their preferred payment platforms at checkout. Macau Pass receives commission income from the merchants for processing payment of the transactions and pays a portion of such commission as service fees to the other payment service providers such as the Alipay Entities.

The Alipay Entities are connected persons of the Company under the GEM Listing Rules. As Macau Pass will become an indirect wholly-owned subsidiary of the Company upon Closing, the aforesaid payment of service fees by Macau Pass to the Alipay Entities in respect of its acquiring services will constitute CCTs for the Company under Chapter 20 of the GEM Listing Rules after Closing. To ensure that such existing business cooperation between Macau Pass and the Alipay Entities will comply with the requirements of the GEM Listing Rules with effect from Closing, on September 10, 2021, the Company entered into a framework agreement (the “**Framework Agreement**”) with the Alipay Entities to set out the terms and conditions of the future business cooperation (in respect of Macau Pass’ acquiring services) between Macau Pass and the Alipay Entities subject to and with effect from Closing.

#### *GEM Listing Rules Implications*

The Acquisition constitutes a VSA for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting, announcement and Shareholders’ approval requirements.

As the Alipay Entities are connected persons of the Company, the Framework Agreement and the transactions contemplated thereunder constitute CCTs for the Company under Chapter 20 of the GEM Listing Rules. As the maximum amounts of annual service fees payable by Macau Pass to the Alipay Entities as contemplated under the Framework Agreement (the “**Annual Caps**”) will exceed 5% of the relevant applicable percentage ratios and HK\$10 million per annum, the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) are subject to the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

A special general meeting will be convened and held by the Company on November 18, 2021 to consider and, if thought fit, approve the resolutions in respect of the Agreement, the Framework Agreement and the transactions contemplated thereunder respectively (including the Annual Caps).

**As Closing is subject to fulfilment or waiver (as the case may be) of various conditions precedent to Closing, the Acquisition may or may not proceed. The Framework Agreement shall be effective upon fulfillment of certain conditions including, among other things, the Closing having taken place, and therefore the aforesaid possible CCTs for the Company may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.**

Further details of the VSA and the possible CCTs are set out in the circular of the Company dated October 29, 2021.

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

As at September 30, 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required, (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director	Number of Shares/Restricted Share Units Held			Approximate percentage held (Note 1)
	Personal interest	Corporate interest	Total	
Mr. Sun Ho	46,158,000 (Note 2)	2,006,250,000 (Note 3)	2,052,408,000	17.584%
Ms. Hu Taoye	384,000 (Note 4)	–	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:*

- Based on a total of 11,672,342,235 Shares in issue as at September 30, 2021.
- It represents 41,388,000 Shares and 4,770,000 restricted share units (granted under the Share Award Scheme) beneficially held by Mr. Sun Ho.
- These 2,006,250,000 Shares were held in the name of Maxprofit Global Inc. As Maxprofit Global Inc. is beneficially and wholly-owned by Mr. Sun Ho, the chairman, executive Director and CEO, Mr. Sun was deemed to be interested in such Shares.
- It represents 96,000 Shares and 288,000 restricted Share units (granted under the Share Award Scheme) beneficially held by Ms. Hu Taoye.

- 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	Capacity	Number of Shares/ Underlying Shares Held		Approximate Percentage of Aggregate Interests to Total Issued Share Capital of Alibaba Holding (Note 2)
		(in the number of American Depository Shares ("ADS(s)") of Alibaba Holding) (Note 1)	(in the number of ordinary shares of Alibaba Holding) (Note 1)	
Ms. Hu Taoye	Note 3	16,920	135,360	0.001%
Mr. Yang Guang	Note 4	61,043	488,344	0.002%
Mr. Li Faguang	Note 5	11,500	92,000	negligible
Mr. Ji Gang	Note 6	10,235	81,880	negligible
Mr. Zou Liang	Note 7	2,540	20,320	negligible

Notes:

- One ADS of Alibaba Holding represents eight ordinary shares of Alibaba Holding; and one restricted share unit ("RSU(s)") of Alibaba Holding represents one ADS of Alibaba Holding.
- Based on a total of 21,687,309,200 ordinary shares of Alibaba Holding in issue as at August 4, 2021.
- The interest comprised 13,670 ADSs of Alibaba Holding and 3,250 RSUs of Alibaba Holding beneficially held by Ms. Hu Taoye.
- The interest comprised 7,918 ADSs of Alibaba Holding and 53,125 RSUs of Alibaba Holding beneficially held by Mr. Yang Guang.
- The interest comprised 11,500 RSUs of Alibaba Holding beneficially held by Mr. Li Faguang.
- The interest comprised 5,050 ADSs of Alibaba Holding and 5,185 RSUs of Alibaba Holding beneficially held by Mr. Ji Gang.
- The interest comprised 840 ADSs of Alibaba Holding and 1,700 RSUs of Alibaba Holding beneficially held by Mr. Zou Liang.



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

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of Shares Held</b>	<b>Approximate Percentage to Total Issued Share Capital of Ali Pictures</b> <i>(Note 1)</i>
Mr. Zou Liang	<i>Note 2</i>	90,000	negligible

*Notes:*

1. Based on a total of 26,836,786,410 ordinary shares of Ali Pictures in issue as at September 30, 2021.
2. The interest comprised 90,000 ordinary shares of Ali Pictures beneficially held by Mr. Zou Liang.

Save as disclosed above, as at September 30, 2021, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required, (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

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

As at September 30, 2021, 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	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%
Ms. 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 September 30, 2021.
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 August 21, 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 September 30, 2021, the Directors and the chief executive of the Company were not aware of any other persons (not being a Director or chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or was directly or indirectly interested in 5% or more of the issued voting shares of any other member of the Group or held any option in respect of such shares and recorded in the register kept by the Company pursuant to section 336 of the SFO.

### INTERESTS OF OTHER PERSONS

As at September 30, 2021, apart from the interests in the Shares, underlying Shares and/or debentures of the Company and its associated corporations held by the Directors, chief executive and substantial shareholders of the Company disclosed above, there were no other persons with interests recorded in the register of the Company required to be kept under section 336 of the SFO.

### INTERESTS IN COMPETING BUSINESS

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

### AUDIT COMMITTEE

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

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

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct for dealings in securities of the Company by the Directors (the "**Code of Conduct**"). The Company had made specific enquiry of all Directors and was not aware of any non-compliance with the required standard of dealings set out in the Code of Conduct during the Nine-Month Period.

## **SHARE OPTION SCHEMES**

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

During the Nine-Month Period, no options were granted by the Company pursuant to the 2014 Share Option Scheme and no options were exercised. All options granted under the 2014 Share Option Scheme had expired during 2020. As at September 30, 2021, there were no outstanding options granted by the Company pursuant to any share option scheme.

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

Save as disclosed in the sections headed "DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS" and "CONTINUING CONNECTED TRANSACTIONS" in the annual report of the Company for the year ended December 31, 2020, 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 Nine-Month Period or at any time during the Nine-Month Period.

## SHARE AWARD SCHEME

During the Nine-Month Period, no award Shares were granted to eligible persons under the Share Award Scheme. During the Nine-Month Period, 33,858,500 award Shares were vested in the grantees and 34,425,000 award Shares were forfeited.

During the Nine-Month Period, 8,316,000 Shares were purchased on the Stock Exchange by the trustee of the Share Award Scheme. In the event that the Board elects to issue new Shares to satisfy any award Shares to be granted under the Share Award Scheme in the future, the maximum number of new Shares so issued shall be limited to 3% of the total issued Shares as at the Adoption Date (i.e. 315,426,263 Shares). The total number of issued Shares as at the Adoption Date was 10,514,208,770.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

## DEFINITIONS

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

“2014 Share Option Scheme”	the share option scheme of the Company adopted on December 23, 2014;
“Adoption Date”	March 17, 2017, being the date on which the Company adopted the Share Award Scheme;
“Ali Fortune”	Ali Fortune Investment Holding Limited, the controlling shareholder of the Company;
“Alibaba Group”	Alibaba Holding and its subsidiaries;
“Alibaba Holding”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA) and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988);

“Alipay”	支付寶(中國)網絡技術有限公司 (Alipay.com Co., Ltd.*), a company established in the PRC, and a wholly-owned subsidiary of Ant Holdco;
“Ant Group”	Ant Holdco and its subsidiaries;
“Ant Holdco”	螞蟻科技集團股份有限公司 (Ant Group Co., Ltd.) (formerly known as 浙江螞蟻小微金融服務集團股份有限公司(Ant Small and Micro Financial Services Group Co., Ltd.)), a company organized under the laws of the PRC;
“Board”	the board of Directors;
“Company” or “AGTech”	AGTech Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM;
“Director(s)”	the director(s) of the Company;
“GEM”	GEM of Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“India”	The Republic of India;
“INR”	Indian Rupees, the lawful currency of India;
“Macau”	the Macao Special Administrative Region of the PRC;

“PRC” or “China”	the People’s Republic of China which, for the purpose of this report, refers to Mainland China only;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company;
“Share Award Scheme”	share award scheme of the Company adopted on March 17, 2017;
“Shareholder(s)”	holder(s) of the Share(s);
“SLAC”	sports lottery administration centre;
“Sports Lottery”	the national sports lottery of China;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription for 4,817,399,245 new Shares and convertible bonds of the Company in the aggregate principal amount of HK\$712,582,483 by Ali Fortune, which was completed on August 10, 2016;
“Taobao”	淘寶(中國)軟件有限公司 (Taobao (China) Software Co., Ltd.*), a company established under the laws of the PRC and a subsidiary of Alibaba Holding;
“US\$”	United States dollars, the lawful currency of the United States of America;
“Welfare Lottery”	the national welfare lottery of China; and
“%”	per cent.



Notes:

1. In this report, the exchange rates of HK\$1.2004 to RMB1.00, INR1 to HK\$0.106 and INR1 to US\$0.014 have 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*

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

Hong Kong, November 10, 2021

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

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