



# AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279

# 2022 ANNUAL REPORT



Fortune · Happiness · Health · Luck · Responsibility

# CHARACTERISTICS OF GEM

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**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](http://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>.*

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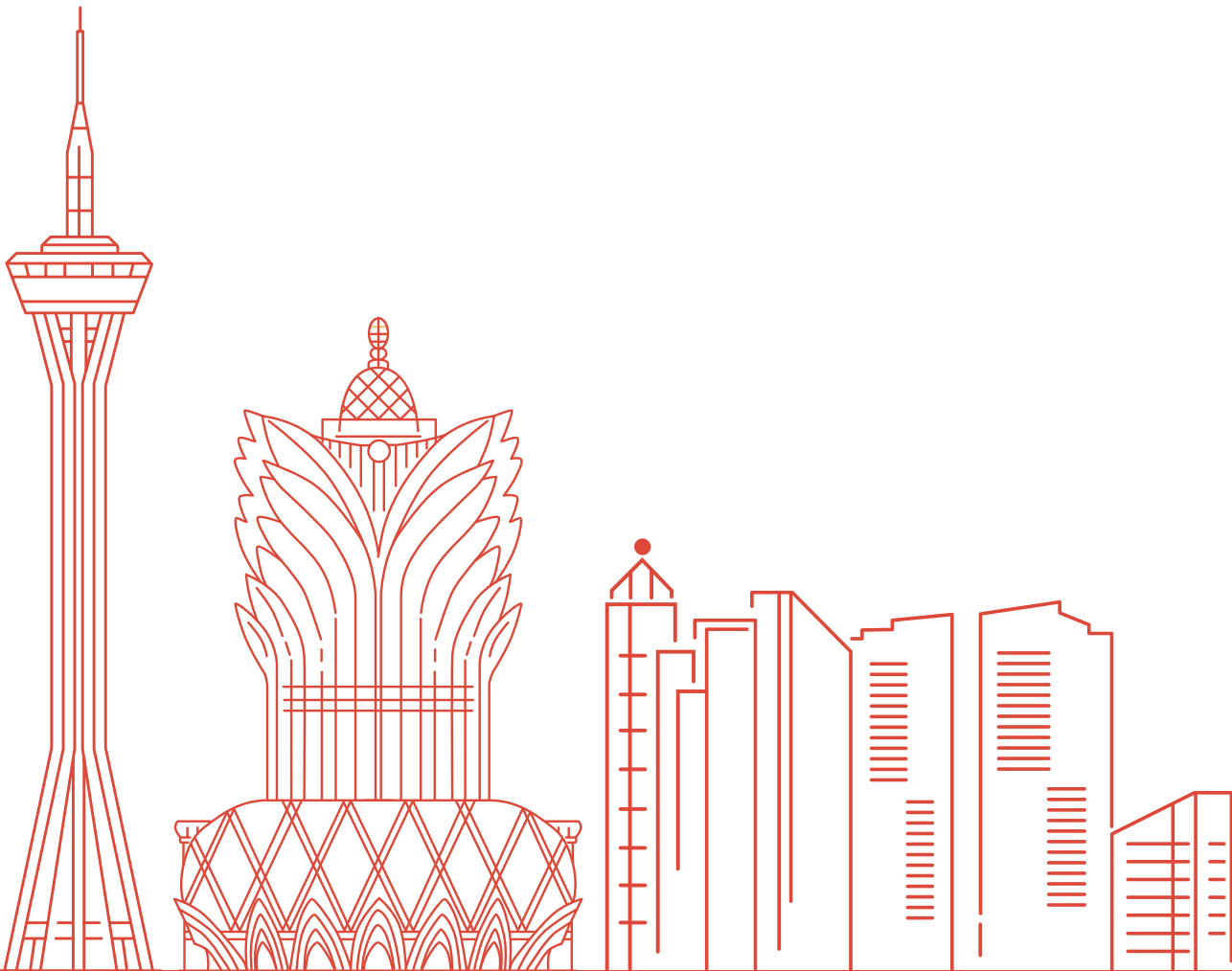


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**We provide the PRC lottery market  
with fully integrated professional  
lottery hardware and services, with  
a view to boosting lottery sales and  
bringing fortune to lottery players.**

# FORTUNE

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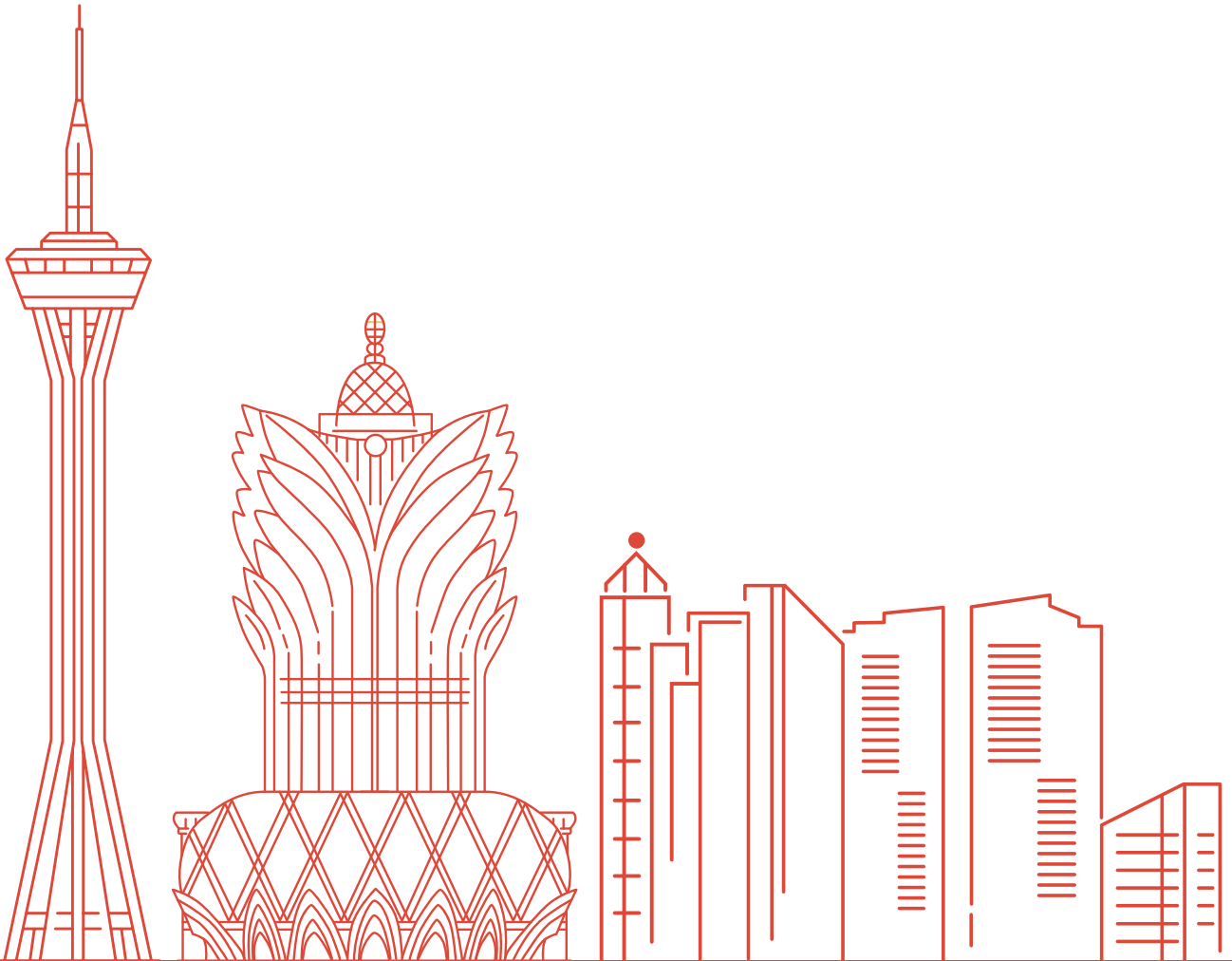


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**We strive to support a healthy PRC  
lottery industry, with a view to  
developing new forms of legal and  
regulated lottery channels in order to  
crack down on the illegal gambling  
market.**

# HEALTH

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Sun Ho (*Chairman & CEO*)

Hu Taoye (*Chief Financial Officer*)

### Non-executive Directors

Liu Zheng

Li Jie

Ji Gang

Zou Liang

### Independent Non-executive Directors

Feng Qing

Gao Jack Qunyao

Chow Siu Lui

### 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

Bank of China (Macau) Limited

China Merchants Bank

Mizuho Bank, Ltd.

The Hongkong and Shanghai

Banking Corporation Limited

Tai Fung Bank Limited

Bank of communications Co., Ltd.

### AUDIT COMMITTEE

Chow Siu Lui (*Chairman*)

Feng Qing

Gao Jack Qunyao

### REMUNERATION COMMITTEE

Chow Siu Lui (*Chairman*)

Feng Qing

Gao Jack Qunyao

### NOMINATION COMMITTEE

Sun Ho (*Chairman*)

Feng Qing

Gao Jack Qunyao

Chow Siu Lui

### 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

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

### STOCK CODE

8279

### WEBSITE

<http://www.agtech.com>



# DEFINITIONS

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

<b>“Ali Fortune”</b>	Ali Fortune Investment Holding Limited, a company incorporated in the British Virgin Islands and the controlling shareholder of the Company
<b>“Alibaba China”</b>	阿里巴巴（中國）網絡技術有限公司 (Alibaba (China) Technology Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Alibaba Holding
<b>“Alibaba Cloud”</b>	阿里雲計算有限公司 (Alibaba Cloud Computing Ltd.*) is a company established in the PRC with limited liability and a consolidated entity of Alibaba Holding
<b>“Alibaba Group”</b>	Alibaba Holding and its subsidiaries
<b>“Alibaba Holding”</b>	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)
<b>“Alipay”</b>	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
<b>“Alipay Entities”</b>	Alipay, Alipay Singapore and Ant Bank
<b>“Alipay Entities Group”</b>	the Alipay Entities together with their respective direct and indirect subsidiaries from time to time
<b>“Alipay Singapore”</b>	Alipay Singapore Holding Pte. Ltd., a company incorporated in Singapore and an indirect wholly-owned subsidiary of Ant Holdco
<b>“Alipay+ Solution”</b>	a suite of global cross-border digital payment and marketing solutions launched by Ant Group

## DEFINITIONS

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<b>“AMCM”</b>	Autoridade Monetária de Macau (Monetary Authority of Macao)
<b>“AML/CFT”</b>	Anti-Money Laundering and Combating the Financing of Terrorism
<b>“Ant Bank”</b>	Ant Bank (Macao) Limited, a joint venture company incorporated under the laws of Macau which is held as to 66.7% by two indirect wholly-owned subsidiaries of Ant Holdco and as to 33.3% by a 30%-indirectly owned associated company of the Company
<b>“Ant Group”</b>	Ant Holdco and its subsidiaries
<b>“Ant Holdco”</b>	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
<b>“Beijing AGTech”</b>	北京亞博科技有限公司 (Beijing AGTech Co., Ltd*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
<b>“Board”</b>	the board of Directors
<b>“Bye-law(s)”</b>	the bye-law(s) of the Company
<b>“Caixiaoer”</b>	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
<b>“CEO”</b>	chief executive officer
<b>“CLM”</b>	世紀星彩企業管理有限公司 (China Lottery Management Co., Ltd*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

## DEFINITIONS

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<b>“Company” or “AGTech”</b>	AGTech Holdings Limited, a company incorporated in Bermuda as an exempted company with limited liability, the Shares of which are listed on GEM
<b>“Director(s)”</b>	the director(s) of the Company
<b>“GEM”</b>	GEM operated by the Stock Exchange
<b>“GEM Listing Rules”</b>	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Hong Kong” or “HK”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“India”</b>	The Republic of India
<b>“KPI”</b>	Key performance indicators
<b>“Macau”</b>	the Macao Special Administrative Region of the PRC
<b>“Macau Pass”</b>	Macau Pass S.A., a company incorporated under the laws of Macau and an indirect wholly-owned subsidiary of the Company
<b>“Macau Pass Group”</b>	Macau Pass Holding Ltd. (an indirect wholly-owned subsidiary of the Company) and its subsidiaries (including Macau Pass)
<b>“MOF”</b>	the Ministry of Finance of China
<b>“MOP”</b>	Macau patacas, the lawful currency of Macau
<b>“MPay”</b>	the e-wallet operated by Macau Pass
<b>“PRC” or “China”</b>	the People’s Republic of China

## DEFINITIONS

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<b>“province(s)”</b>	province(s), municipality(ies) and autonomous region(s) of the PRC unless otherwise specified, and “provincial” shall be construed accordingly
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“SFO”</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
<b>“Share(s)”</b>	ordinary share(s) of HK\$0.002 each in the share capital of the Company
<b>“Share Award Scheme”</b>	the share award scheme of the Company adopted on March 17, 2017
<b>“Share Option Schemes”</b>	the share option schemes of the Company adopted on November 18, 2004 and December 23, 2014 respectively
<b>“Shareholder(s)”</b>	holder(s) of the Share(s)
<b>“Silvercreek”</b>	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
<b>“Sports Lottery”</b>	the national sports lottery of China
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited

## DEFINITIONS

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<b>“Subscription”</b>	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
<b>“Taobao”</b>	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
<b>“US\$”</b>	United States dollars, the lawful currency of the United States of America
<b>“Welfare Lottery”</b>	the national welfare lottery of China
<b>“ZCLM”</b>	浙江世紀星彩企業管理有限公司 (Zhejiang Century Star Lottery Enterprise Management Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
<b>“%”</b>	per cent

### Notes:

1. *In this report, the exchange rates of HK\$1.1657 to RMB1.00, INR1 to HK\$0.099 and MOP1 to HK\$0.9710 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*

# CORPORATE PROFILE

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## 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 electronic payment services, lottery, mobile games and entertainment and marketing technical services and non-lottery hardware supply markets with a focus on Mainland China and Macau. As a member of the Alibaba Group, the Group is the exclusive lottery platform of Alibaba Group and Ant Group.

AGTech's businesses are broadly divided into four principal categories:

- (i) Lottery:
  - (a) lottery hardware sales;
  - (b) lottery distribution through physical channels and ancillary services;
- (ii) Electronic payment:
  - (a) provision of payment card services and ancillary services;
  - (b) provision of e-wallet services;
  - (c) provision of acquiring services for other payment platforms;
- (iii) Games and entertainment and marketing technical services; and
- (iv) Non-lottery hardware supply (including sales and leasing).

AGTech is an associate member of the World Lottery Association (WLA) and the Asia Pacific Lottery Association (APLA).

## CORPORATE PROFILE

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### **Corporate Strategy and Objectives**

AGTech is committed to evolving its business into a comprehensive electronic payment services, 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 physical channel expansion, innovative hardware, marketing services and promotions.

Building on the past experiences of the Group in designing, operating and/or providing online and mobile games and entertainment contents to several online or mobile shopping and payment platforms, the Group will strive to integrate its core competencies into its electronic payment business in Macau, with a view to not only strengthening its presence in Macau, but also broadening its business coverage in complementary sectors including but not limited to e-commerce, entertainment and advertising or marketing technical services and expanding its presence beyond Macau.

The Group will continue to utilize its research and development capabilities in respect of lottery hardware to extend its hardware product offering to non-lottery hardware for the retail sector, with a view to broadening the product spectrum of its hardware business. At the same time, the Group will also integrate and optimize its technical capabilities in the POS (point of sales) payment terminals market and provide better services for merchants in Macau.

Looking forward, AGTech will continue to pursue overseas opportunities and globalize our business through offering its proprietary systems and platforms, as well as operational and technical expertise, in addition to seeking strategic partnership with local partners in Asia.

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

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## CORPORATE VALUES

### HEALTH

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.

### FORTUNE

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

### HAPPINESS

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. In addition, assisting Macau with its smart city transformation and promoting the development of the Greater Bay Area have been the key missions of our electronic payment business in Macau. We have been striving to build a diversified service platform, integrating electronic payment services, e-commerce, multimedia marketing and business networks for users and merchants, with a view to taking care of all aspects of life of the Macau residents and tourists, and enhancing their happiness and convenience.

### RESPONSIBILITY

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. As regards our electronic payment business in Macau, we strive to integrate our development strategies with technological innovation, common prosperity as well as green and low-carbon development strategies, so as to promote the long-term sustainable growth of our business and the businesses of merchants in Macau and better fulfill our social responsibilities.

### LUCK

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.



## 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 333 employees with qualifications in electronic payment services, 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.

CORPORATE PROFILE



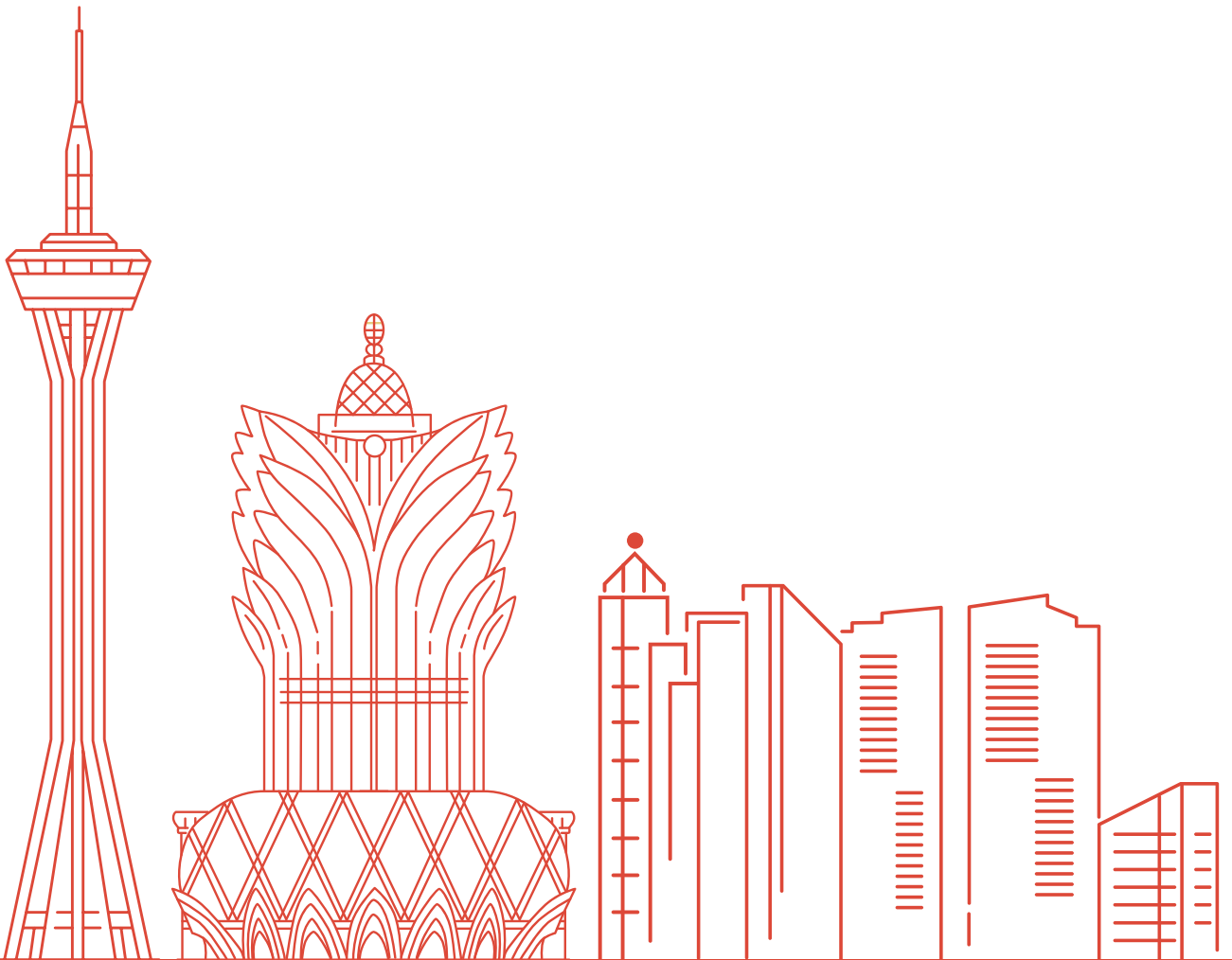


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**As a form of entertainment, lotteries and social or mind games are growing in popularity among the Chinese citizens, and we are privileged to bring lottery and social or mind games players happiness and an exciting experience. In addition, assisting Macau with its smart city transformation and promoting the development of the Greater Bay Area have been the key missions of our electronic payment business in Macau. We have been striving to build a diversified service platform, integrating electronic payment services, e-commerce, multimedia marketing and business networks for users and merchants, with a view to taking care of all aspects of life of the Macau residents and tourists, and enhancing their happiness and convenience.**

# HAPPINESS

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# CHAIRMAN'S STATEMENT

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## Dear Shareholders,

We look back on 2022 as one of the most extraordinary years in memory, a year of challenges and changes with impact, and a year full of rewards. I would like to thank my colleagues and management team for their resilience and dedication, as AGTech has embarked on a new journey towards transforming into the payment space.

The Chinese economy has emerged from 2022 stronger than at the start and we are keen to be part of the journey. We are especially encouraged with Macau's recovery, as witnessed by the revival of tourism, and are focused on working hand in hand with the Macau government in facilitating recovery from the COVID-19 pandemic. Commitment to a path of sustainable and responsible development beyond Macau and the Greater Bay Area remains to be our goal.

As a leading payment service provider in Macau, Macau Pass will be a key contributor to our overall growth strategy moving forward. It is our vision to connect and engage in a digital economy that benefits everyone by making transactions simple and safe. Through growing partnerships and presence, we will continue to provide innovative solutions to assist individuals and businesses to realize their greatest potential.

Our lottery division remains to be an integral driver for AGTech, and as the exclusive lottery platform of Alibaba Group and Ant Group, our lottery solutions have laid a solid foundation throughout the years to generate synergy and add value to the lottery industry chain. This will continue to be our strategy and direction for the group moving forward.

AGTech's commitment to diversification continues as our strategic projects, namely Paytm First Games, India's leading gaming app, as well as Ant Bank (Macao) Limited, an indirect investment of the group, continues to make progress. We firmly believe in value creation, and we are confident that these growth initiatives will bring long term value to our stakeholders in the near future.

## CHAIRMAN'S STATEMENT

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2022 has been a milestone year for AGTech, and on behalf of the Group I would like to thank you for the support, we look forward to sharing a rewarding 2023 with you.

Yours faithfully,

**Sun Ho**

*Chairman & Chief Executive Officer*

Hong Kong,  
March 22, 2023



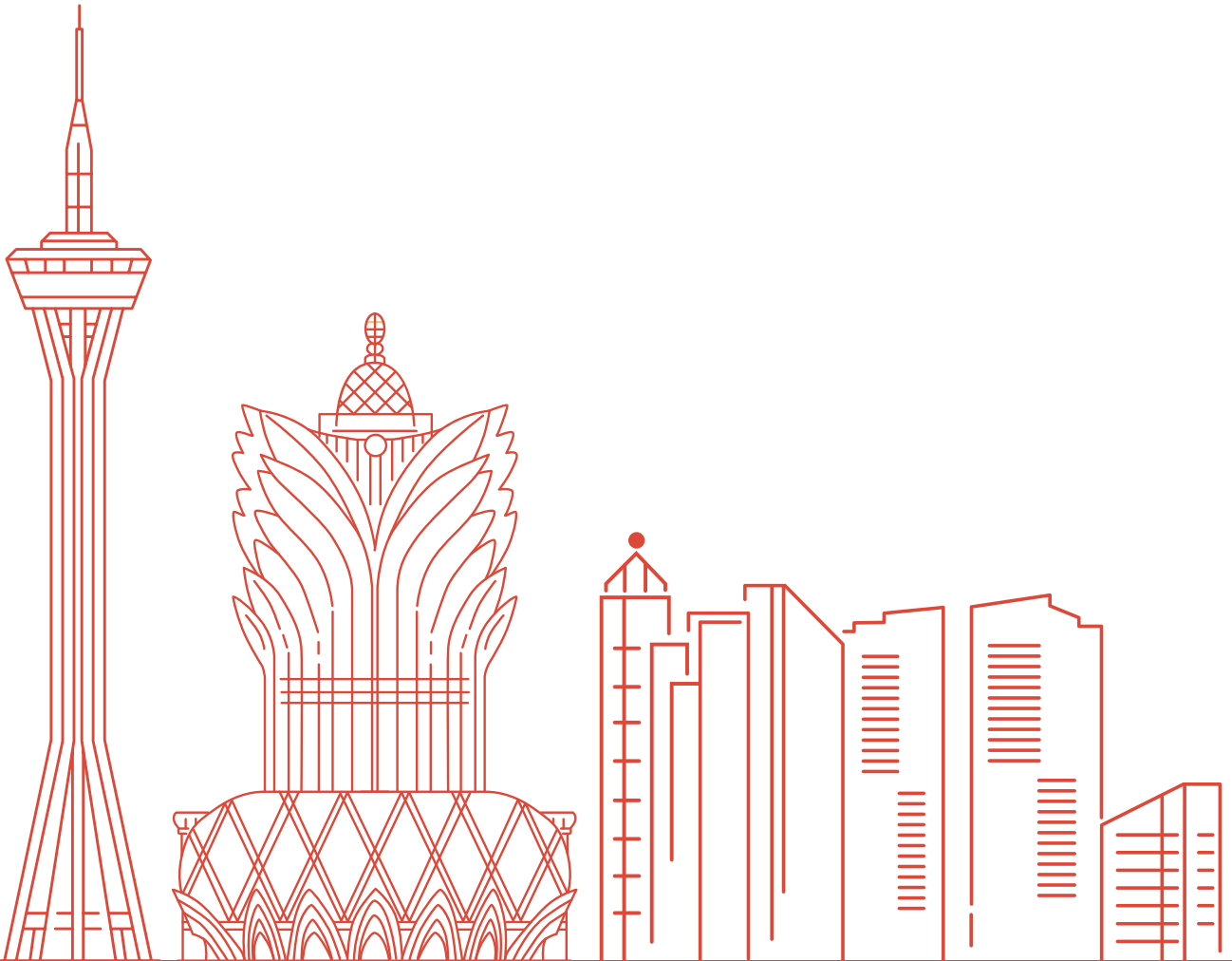
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**Lottery wins are perceived as a token of “luck”, and it is one of our core corporate values to bring such luck to China’s lottery players and society through our products and services.**



# LUCK

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# CORPORATE GOVERNANCE REPORT

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## 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 (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;

## CORPORATE GOVERNANCE REPORT

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- 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 C.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;

## CORPORATE GOVERNANCE REPORT

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- (b) under code provision B.2.2 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. The Company considered that the performance of the chairman was already under the supervision of the entire Board (especially the independent non-executive Directors), and checks and balances existed so that the interests of the Shareholders were adequately and fairly represented;
- (c) under code provision C.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 C.1.5 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;

## CORPORATE GOVERNANCE REPORT

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- (e) under code provision E.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 E.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; and
- (g) under code provision F.1.1 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.

The above deviations (a) to (g) were similarly disclosed on pages 25 to 27 of the Company's annual report for the year ended December 31, 2021, and on pages 57 to 60 of the Company's interim report for the six months ended June 30, 2022.

## 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. In addition, the Board is responsible for promoting the Group's desired culture and aligning it with the Group's purpose, values and strategies. 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. Liu Zheng Mr. Li Jie ( <i>appointed on April 28, 2022</i> ) Mr. Yang Guang ( <i>resigned on April 28, 2022</i> ) Mr. Ji Gang Mr. Zou Liang
Independent non-executive Directors:	Mr. Chow Siu Lui ( <i>appointed on January 24, 2022</i> ) Mr. Feng Qing Dr. Gao Jack Qunyao Ms. Monica Maria Nunes ( <i>resigned on January 24, 2022</i> )

## CORPORATE GOVERNANCE REPORT

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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 (resigned on April 28, 2022), Mr. Liu Zheng and Mr. Li Jie (appointed on April 28, 2022) 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, Mr. Chow Siu Lui (appointed on January 24, 2022), Ms. Monica Maria Nunes (resigned on January 24, 2022)) 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, 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 were 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 204 to 209.

**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.



**Promotion of strong governance and compliance culture across the Group**

As role models of the Group, the Directors strive to promote a strong governance and compliance culture at all levels of the Group and align such culture with its purpose, values and strategies. To this end, the Board has taken the following measures to ensure that this culture will instil and continually reinforce across the Group values of acting lawfully, ethically and responsibly:

- (i) Strengthening governance linkages within the Group through common memberships between the Board and the major subsidiaries' boards;
- (ii) Appointment of senior executives of the Group to the major subsidiaries to ensure that the values and culture of the listed holding company will be adhered to by such subsidiaries, especially those that are newly acquired by the Company;
- (iii) Provision of training and briefing materials to new directors of the Company or its major subsidiaries to facilitate their understanding of the Group's business, relevant listing rules and their duties and obligations as a director;
- (iv) Starting from 2021, quarterly compliance newsletters were issued by the Legal and Compliance Department of the Alibaba Group in collaboration with the Legal Department of the Group to employees working in relevant key departments of the Group, including finance, tax, internal audit, investor relations and legal departments. Each compliance newsletter will focus on specific topics in respect of listing rule compliance to share knowledge about new rule changes, common compliance issues encountered by listed issuers, examples of non-compliance by other listed issuers, examples of waivers from strict compliance with listing rules obtained by listed issuers and so on, in order to reinforce a strong culture of governance and compliance among the employees of key departments;
- (v) Internal audit department will conduct internal audit of principal operating subsidiaries of the Company by rotation and priority will be given to subsidiaries newly acquired by the Company;
- (vi) Key governance policies are established for employees, such as:
  - Code of conduct for securities dealings;
  - Disclosure Policy for Inside Information;
  - Anti-Corruption Policy; and
  - Whistleblowing Policy.

**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 C.1.4 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
<b>Executive Directors</b>	
SUN Ho	A, B
HU Taoye	A, B
<b>Non-executive Directors</b>	
LIU Zheng	A
LI Jie ( <i>appointed on April 28, 2022</i> )	A, B
YANG Guang ( <i>resigned on April 28, 2022</i> )	A
JI Gang	A
ZOU Liang	A
<b>Independent Non-executive Directors</b>	
CHOW Siu Lui ( <i>appointed on January 24, 2022</i> )	A, B
FENG Qing	A
GAO Jack Qunyao	A, B
Monica Maria NUNES ( <i>resigned on January 24, 2022</i> )	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

## **LINKAGE BETWEEN CORPORATE GOVERNANCE AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)**

Corporate governance provides the framework within which the Board forms their decisions and build their businesses. The entire Board is focusing on creating long-term sustainable growth for Shareholders and delivering long-term values to all stakeholders. An effective corporate governance structure allows the Group to have a better understanding of, evaluate and manage, risks and opportunities (including environmental and social risks and opportunities). The ESG Reporting Guide set out in Appendix 20 to the GEM Listing Rules provides a framework for the Group to, among other things, identify and consider what environmental risks and social risks may be material to it. The Board is responsible for effective governance and oversight of it, as well as assessment and management of material environmental and social risks. The Company is required to disclose environmental and social matters in the Environmental, Social and Governance Report contained in this annual report in accordance with the ESG Reporting Guide.

## 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. Liu Zheng, Mr. Yang Guang (resigned on April 28, 2022), Mr. Li Jie, 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). Save for Mr. Chow Siu Lui who was appointed by way of a service agreement for an initial term of one year (with renewal option), each of the other 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.

## MECHANISMS TO ENSURE BOARD INDEPENDENCE

The Company has mechanisms in place to ensure independent views and input are available to the Board which is critical to good corporate governance. The implementation and effectiveness of such mechanisms will be reviewed by the Board on an annual basis. Set out in the table below is a summary of such mechanisms and the findings of the annual review of them by the Board:

Board independence mechanisms	Findings of annual review by the Board
<p>(a) Standardized recruitment process for independent non-executive Directors (“INEDs”):</p> <ul style="list-style-type: none"> <li>• Any member of the nomination committee is authorized to identify suitable candidates as INEDs and, if necessary, can engage recruitment agencies to help;</li> <li>• The company secretary of the Company will conduct background check on the INED candidates including, but not limited to, their qualifications and the written confirmation of independence of them (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;</li> <li>• 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;</li> </ul>	<p>During the year ended December 31, 2022, Mr. Chow Siu Lui was appointed as independent non-executive Director on January 24, 2022. Mr. Chow was eligible for re-election at the annual general meeting of the Company held on June 8, 2022 (the “<b>2022 AGM</b>”). The process used for nominating Mr. Chow for re-election as INED (which was in accordance with the recruitment process of the Group), the independence and time commitment of Mr. Chow, the recommendation of the Board for his re-election and the reasons therefor were all duly set out in the relevant circular of the Company dated May 16, 2022 sent to the Shareholders for their information and consideration (the “<b>2022 AGM Circular</b>”). The INED, Dr. Gao Jack Qunyao, retired by rotation and was nominated for re-election at the annual general meeting of the Company held on June 8, 2022. The process used for nominating Dr. Gao for re-election as INED (which was in accordance with the recruitment process of the Group), the independence and time commitment of Dr. Gao, the recommendation of the Board for his re-election and the reasons therefor were all duly set out in the 2022 AGM Circular.</p>

**Board independence mechanisms**

**Findings of annual review by the Board**

- In determining the suitability of the INED candidates, the nomination committee will consider various factors including but not limited to their qualifications, the potential time commitment that can be made by the candidates to the affairs of the Group and, in particular, whether they will be holding their seventh (or more) listed company directorship;
- For INEDs to be re-elected, the nomination committee will consider their past contributions and time commitment to the affairs of the Group and their tenure of services with the Company and, in particular, whether they have served the Board for more than nine years to impair their independence; and
- Any member of the nomination committee shall abstain from voting at the nomination committee meeting when his own nomination for re-election as Director or INED is being considered.

**Board independence mechanisms**

**Findings of annual review by the Board**

(b) Number of INEDs and their time contribution

During the year under review, there were three INEDs (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 (resigned on January 24, 2022), or Mr. Chow Siu Lui (appointed on January 24, 2022)) 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 attendance rates of Board or Board committees meetings and general meetings of the Company of each of the three INEDs during the year under review are as follows:

Ms. Monica Maria Nunes (resigned on January 24, 2022):

- Board meetings: 100%
- Board committees meetings: 100%
- General meetings: not applicable

Mr. Chow Siu Lui:

- Board meetings: 100%
- Board committees meetings: 100%
- General meetings: 100%

Mr. Feng Qing:

- Board meetings: 100%
- Board committees meetings: 100%
- General meetings: 100%

Dr. Gao Jack Qunyao:

- Board meetings: 100%
- Board committees meetings: 100%
- General meetings: 100%



## CORPORATE GOVERNANCE REPORT

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### Board independence mechanisms

### Findings of annual review by the Board

(c) Assessment or evaluation of INEDs' contribution

During the year under review, all the INEDs devoted sufficient time to the affairs of the Group and helped approve quarterly, interim and annual results announcements and reports of the Group, various profit alert/warning announcements in relation to the reduction of loss or profit warning of the Group, three cases of continuing connected transactions for the Company, adoption of the new Bye-laws, grant of award Shares under the Share Award Scheme and changes of INEDs and non-executive Directors.

(d) Other channels where independent views are available

The Company has adopted a policy for all Directors (including the INEDs) to seek independent professional advice and assistance from external legal, accounting or other advisors (costs to be borne by the Company) to assist performance of their duties if necessary.

In view of the annual review findings of the Board independence mechanisms mentioned above, the Board considers that such mechanisms were properly implemented and remained effective for the year under review.

## 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 June 24, 2005. During the year under review, Mr. Chow Siu Lui (appointed on January 24, 2022), Ms. Monica Maria Nunes (resigned on January 24, 2022), Mr. Feng Qing and Dr. Gao Jack Qunyao (all of whom being independent non-executive Directors) were members of the remuneration committee. The current chairman of the remuneration committee is Mr. Chow Siu Lui (appointed on January 24, 2022).

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.

The remuneration committee reviews and recommends to the Board for approval of the emoluments of the Directors. 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 five meetings to consider, review and recommend to the Board the remuneration packages for the Directors, Ms. Hu Taoye and Mr. Li Jie as well as the renewed service agreements of Mr. Sun Ho, Dr. Gao Jack Qunyao and Mr. Feng Qing. As no award Shares were granted to any Directors during the year under review, the grants of award Shares to other grantees under the Share Award Scheme during the year under review were reviewed and approved by the Board instead of the remuneration committee.

**Directors' remuneration policy and other remuneration related matters**

The remuneration committee reviews and recommends to the Board for approval of the remuneration 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 packages for Directors comprise directors' fees and/or salaries, discretionary bonus, share options or award Shares that may be granted from time to time under the Share Option Schemes or the Share Award Scheme respectively, contributory provident fund, social security fund, medical benefits and training.

The Group's general remuneration policies for employees 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 options or award Shares that may be granted from time to time under the Share Option Schemes or the Share Award Scheme respectively, contributory provident fund, social security fund, medical benefits and training.

## 2. **Nomination committee**

The nomination committee was established on June 24, 2005. During the year under review, Mr. Sun Ho, Mr. Chow Siu Lui (appointed on January 24, 2022), Ms. Monica Maria Nunes (resigned on January 24, 2022), Mr. Feng Qing and Dr. Gao Jack Qunyao were members of the nomination committee. The current chairperson of the nomination committee is Mr. Sun Ho. Except for Mr. Sun Ho, all members of the nomination committee were 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, three meetings 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 (which together cover the structure, size and composition, including age, gender, independence, skills, knowledge and experience, of the Board) 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. Accordingly, no changes to the aforesaid policies were considered necessary for the year under review. The nomination of the new Directors, Mr. Chow Siu Lui and Mr. Li Jie, were also considered and recommended by the nomination committee to the Board for approval during the year under review.

**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, and that such Directors shall devote sufficient time and make contributions to the Group that are commensurate with their roles and Board responsibilities.

**(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 “Diversity” 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 84 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).

**3. Corporate governance committee**

The Company established a corporate governance committee on March 23, 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 various documents published by the Stock Exchange, including: (i) the Review of Issuers' Annual Report Disclosure – Report 2021; (ii) Review of the Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers and Housekeeping Rule Amendments; and (iii) Review of the New Guidance Note on Cooperation and Updated Sanctions Statement.

During the year under review, the board diversity policy of the Company was reviewed by the Board and the nomination committee instead of the corporate governance committee.

#### 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 independent non-executive Directors, Mr. Chow Siu Lui (appointed on January 24, 2022), Ms. Monica Maria Nunes (resigned on January 24, 2022), Mr. Feng Qing and Dr. Gao Jack Qunyao, were members of the audit committee. The current chairman of the audit committee is Mr. Chow Siu Lui. 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 December 31, 2022. 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 December 31, 2021 and the audit strategy of the Group for the year ended December 31, 2022 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 (“RM”) and internal control (“IC”) committee (“RMICC”)**

The RMICC has been established by the Board with effect from January 1, 2016. During the year under review, the Board 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 as well as those relating to the Company’s ESG performance and reporting.

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 regulatory compliance, network security 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.

No material ESG risks associated with the Group's businesses have been identified by the RMICC in that:

- (i) the Group does not run any factories but outsources the manufacturing functions to selected high-quality suppliers/subcontractors with environmental protection certification; and
- (ii) unlike companies which supply consumer goods, food or beverages, the Group is principally engaged in lottery hardware sales; lottery distribution through physical channels and ancillary services; electronic payment and related services; non-lottery games and entertainment business; and non-lottery hardware (e.g. point-of-sale terminals) sales. Accordingly, the Group does not anticipate any material risks of health and safety to the public arising from its products and services.

**(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.

The Group has always attached great importance to the review and revision of IC policies and related processes, and has maintained a high frequency of such work to ensure that the internal control construction can continuously and dynamically support business development. During the year under review, the Group revised a total of 26 important IC policies, of which 5 new IC policies were added, 20 IC policies were improved and 1 policy was abolished. At present, the Group has over 60 important IC policies and processes covering important business and compliance control aspects of the Company.

In addition, the Group continues to promote important business processes to help improve the efficiency and effectiveness of internal control.

In addition to policy revision and review, we also emphasize on training and promotion of IC policies and awareness. In 2022, various functional departments of the Company conducted a number of IC trainings for employees. In particular, after acquiring the business of Macau Pass, we provided a number of trainings on IC policies and procedures for the management and staff of Macau Pass, covering various aspects of the Company's important business operations, personnel, listing compliance, information disclosure and security.

At the same time, all newly revised IC policies are supplemented by email notifications and promotion to all staff and all IC policies are uploaded to the Group's IC system platform for daily review by staff, and the process management department also provides daily process consultation services to employees.

**(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 of the Group initiated various IA projects on the lottery hardware business segment and the Macau Pass business segment, with a view to conducting a comprehensive internal control review of the high-risk areas of the key business segments. In addition, the IA team also conducted an internal audit on the compliance of the Group in 2022. 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 December 31, 2022. The RMICC reviewed and assessed RM and IC systems of the Group on a quarterly basis. During the year under review, no significant risks (including ESG 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 and ESG 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.

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 January 1, 2016 to assist the Board in performing various RM and IC functions;
- (iii) a whistle-blowing arrangement by way of a designated email account 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 department and the audit committee for further investigation, if required;
- (iv) with effect from February 2022, a new whistle-blowing arrangement has also been implemented by means of adding a new section on the Company's official website titled "Integrity Compliance" to allow its employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, or to report on the matter(s). Such reports will be channeled to and reviewed by the Group's IA department which shall report to the audit committee for further investigation, if required;

## CORPORATE GOVERNANCE REPORT

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- (v) an “Anti-corruption Policy” was adopted by the Group as disclosed in the paragraph headed “Adherence to Business Ethics and Anti-Corruption Policy” in the section headed “ESG POLICIES AND BUSINESS PRACTICES OF THE GROUP” in the Environmental, Social and Governance Report in this annual report. Internal controls of the Group in respect of anti-corruption are in place which comprise the following measures:
- 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 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;
  - the whistle-blowing arrangements as mentioned in (iii) and (iv) above can be used by all staff of the Group to raise, in confidence, concerns about any possible corruption activities to the Group’s internal audit department and the audit committee for further investigation, if required; and
  - the Group actively provides anti-corruption related training to its Directors and staff, which covers the purposes behind its 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; and
- (vi) 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.

## CORPORATE GOVERNANCE REPORT

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The Board's annual review also confirmed that the Group's processes for financial and ESG 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 that have previously been tabled to the Board for approval;
- 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 and ESG 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.

## CORPORATE GOVERNANCE REPORT

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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 AND AUDITOR RELATED MATTERS

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 and audit-related services amounted to HK\$2.64 million and HK\$20,800 respectively for the year ended December 31, 2022. No other non-audit services were provided by PwC to the Group for the year under review.

### DIVERSITY

#### Board diversity

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

**(i) Purpose**

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

**(ii) Scope of application**

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

**(iii) 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.

**(iv) Measureable objectives**

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

**(v) Monitoring and reporting**

Whether the measurable objectives of the Diversity Policy have been achieved annually will be reviewed and monitored by the Board. 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.

**(vi) Review of the Diversity Policy**

The Board will review on an annual basis the implementation and effectiveness of the Diversity Policy and will discuss, consider, and if thought fit, approve any revisions that may be required.

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 in the table below, the Board was of the view that the Board composition had achieved the measurable objectives and had complied with the Diversity Policy.

CORPORATE GOVERNANCE REPORT

Board composition of the Company (composed of nine Directors)					
		Number of Directors	%	Measurable objectives	Achieved
Gender	Male	8	88.9%	<b>Both genders present</b> to ensure different views from different genders are considered	✓
	Female	1	11.1%		
Age (Years)	40-49	4	44.4%	<b>Age spans over at least a decade</b> to ensure a balanced mix of conservative and ambitious experience from relatively sophisticated veteran and energetic young Directors	✓
	50-69	5	55.6%		
Nationality	Chinese	8	88.9%	<b>More than a single nationality</b> to ensure the international perspectives and global view are considered	✓
	United States of America	1	11.1%		
Tenure (Number of years)	below 3	3	33.3%	<b>Different tenures of Directors' service contracts</b> to ensure the consistency of business strategies implemented by the veteran Directors being complemented by new ideas from relatively new Directors	✓
	3-7	3	33.3%		
	above 7	3	33.4%		
Directorship Designation	Executive Directors	2	22.2%	<b>Presence of substantial percentage of non-executive Directors</b> 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	3	33.3%	<b>At least one Director having directorship experience with other public companies</b> to share directorship experience from other public companies and help the Board keep abreast of the current practices of other public companies	✓
	One	1	11.1%		
	Two or above	5	55.6%		

Overall speaking, the Group has been complying with its Diversity Policy since it was implemented. Gender diversity has been one of the key measurable objectives of the Diversity Policy of the Company since such policy was in place, and the Company intends to maintain this measurable objective on an annual basis in the future. There has been at least one female Director on the Board since the Diversity Policy was implemented, and the Company will ensure that there will be at least one female Director at all times. To ensure that the Company shall continue to comply with gender diversity on its Board, the members of the nomination committee are welcome to nominate any potential female candidate from time to time to register for a standby list which the Board can quickly refer to whenever the Board needs to recruit a female Director to achieve gender diversity on its Board. Where applicable, instructions will also be given to recruitment agents to specifically search for female candidates to fill any vacancy on the Board.

#### **Gender diversity across the workforce**

While the Diversity Policy applies to the Board only, the Group also maintains gender diversity in relation to employees of the Group who are not Directors.

Total number of employees of the Group (excluding Directors) amounted to 332 as at December 31, 2022, comprising:

- (i) Male 207 (i.e. approximately 62.35%) (of which two (i.e. approximately 0.96%) are senior management personnel as disclosed in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" in this annual report); and
- (ii) Female 125 (i.e. approximately 37.65%) (of which two (i.e. approximately 1.60%) are senior management personnel as disclosed in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" in this annual report).

The Group does not have any specific plans or measurable objectives set for achieving gender diversity across the workforce (including senior management) as its recruitment policy has always been open to both genders. Under the recruitment process of the Group, a candidate will be appraised based on his/her qualifications, working experience, skills and competence rather than his/her gender. Artificially setting any specific ratio of male to female employees in the Group's workforce as a target in its recruitment policy will impair the Group's flexibility in recruiting talents and may even give rise to sex discrimination.

## CORPORATE GOVERNANCE REPORT

### MEETING ATTENDANCE

The individual attendance records of each Director at the meetings of the Board and its committees and at the annual general meeting 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
<b>Executive Directors</b>							
SUN Ho	9/9	N/A*	N/A*	3/3	1/1	4/4	1/1
HU Taoye	9/9	N/A*	N/A*	N/A*	N/A*	4/4	1/1
<b>Non-executive Directors</b>							
LIU Zheng	8/9	N/A*	N/A*	N/A*	N/A*	N/A*	1/1
LI Jie (appointed on April 28, 2022)	6/6	N/A*	N/A*	N/A*	N/A*	N/A*	1/1
YANG Guang (resigned on April 28, 2022)	0/3	N/A*	N/A*	N/A*	N/A*	N/A*	0/0
JI Gang	9/9	N/A*	N/A*	N/A*	N/A*	N/A*	1/1
ZOU Liang	8/9	N/A*	N/A*	N/A*	N/A*	N/A*	1/1
<b>Independent non-executive Directors</b>							
CHOW Siu Lui (appointed on January 24, 2022)	8/8	5/5	4/4	2/2	N/A*	N/A*	1/1
Monica Maria NUNES (resigned on January 24, 2022)	1/1	0/0	1/1	1/1	N/A*	N/A*	0/0
FENG Qing	9/9	5/5	5/5	3/3	N/A*	N/A*	1/1
GAO Jack Qunyao	9/9	5/5	5/5	3/3	N/A*	N/A*	1/1

\* 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, Ms. Lee Wai Yan Vivian ("**Ms. Lee**") continued to be 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 October 23, 2020.

Ms. Lee is also the Legal & Compliance Director of the Company and 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. Ms. Lee has been a full-time employee of the Company since June 2022.

## SHAREHOLDERS ENGAGEMENT 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 and the auditor of the Company shall attend the annual general meeting of the Company to answer questions from the Shareholders. The chairman of the independent Board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent Shareholders’ approval. 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 announcement of 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.

## CORPORATE GOVERNANCE REPORT

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- (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 at which the passing of a special resolution is to be considered shall be sent by the Company at least 21 clear days before such meetings. All other general meetings may be called by not less than 14 clear days' notice before such meetings.
- (v) The Company's contact information can be found in its official website (<https://www.agtech.com/investors/investorscontact?lang=en>) and is as follows:
- Address: Unit 3912, 39/F, Tower Two, Times Square, Causeway Bay, Hong Kong
  - Telephone: (852) 2506 1668
  - Email: [agtech@agtech.com](mailto:agtech@agtech.com)

Shareholders are welcome to make their enquires or communicate their views on matters affecting the Group through the above means or attend general meetings convened by the Company from time to time. When the Company receives any enquiry or views from a Shareholder or stakeholder via mail, email or telephone, the matter will be channeled to the Vice President of Investor Relations Department and/or the company secretary of the Company to answer or handle. Generally, a response to the enquiry or views from the Shareholder or stakeholder will be made by the Company within 7 days, unless additional time is required for further investigation into the matter.



Alternatively, Shareholders or stakeholders are also welcome to directly communicate their enquiries or views with the Directors when they choose to attend annual or special general meetings convened by the Company. The Directors, company secretary and/or other professional advisers (if any) present at such meetings would be delighted to respond to their enquiries or views.

The implementation and effectiveness of the above-mentioned Shareholder Communications Policy are reviewed by the Board on an annual basis. For the year under review, the Board was of the view that such policy remained adequate and effective in that: (a) such policy has provided multiple channels of communications to cater for different preferences of the Shareholders or stakeholders, including the Company's official website to disseminate the latest information about the Group (e.g. financial results and reports, announcements and circulars) to the Shareholders or stakeholders, correspondence and email addresses for them to communicate in writing, as well as telephone number and physical general meetings for them to communicate directly and verbally; (b) chairpersons of the Board and Board committees, company secretary and/or other professional advisers (if any) present at general meetings are available to answer questions raised by the Shareholders; and (c) designated officers (i.e. the Vice President of Investor Relations Department and the company secretary) of the Company will be responsible for responding promptly to the enquiries or views from the Shareholders or stakeholders.

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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

## ADOPTION OF THE NEW BYE-LAWS

The former bye-laws of the Company (the "**Former Bye-laws**") was amended to, inter alia, enable the Company to hold general meetings in physical form, hybrid form or electronic form, reflect certain amendments in the applicable laws of Bermuda and the GEM Listing Rules, and make other consequential and housekeeping amendments by the adoption of the amended and restated bye-laws of the Company (the "**New Bye-laws**"). The New Bye-laws were approved by the Shareholders by way of a special resolution at the annual general meeting of the Company held on June 8, 2022 and were adopted with immediate effect following such meeting in substitution for, and to the exclusion of, the Former Bye-laws. Further details of the New Bye-laws was disclosed in the circular of the Company dated May 16, 2022.

## 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 carrying the right of voting at general meetings 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 and add resolutions to such meeting agenda (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, a special general meeting of the Company shall be called by written notice of not less than fourteen (14) clear days to the Shareholders. However, a special general meeting may be called by shorter notice if permitted by the GEM Listing Rules and 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 representing not less than ninety-five per cent. (95%) of the total voting rights at that meeting of all the Shareholders.

The aforesaid written notice shall specify (a) the time and date of the meeting, (b) save for an electronic meeting, the place of the meeting and if there is more than one meeting locations as determine by the Board pursuant to bye-law 64A, the principal place of the meeting, (c) if the general meeting is to be a hybrid meeting or an electronic meeting, the notice shall include a statement to that effect and with details of the electronic facilities for attendance and participation by electronic means at the meeting or where such details will be made available by the Company prior to the meeting, and (d) particulars of resolutions 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 requisitioner 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, e-mail at [agtech@agtech.com](mailto: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, the special general meeting for the Election Proposal shall be called by written notice of not less than fourteen (14) clear days to the Shareholders. However, a general meeting may be called by shorter notice if permitted by the GEM Listing Rules and 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 representing not less than ninety-five per cent. (95%) of the total voting rights at that meeting of all the Shareholders.

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.

## CORPORATE GOVERNANCE REPORT

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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 (if the same are submitted after the despatch of the notice of the general meeting appointed for the Election Proposal) the period for lodgment of the same shall commence on 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.

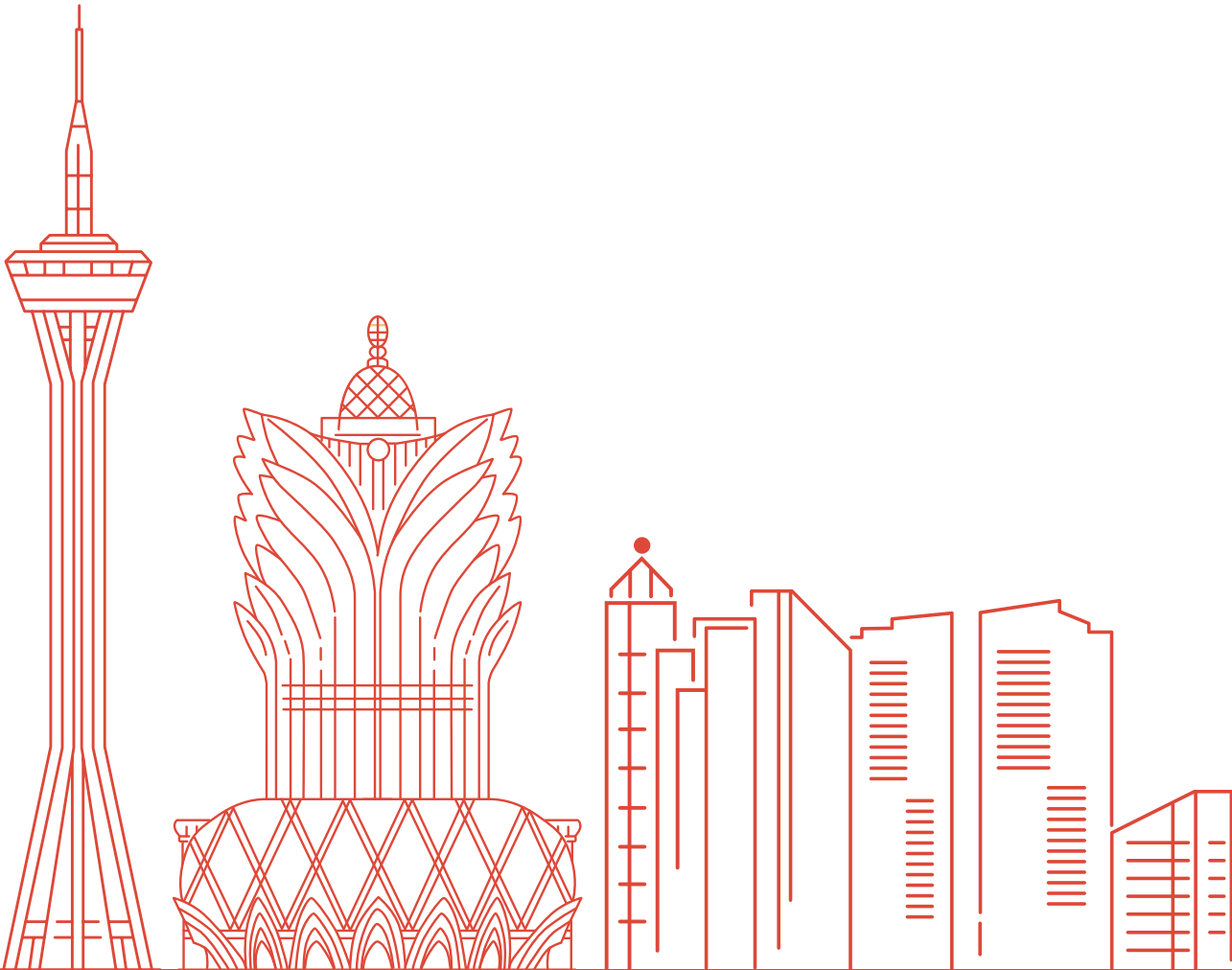


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**We strive to actively contribute to the development of responsible lottery and online games industries. We are actively involved in sports development and charity events, and we have been the sponsor of a wide range of sports events. As regards our electronic payment business in Macau, we strive to integrate our development strategies with technological innovation, common prosperity as well as green and low-carbon development strategies, so as to promote the long-term sustainable growth of our business and the businesses of merchants in Macau and better fulfill our social responsibilities.**

# RESPONSIBILITY

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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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In compliance with the 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 Environmental, Social and Governance Report has complied with all the “comply or explain” provisions set out in the ESG Reporting Guide.

This Environmental, Social and Governance Report focuses on the environmental and social matters that have an impact on the Group. Corporate governance matters are addressed separately in the Corporate Governance Report on pages 24 to 67 of this annual report (“**CG Report**”).

## ABOUT OUR GROUP

The Group is an integrated technology and services company engaged in electronic payment services, lottery, mobile games and entertainment and marketing technical services and non-lottery hardware supply markets with a focus on Mainland China and Macau. We are a member of the Alibaba Group, and are the exclusive lottery platform of Alibaba Group and Ant Group.

During the year ended December 31, 2022, the Group’s businesses were broadly divided into four principal categories:

- (i) Lottery:
  - (a) lottery hardware sales;
  - (b) lottery distribution through physical channels and ancillary services;
- (ii) Electronic payment:
  - (a) provision of payment card services and ancillary services;
  - (b) provision of e-wallet services;
  - (c) provision of acquiring services for other payment platforms;
- (iii) Games and entertainment and marketing technical services; and
- (iv) Non-lottery hardware supply (including sales and leasing).

The operations of all the above-mentioned business categories have been covered in this Environmental, Social and Governance 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, regulators 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 and Material Areas of Focus" below).

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• annual and special general meetings</li> <li>• announcements, circulars, quarterly, interim and annual reports</li> <li>• the Company's official website</li> </ul>	<ul style="list-style-type: none"> <li>• business development and financial performance of the Group</li> <li>• information on environmental and social matters</li> <li>• corporate governance matters</li> </ul>
<b>Business partners</b>	<ul style="list-style-type: none"> <li>• meetings</li> <li>• conference calls</li> <li>• negotiations of business cooperation agreements</li> </ul>	<ul style="list-style-type: none"> <li>• products' compliance with applicable laws and regulations</li> <li>• responsible lottery and online games</li> <li>• customization of products to meet local requirements and enhance attraction to the local players</li> <li>• promotion of the development of the cultural and entertainment industry in Macau</li> <li>• expansion of scope of e-commerce and/or electronic payment services offered to the public</li> </ul>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Channels of communications	Areas of common concerns /common goals reached
<b>Employees</b>	<ul style="list-style-type: none"> <li>• messaging mobile app, emails, meetings and conference calls</li> <li>• discussions with superiors</li> </ul>	<ul style="list-style-type: none"> <li>• remuneration packages</li> <li>• professional development</li> <li>• career advancement</li> <li>• training</li> </ul>
<b>Suppliers/ subcontractors</b>	<ul style="list-style-type: none"> <li>• meetings</li> <li>• conference calls</li> <li>• negotiations of commercial agreements</li> </ul>	<ul style="list-style-type: none"> <li>• products' compliance with applicable law and regulations</li> <li>• competitiveness in pricing</li> </ul>
<b>Customers (including but not limited to governmental lottery authorities or operators authorized by such authorities, online consumers in respect of games and entertainment business and merchants and individual users of electronic payment or e-commerce services)</b>	<ul style="list-style-type: none"> <li>• meetings</li> <li>• conference calls</li> <li>• negotiations of commercial agreements</li> <li>• written submissions of tender documents for the supply of lottery hardware</li> <li>• games and entertainment platforms</li> <li>• mobile app, official website or social media for electronic payment or e-commerce businesses</li> </ul>	<ul style="list-style-type: none"> <li>• introducing new lottery distribution channels for the PRC lottery markets</li> <li>• products' compliance with applicable laws and regulations</li> <li>• responsible lottery gaming</li> <li>• payment to the Group for its products and services</li> <li>• contributions to public funding</li> <li>• enhancement of customers' experience in e-commerce and electronic payment services offered by the Group</li> </ul>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Channels of communications	Areas of common concerns /common goals reached
<b>Regulators (for electronic payment business, i.e. AMCM in Macau)</b>	<ul style="list-style-type: none"> <li>meetings</li> <li>conference calls</li> <li>regular filing of documents to AMCM</li> </ul>	<ul style="list-style-type: none"> <li>AML/CFT measures</li> <li>smooth operation of payment clearing and settlement system</li> <li>smart city transformation of Macau</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>participation in sports development and charity events</li> <li>sponsorship of sports events</li> <li>staff recruitment</li> <li>participation in government's relief measures for the community and other environmental protection or economic stimulus projects</li> </ul>	<ul style="list-style-type: none"> <li>donations for good causes</li> <li>promotion of health through sports</li> <li>job creation</li> <li>assisting the Government of Macau in its relief measures for merchants and Macau residents during the COVID-19 pandemic</li> </ul>

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 key business sectors in which our Group operates (namely, the lottery, electronic payment and games and entertainment businesses), we prioritize our sustainability management strategy (referred to as the “**ESG Strategy**” below) 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:

**1. Corporate social responsibilities:**

The Group strives to be an enterprise that is socially responsible and conducive to social development. The Group’s main businesses are related to public welfare and livelihood projects. The Group’s lottery business has been continuously contributing to the development of China’s lottery. We provide domestic lottery users with free services such as lottery drawing inquiries and lottery retail channels location inquiries through online channel. On the other hand, we expand our legal offline lottery distribution business to contribute to the sale of lotteries that provide major source of public welfare funding, which also increases the income of the owners of the lottery retail stores under such expansion. In addition, the Group has provided more secure and convenient payment services to local residents and tourists visiting Macau through the expansion of merchant base and payment scenarios in the electronic payment business, and also contributed to the construction of the smart city in Macau. During the COVID-19 pandemic, we also actively responded to the government’s call to provide small and medium-sized enterprises with exemption of service fees and equipment fees and additional support for marketing expenses. Over the years, we have been actively participating in and supporting various social welfare activities, participating in charitable donations and fulfilling our public welfare responsibilities. Within the Group, we also encourage our employees to participate in various public welfare activities, create a public welfare culture, and establish internal public welfare taskforce (i.e. the Macau Pass Charity Volunteer Team) to carry out public welfare activities.

**2. Provision of reliable products and services:**

Providing users with reliable products and services has always been a key business strategy of the Group. The electronic payment services offered by the Group provide users with convenient and fast service responses on the basis of ensuring the transaction security. In addition, we connect the Hong Kong, Macau and the Mainland China markets by continuing to enhance our product capabilities. In the future, we will provide users with a more remarkable service experience for international tourists and cross-border electronic payment markets. The hardware products provided by the Group are equipped with full-path product quality control and a professional customer after-sales service team to ensure the safety, environmental friendliness and reliability of the products provided.

**3. Sustainable green and carbon reduction action:**

The Group does not operate any factory but outsources the manufacturing functions to external suppliers/subcontractors. Therefore, there will not be any significant risks related to environmental issues in our operations. However, the Group still strives to create a green and low-carbon office environment through a series of means such as electricity saving, paper saving, resource and waste recycling as well as encouraging employees to comply with energy saving policies and business practices to promote the achievement of green and low-carbon office action.

For our electronic payment business in Macau, the electronic payment itself helps reduce the use of banknotes and coins. The “Group Red Packets” feature introduced in MPay products during the Chinese New Year also helps reduce the use of paper red packets. In addition, the Group also promotes the use of paperless receipts for offline transactions by Macau merchants and shortens the length of takeaway receipts to reduce paper consumption. Electronic payment also has a number of environmental advantages, including reducing the carbon consumption of customer travel, the cost of electricity and manpower consumed by banks and merchants, and the risk of COVID-19.

In addition, the Group also spares no effort to promote the use of environmentally friendly recyclable packaging and the use of green energy efficient transportation (such as the use of new energy vehicle transportation for short distance) by suppliers in the packaging and transportation process of the supply chain.

**4. Support for staff development:**

The Group attaches great importance to the development and training of employees. We have formulated a series of employment policies on the basis of compliance with the labor laws of local government. Concurrently, we create a working environment and culture of equal, respectful, diverse and tolerant for our employees, provide competitive remuneration and benefits, and offer competitive compensation and benefits policies (such as additional parental leave in addition to statutory holidays and equity incentives). We also provide sufficient career development and training opportunities for our employees, and build a communication bridge between employees and management programs such as “CEO Roundtable” (《CEO 圓桌會》), “Seminar with HaoGe” (《儗哥有話說》) and “CTO Quarterly Sharing Session” (《CTO 季度分享會》) for the understanding of the Company’s business map and achieving team consensus and cohesion. We also provide internal and external skills training to enhance the professional capabilities of our employees and promote internal career development opportunities such as promotion and job rotations. In addition, we also attach great importance to the physical and mental health of our employees, providing them with a safe and healthy office environment, emergency response protection, and a series of team building and travel funds to help employees relax after work and increase team cohesiveness.

**5. Trust building:**

The Group strives to build a professional and effective governance structure, a sound risk management system and adherence to business ethics to create transparent corporate governance procedures. In addition, for users of our products and services, the Group attaches great importance to their privacy with an aim to protect the security of the transactions. At the Group’s payment business level, to counteract illegal and unethical transactions, we have established a professional risk control team and a series of policies, procedures and measures relating to anti-money laundering and combating the financing of terrorism, unethical transaction identification and monitoring, and continuously enhanced the Group’s ability to fight against illegal and unethical transactions through continuous optimization of information system functions.

Besides, the Group has established a dedicated anti-corruption policy and whistleblowing policy, a dedicated whistleblowing email address. Starting in February 2022, the Group set up a new whistleblowing arrangement with a new section “Integrity Compliance” on the Company’s official website for employees and stakeholders of the Group (e.g. customers and suppliers) to raise concerns or report matters confidentially and anonymously, and has established a series of strict internal control measures to ensure the aforesaid user privacy and data security. We believe that through our efforts, we will be able to gain the continuous trust of our customers, Shareholders, business partners, regulators and various stakeholders.

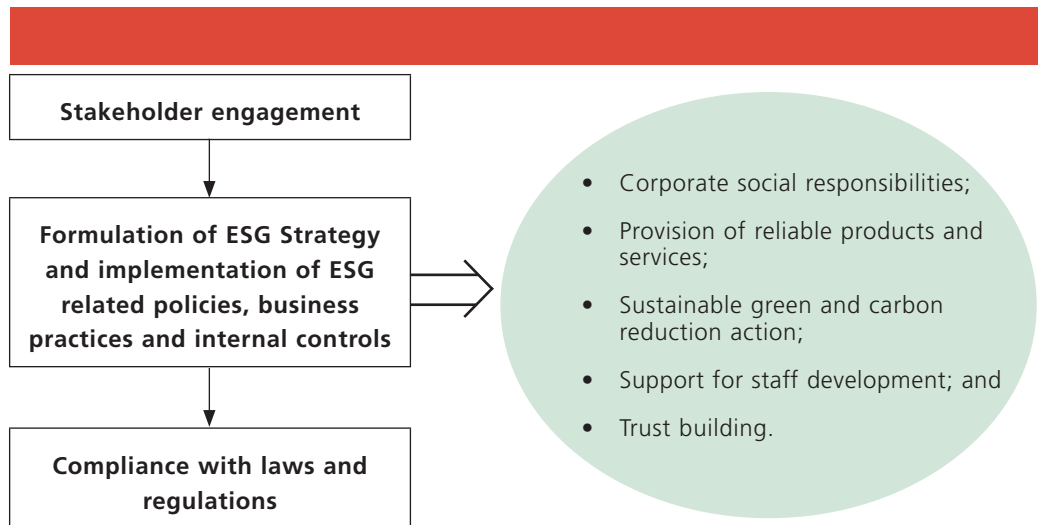
Material areas of focus of the Group’s ESG Strategy	Stakeholders involved or affected
1. Corporate social responsibilities	Community , Business Partners, Customers and Regulators
2. Provision of reliable products and services	Customers, Community and Suppliers/ subcontractors
3. Sustainable green and carbon reduction action	Suppliers/subcontractors, Employees and Community
4. Support for staff development	Employees and Community
5. Trust building	Customers, Business Partners, Regulators, Shareholders and Community

**Outcome/output of overall sustainability management:** Shareholders

Compliance with laws & regulations and this Environmental, Social and Governance Report

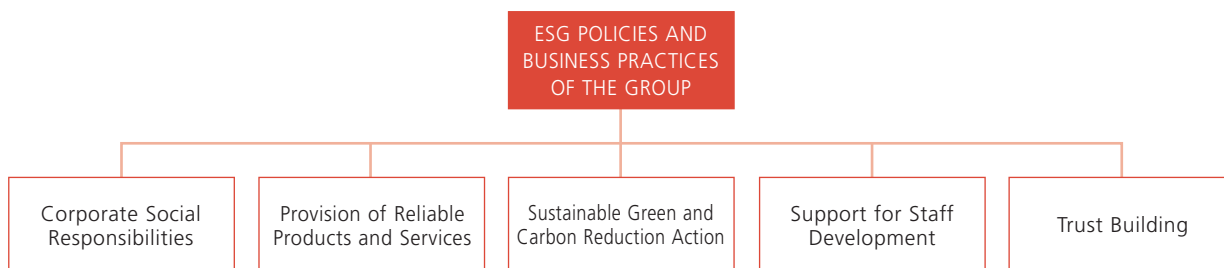


**Sustainability management flowchart:**



By following through on the above ESG 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 Environmental, Social and Governance Report.

**ESG POLICIES AND BUSINESS PRACTICES OF THE GROUP**



**Material areas of focus**

**Corporate Social Responsibilities**

**Support for the Development of Small and Micro Enterprises – Provision of Basic Business Capability Support for Small and Micro Enterprises**

- Provision of Multi-Scenario and Efficient Transaction Settlement**

Macau Pass has provided payment services to over 20,000 payment points, covering almost all major payment scenarios. Through the Macau Pass payment terminal, merchants can accept different payment methods including MPay, Macau Pass Card and other payment service providers such as Alipay, WeChat and other third party e-wallets under the “Simple Pay” integrated payment system, greatly expanding the transaction scenarios and transaction efficiency of merchants. Besides, Macau Pass provides efficient and convenient payment settlement services to merchants according to the agreement with the merchants.



The Macau government launched the “Simple Pay” integrated payment system service in 2021, and Macau Pass’ MPay is one of the eight largest local registered mobile payment platforms participating in Simple Pay

- **Provision of Basic Business Data Analysis Support**

Other than providing payment settlement services for small and micro enterprises, Macau Pass also provides basic business data analysis functions to support these merchants to make operational decisions. Currently, Macau Pass' merchants can view the past 30 days' settlement information and transaction data at the smart terminal we provide. In the coming year, we plan to launch more support functions so that merchants can view more basic information analysis such as the change of transaction trend in the past 30 days at the smart terminal, which will help merchants quickly identify the operating situation.

**Support for the Development of Small and Micro Enterprises – Support for the Small and Micro Enterprises to Expand Market and Overcome Challenges Together**

- **Promotion Activities to Support “Electronic Consumption Benefits Plan” and Fee Waiver Support for Small and Micro Enterprises**

In order to stimulate Macau's local consumption demand and ease the financial pressure faced by local residents and enterprises in 2022, the Macau government launched the third round of “Electronic Consumption Benefits Plan” and announced in October 2022 to further increase the living subsidy start-up fund. Through three customer service centers, Macau Pass provides registration and account activation support services to support and promote the latest round of economic assistance from the Macau government. During the launch of the third round of “Electronic Consumption Benefits Plan”, MPay, as one of the eight largest local registered mobile payment platforms, launched a series of electronic consumption promotion activities, in which users can receive random discounts or consumption rebates during the consumption process, as well as win prizes and earn bonus points, mCoins. The overall marketing expenses during the activities exceeded MOP20 million, effectively stimulating the local consumption in Macau.



Using Macau Pass Card for payment on the first day of the launch of Macau Electronic Consumption Benefits Plan

During the COVID-19 pandemic, Macau Pass also responded actively to the Macau government's advocacy for the financial institutions to waive small and micro enterprises in Macau from transaction fees in order to support them to overcome the challenges ahead. In 2022, the amount of handling fees waived by Macau Pass exceeded MOP50 million, and the number of merchant rebates reached approximately 11,300.



The SME “Simple pay” transaction fee waiver or rebate is one of the eight SME financial support measures launched by the Macau SAR Government in October 2021 and extended to February 28, 2023 in view of the ongoing impact of the pandemic.

#### Active Participation in Social Charity - Encouraging Employees to Participate in Charity Activities

- **Building a Charity Culture in the Group**

As a member company of Alibaba Group, we encourage every employee to actively participate in charity activities, such as the “Three Hours for All” activity. We encourage employees to spend three hours a year to participate in charity activities after work. Employees can accumulate charity hours by participating in charity activities such as charity donations, walking donations and shopping for a good cause.

### Active Participation in Social Welfare - Assisting the Lotteries for Public Welfare Funding

- **Free Services for Lotteries Retail Channels Location Inquiries and Lotteries Drawing Inquiries**

We provide lottery users with convenient services such as nearby lotteries retail channels location inquiries and lottery drawing inquiries through Alipay and Taobao lottery channels to facilitate lottery buyers to go to the nearby lottery shops to purchase or redeem lottery tickets.

- **Supporting Development of Lotteries for Public Welfare Funding and Increasing the Income Of Workers**

The Group's offline lottery distribution business allows retail store owners to legally operate lotteries without increasing the costs of the stores. Such business model supports the development of lotteries for public welfare funding while allowing these store owners to earn additional income through the distribution business. In 2022, we expanded over 1,100 lottery retail stores in the PRC.

### Active Participation in Social Welfare - Other Social Welfare

- **Active Participation in Welfare and Charity Activities**

In order to better organize public welfare activities, we establish the Macau Pass Charity Volunteer Team in 2022 to conduct social welfare activities and fulfill our corporate social responsibilities by organizing relevant activities on a regular basis to contribute to the society through actions.

In November 2022, in support of the 5th "Macao Water Run" organized by the non-profitable and voluntary organization, Sincere Simple Diligent Association, in Macau to arouse public awareness of the importance of water conservation and improving the quality of life for people in Mainland China who have difficulties in accessing clean water, Macau Pass cooperated with Alibaba Cloud (Macau) to actively participate in the 3-kilometer race, starting from the beautiful Hác-Sá Reservoir Country Park. Participants had to carry bottled water to run through hilly trails, in order to experience the hardship and difficulties of travelling long distances in bringing water back home. During the run, the participating staff members relaxed themselves and connected with nature, gaining the power of tranquility and joy, while conveying the advantages of sports for a good cause to the community.



Macau Pass participated in the 3-kilometer race, Macao Water Run in November 2022

The Group has always valued its involvement in charity activities and has supported a number of charity and sports activities over the years. In particular, we also actively support and participate in social and charity donation activities organized by other companies through our products and services. Within the MPay product line, we have set up a “Donate with Love” (愛心捐款) function, which allows MPay users to donate through such function to the Macau Red Cross, Fuhong Society of Macau, Everyone Stray Dogs Macau Volunteer Group and other charity organizations to support public welfare. In 2022, we cooperated with Cathay Pacific’s “Asia Miles” in the “Social Goods Redemption” program, whereby “Asia Miles” accumulated can be exchanged for mCoins (i.e. bonus points earned from payments made by MPay) to rescue and support the elder and sick animals staying in the hospice run by an affiliate of the Everyone Stray Dogs Macau Volunteer Group.



mCoins and Asia Miles collaborated to rescue stray dogs



Using mCoins to exchange for thermal bottles to support abandoned animals

The mCoins redeemed can be used to trade for “Bear Thermal Bottles” of the Everyone Stray Dogs Macau Volunteer Group to support abandoned animals. Besides, we cooperated with “Eslite Café” (located next to the new Macau Pass Dynasty store) to raise funds totalling over MOP62,000 in 2022 for The Macau IC2 (I Can Too) Association to show our support to people with disabilities.



Fundraising activity at “Eslite Café”  
(New Macau Pass Dynasty store)

- **Offering Job Opportunities**

The footprint of our business primarily spans across Mainland China and Macau. We employ around 333 employees and help sustain job opportunities in the communities where we operate.

Note: No target-setting in respect of the Group’s corporate social responsibilities is considered necessary for the KPI purpose as contributions to the community are just gestures of goodwill extended by the Group as part of its social responsibilities rather than business targets.

## Provision of Reliable Products and Services

### Provision of Secure and Convenient Payment Services

- **Secure Payment Services**

We protect the data of Macau Pass users through end-to-end communication encryption, desensitized printing of sensitive data, and the use of advanced data encryption. We also conduct multiple effective security verifications for user accounts and account security, such as logins when switching devices and changing/retrieving payment passwords. In addition, we also prevent malicious theft through blacklists, daily/monthly/yearly limits and frequency limits to protect users’ transaction security. We adopt advanced standards and encryption algorithms for the Macau Pass Card to protect card users.



- **Convenient Payment Services**

The Group's MPay products currently cover 13 debit card issuers and 5 credit card issuers in Macau. Through MPay and Macau Pass Card, we provide integrated e-wallet and card payment services to Macau residents and cover almost all major payment scenarios, such as user-to-user transfers, government payments, telecommunications and utility bill payments, public transport, online ticketing, parking fees and bus fares. We also support cross-border scenarios such as the Hong Kong-Zhuhai-Macao Bridge shuttle bus ticketing service and acquiring service with Octopus Card, which greatly facilitate users' daily life.

In addition, our payment products have a high success rate and millisecond response time, providing users with a smoother payment experience. Meanwhile, users can choose various payment methods on MPay, such as account balance, bank card, credit card and electronic consumption card, and promotional discounts are automatically deducted without manual selection, providing users with an excellent payment experience.

#### Provision of Responsible Hardware Products

- **Provision of Reliable Hardware Products and Supply Chain Management**

Our lottery hardware products have taken into account various validation tests from the beginning of research and development, and we conduct various quality tests through external independent laboratories. Meanwhile, we have a strict selection and testing process for the suppliers of product components, and have set up a dedicated quality control team. Different inspection procedures are in place for the purchase of components, manufacturing process and finished products warehousing, to ensure the reliability of the finished products.

The top 10 suppliers of the Group for its hardware products by geographical region for the year under review:

Mainland China	10 (2021: 10)
Macau	Nil (2021: N/A, as Macau Pass Group has become a member of the Group only since March 24, 2022)

*(Note: 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 the sake of simplicity.)*

No target-setting in respect of the geographical region and number of suppliers is considered necessary for the KPI purpose as it is inappropriate for the Group to set a target for the number and location of its suppliers, which should be based on actual business needs from time to time.



As a KPI for its supply chain management, the Group sets a target that it should pay regular visit on an annual basis to at least 3 of the top 10 suppliers for its hardware products to monitor whether such suppliers continue to meet the Group's supplier selection criteria. During the year under review, the Group paid visit to five (2021: 3) of the aforesaid top 10 suppliers for its hardware products and the KPI in this regard was met.

- **Provision of Eco-Friendly Hardware Products and Supplier/Subcontractor Selection**

All of the major lottery hardware products (C8 and M5 series of lottery terminals) supplied by the Group have passed the environmental label product certification issued by the Ministry of Ecology and Environment of the PRC, which is currently the most authoritative environmental product certification issued by the PRC government. Meanwhile, we have fully considered the relevant environmental certification as a prerequisite for the selection of suppliers in our practice of selecting subcontractors. All of our subcontractors hold ISO environmental management system certification.

In addition, the operating subsidiary of the Group's terminal hardware products (Beijing GOT Technology Co., Ltd.) has received ISO environmental management system certification and occupational health and safety management system certification for many consecutive years, which demonstrates that we have also received international standard recognition in environmental protection and occupational health management.

- **Product Responsibility**

Unlike companies which supply consumer goods, food or beverages, the Group is principally engaged in (i) lottery hardware sales; (ii) lottery distribution through physical channels and ancillary services; (iii) non-lottery games and entertainment business; (iv) non-lottery hardware sales; and (v) provision of electronic payment and ancillary services in Macau. Accordingly, we do not anticipate any material risks of health and safety to the public arising from our products and services, and laws and regulations relating to health and safety concerns for products and services are not considered applicable to the operations of the Group.

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 certain lottery products, we may participate in the marketing and advertising campaigns in order to promote the sales of such products. 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.

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In respect of its electronic payment and related businesses in Macau, the Group conducts its advertising activities in accordance with the Macao Special Administrative Region, Law No.7/89/M “Regulations Regarding Advertising Activities” (第7/89/M號法律《關於廣告活動的規定》) to ensure that the information contained in the advertisements is legal and not detrimental to the basic values of the society, true and not misleading, and complies with the principles of safeguarding consumers’ interests and free and fair competition.

Our lottery hardware is 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.

With regard to the Group’s electronic payment services business in Macau, the bonus points (i.e. mCoins) given to its customers when they make payments using the MPay app are governed by standard terms and conditions, which spell out that Macau Pass shall not be responsible for the quality and service quality of gifts provided by designated collaborating merchants for bonus point redemption. For any complaints or feedback regarding these gifts or services, the customers should directly contact the designated collaborating merchants.

Indeed, the e-commerce platform in Macau operated by the Group only provides the service of redemption of electronic coupons, whereas the goods or services are directly supplied and sold by designated collaborating merchants on the platform to the customers. Accordingly, the Group does not have any contractual obligation nor does it have any responsibility for product liability arising from any defects of the products or services so provided by the designated collaborating merchants.

As an “other credit institution” licensed under AMCM, our electronic payment business arm, Macau Pass, has stringent internal control framework in place which encompasses various AML/CFT measures typically possessed by a responsible electronic payment service provider as set out in the paragraph headed “Fighting Against Illegal and Unethical Transactions (AML/CFT Measures)” below in this Environmental, Social and Governance Report.

No products and service related material complaints were received by the Group for the year under review (2021: Nil). Such complaints (if any) are dealt with by the business departments of the Group, usually by means of providing the customers with replacement products, further customisation and/or follow-up after sales or maintenance services. No target-setting in this regard is considered necessary for the KPI purpose as it is inappropriate for the Group to set a target on the number of complaints to be received.

### Providing Customers with Experience of Responsible and Remarkable Services

- **Service Hours and Return Policy**

We are committed to providing friendly after-sales return and maintenance services. Professional after-sales personnel is responsible for the after-sales service of the lottery hardware products provided by the Group. Our lottery hardware after-sales service has passed the highest five-star certification in the PRC's "Commodity After-sales Service Rating System".

For Macau Pass Cards and MPay products, we have also set up a dedicated call center to provide a 24-hour Report Loss hotline. Moreover, we also set up a professional customer service team to provide 3 offline customer service centres in Macau, providing comprehensive online plus offline customer service.

In addition, we provide our customers with FAQs answers online on the official website of Macau Pass. We also provide handy customer services such as online transaction record inquiries and refund applications for MPay products.

- **Connecting Macau and Mainland China Markets and Sharing Opportunities in Guangdong-Hong Kong-Macau Greater Bay Area**

In order to satisfy the burgeoning consumption demand of Guangdong-Hong Kong-Macau Greater Bay Area residents, Macau Pass, as one of Macau's leading payment service providers to coordinate resources from different stakeholders, has extensively developed cross-border payment business cooperation between Macau and the Mainland, promoted the development of mobile payment in Macau, and contributed to the construction of smart city in Macau and the realization of convenient living.



Launching Ceremony of "Rewards for Consumption in Macao", aiming to help Macau Government support SME revitalization and attract inbound tourists

In the fourth quarter of 2019, MPay was officially allowed by the People's Bank of China to become the first overseas electronic wallet launched by a financial institution headquartered abroad that has been allowed for cross-border use in China. Meanwhile, MPay has also been approved by the relevant regulatory authorities for cross-border use in Hong Kong. In 2021, MPay used a brand-new slogan "No Pay No Gain", aiming to make every MPay user's spending more rewarding.

From October 25, 2022, through the global cross-border digital payment and marketing solution "Alipay+" launched by Ant Group, MPay has been officially launched on Taobao Tmall (Macao, China) to provide electronic payment services. Real-name authenticated users of MPay who are Macau residents and other non-Mainland China residents can directly use MPay to pay in MOP when shopping online at Taobao Tmall (Macao, China). During the Double 11 shopping festival in 2022, MPay launched a number of promotions simultaneously, including no handling fee for MPay payments at Taobao Tmall (Macao, China), a limited amount of MOP30 discount for purchases of MOP200 or more during Double 11, combining with Taobao cross-store full discounts, which allowed Macau residents to truly experience the joy of online shopping and a novel consumption experience. In addition, MPay users can also use mCoins (bonus points earned by users for using the MPay payment service) to exchange Taobao's red packets. All the red packets, discount codes, payment vouchers, cross-store full discounts and other multiple promotions can be used in combination, allowing Macau residents to truly dive in the e-commerce shopping spree.



MPay launched on Taobao Tmall (Macao, China) while Macau Pass promotes living conveniently in smart city

On October 29, 2022, the finale of Youku street dance competition reality show “Street Dance of China” season 5 was held at the Cotai Arena of The Venetian Macao. As the ticket support platform for the Macau region, MPay provided a considerable number of tickets to the Show finale on its platform, which can be redeemed with mCoins bonus points. This is an important effort by Macau Pass to fully utilize the potential power of online and offline scenarios.



MPay, as a ticketing platform in Macau, supported the grand finale of the popular variety show “Street Dance of China” season 5 in Macau

## Sustainable Green and Carbon Reduction Action

### Green Office

- **Power Saving Management**

We encourage our employees to turn off their computers when they are off duty and when they are not using them, and to turn off power-consuming equipment such as lighting and air-conditioning in vacant rooms. They can also obtain energy-saving rewards by reporting their energy-saving behavior through the office intranet. Our offices are equipped with energy-efficient lighting and are scientifically designed to allow full use of natural light rather than electricity during the day in some office areas.



Office environment tips to save electricity and reduce carbon

- **Resource and Waste Recycling**

We implement waste separation to separate storage and disposal of hazardous and recyclable waste in the office area, and employees' environmental protection behavior can be reported on the office intranet for corresponding energy-saving rewards.



Office environment tips for waste separation and waste recycling

- **Encouraging Low-carbon Behavior among Employees**

The Group is committed to continuously promoting less-paper/paperless office initiatives, such as the implementation of standardized billing with suppliers for employees' business travel and hotel accommodation (in Mainland China), and the use of electronic invoice reimbursement with the support of the employee reimbursement system to reduce the use of paper under traditional reimbursement procedures. In addition, we have purchased the eco-friendly paper and encouraged carbon-saving behaviors such as double-sided printing by our employees, who can receive internal energy-saving rewards for printing on both sides of the paper.

Furthermore, the Group emphasizes the use of online office software and online communication tools, such as Alilang (阿里郎) video/voice conference and DingTalk (釘釘) video/voice conference and encourages employees to use email and DingTalk for communication in daily operations to reduce non-essential travel and thus reduce additional energy consumption.

In addition, we encourage employees to use public transportation (subways and buses instead of taxis) to conduct business.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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As the Group does not run any manufacturing factories, material risks of wastage of resources such as electricity, water or raw materials are not applicable to its operations. Nevertheless, as mentioned above, the Group continues to encourage its staff to save on the use of electricity and paper. For the year ended December 31, 2022:

- The total electricity consumption of the Group's offices in Mainland China and Hong Kong: approximately 121,626 ('000 kilowatt hours) (i.e. approximately 31.83% decrease over approximately 178,418 ('000 kilowatt hours) in 2021);
- Total electricity expenses of the Group's offices in Mainland China and Hong Kong: approximately HK\$136,590 (i.e. approximately 35.80% decrease over approximately HK\$212,771 in 2021); and
- Total expenses on paper consumption of the Group's offices in Mainland China and Hong Kong: approximately HK\$2,925 (i.e. approximately 64.36% decrease over approximately HK\$8,206 in 2021)

The Group has newly acquired the Macau Pass Group only since March 24, 2022. For the period from March 24, 2022 to December 31, 2022, the electricity consumption of the Macau Pass Group's offices in Macau and Zhuhai, the PRC was approximately 326,210 ('000 kilowatt hours), with the electricity expenses of approximately HK\$462,364 and the total expenses on paper consumption of approximately HK\$22,744. As the Macau Pass Group was not a subsidiary of the Group in 2021, data on its electricity consumption, electricity expenses, and the expenses on paper consumption for 2021 is not available for year-on-year comparison.

The Group had set a target for each of the 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). If the additional offices of the newly acquired Macau Pass Group in Macau and Zhuhai, the PRC were excluded from the assessment of the fulfillment of such targets for the year under review due to the lack of data for 2021 as mentioned above, the targets of the Group for electricity consumption and paper consumption year-on-year were met for the year under review. In respect of the newly acquired Macau Pass Group, the Group will keep monitoring the condition of its usage of resources.



### Green Supply Chain

- **Green Packaging**

The lottery hardware products and payment devices provided by the Group are packaged in recyclable paper boxes to enhance resource recycling.

- **Green Transportation**

Transportation providers of the hardware products used by the Group (including the Macau Pass payment devices) have adopted electric new-energy vehicles for the transportation of products in some cities to reduce carbon emissions, and the Group will continue to promote more green transportation actions among transportation providers.

### Carbon Reduction for Merchant Platforms, MPay Users and the Retail Sector

- **Carbon Reduction Action for Merchant Platforms**

We have suggested a Macao merchant's online food delivery platform to reduce paper consumption by reducing the printing of receipts as well as reducing the takeaway printing paper usage by adjusting the font size and spacing of words printed thereon. In the future, the Group will continue to push forward the carbon reduction action to more merchant platforms to contribute further to the carbon reduction action. In addition, the thermal paper used in the Group's payment devices in Macau uses degradable and eco-friendly paper certified by The Forest Stewardship Council (FSC).



From the beginning of May 2022 until the end of June 2023, Macau Pass launched the "Use Electronic Consumption Benefits with MPay" campaign to drive traffic of consumers to merchants by redeeming their electronic vouchers through MPay, to improve merchants' business environment and increase their turnover.

- **Helping merchants upgrade their digital marketing**

We provide digital marketing services to our partner merchants. The mCoins loyalty platform, point-of-sale terminals or merchant mobile apps are used to provide merchants with e-coupon marketing promotions and in-store redemption services, thereby reducing the paper waste of posters and paper coupons from traditional offline marketing campaigns. In the future, the Company will fully assist in the digital upgrade of merchant marketing, through cooperation with more cross-border online platforms and the full digitalization of tickets and coupons, to help build Macau as a smart city and reduce the cost of social carbon emissions.



In January 2023, an electronic campaign “Rewards for Consumption in Macao” operated by Macau Pass was launched on AlipayHK e-wallet, aiming to precisely attract Hong Kong tourists to spend in Macau and help partner merchants increase their exposure online.

- **Carbon Reduction Action for Retail Sector in Macau and MPay Users**

Our electronic payment business in Macau, Macau Pass, continues to support the “Simple Pay” integrated payment system launched by the Government of Macau, which system has accelerated the growth of electronic payments in the retail sector. Besides, the e-wallet of Macau Pass, MPay, has launched a new function, namely “Group Red Packets (群發利是)”, to allow a personalized feature for sending red packets for the Chinese New Year, which helps reduce the use of paper red packets and banknotes in Macau.



MPay launched a new feature, “Group Red Packets (群發利是)”

## Support for Staff Development

### Equal, Respectful, Diverse and Inclusive Workplace and Culture

- **Equal and Respectful Workplace**

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 behavior at the 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. Employees who have been found to have committed disciplinary offenses will be dealt with seriously in accordance with the Employee Code of Conduct.

- **Diverse and Inclusive Culture**

Diversity of our workforce has been adopted both at the Group's Board level and throughout our Group. 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.

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.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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As at December 31, 2022, total number of employees of the Group was 333 (2021: 131), comprising:

*By gender:*

Male	208	(62.5%)
Female	125	(37.5%)

*By employment type:*

Full-time	333	(100%)
Part-time	0	(0%)

*By age group:*

30 or below	105	(31.5%)
31-45	198	(59.5%)
46-60	30	(9.0%)
61 or above	0	(0%)

*By geographical region:*

Mainland China	181	(54.4%)
Hong Kong	7	(2.1%)
Macau	145	(43.5%)

The Group maintained a healthy mix and diversity of employees in terms of their gender and age. Employees are stationed in geographical locations where the operations of the Group require them.

No target-setting in respect of its workforce by gender, employment type (for example, full- or part-time), age group and geographical region is considered necessary for the KPI purpose as the Group does not wish to be bound by such target in the determination of the size and composition of its workforce, which should be based on the actual business needs and economic environment from time to time.

### Offering Competitive Remuneration and Benefits

- **Labor-Law Compliant Employment**

The Group protects the legitimate rights and interests of its employees and complies with different labour laws in Mainland China, Macau and Hong Kong such as 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), "Employment of Children Regulations" made under Employment Ordinance of Hong Kong (Chapter 57 of the Laws of Hong Kong), 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), Macao Special Administrative Region, Law No. 7/2008, "Labour Relations Law" (澳門特別行政區第7/2008號法律《勞動關係法》) and Macao Special Administrative Region, Law No. 21/2009 "Law for the Employment of Non-resident Workers" (澳門特別行政區第21/2009號法律《聘用外地僱員法》). The Group enters into employment contracts with local employees in accordance with the law.

Furthermore, the Group revised the Employee Handbook of each major office in 2022 to clarify the appointment and dismissal, attendance, performance-based remuneration, employee development, disciplinary system, data security policy and whistle-blowing arrangement, in accordance with the local labor law requirements, and conducted training for new employees from time to time.

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 the Human Resources Department of the Group, 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.

Employees will be dismissed if their behaviors constitute any breach of law, breach of confidentiality, falsification, conflict of interest, damage to the Company's rights and interests, disruption of office order or any other contravention against the Group's Employee Code of Conduct which could be subject to dismissal.

The Group's Human Resources Departments require new employees to provide valid identification documents and other credentials at the time of appointment to verify their age, identity and work experience. The Group will not employ persons under the age of 18.

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 Departments of the Group in accordance with their respective service or employment contracts.

Employees in Mainland China and Hong Kong in general are required to work 8 hours per working day (exclusive of lunch time) or 40 hours per week. Employees in Macau in general are required to work 7.5 hours per working day (exclusive of lunch time) or 37.5 hours per week. Certain posts (e.g. shift workers) may have different arrangements for their working hours.

Employees in Mainland China 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; whereas employees in Macau who have worked continuously for 90 days or more are entitled to paid annual leave. For employees in Hong Kong, they are entitled to paid annual leave immediately upon appointment, provided that they shall obtain the approval of their immediate supervisor for all application of their annual leaves having regard to the commercial requirements of the Company's business. However, if they resign, the portion of annual leave taken by them that exceeds their pro-rated entitlement up to the date of their resignation will have to be reimbursed to the Company. 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.

- **Fair and Competitive Remuneration and Performance Evaluation System**

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.



"Sunflower Award Ceremony" to award employees of the Group for their excellent customer services

- **Generous Employee Benefits**

We provide employees with additional parental leave in addition to statutory leave, and a range of other caring initiatives such as team travel expenses, group building expenses and birthday activities. In addition, we provide employees with supplemental medical insurance in addition to statutory medical insurance to ensure that employees receive additional medical coverage in the event of illness.

### Provision of Adequate Career Development and Training Opportunities

- **Training Opportunities for Employees**

The Group attaches great importance to the skills training of our staff and provides valuable opportunities for our staff to enhance their professional knowledge and skills through on-the-job training and other training activities sponsored by the Group. In the past year, we built a communication bridge between employees and management through programs such as "CEO Roundtable" (《CEO圓桌會》), "Seminar with HaoGe" (《儔哥有話說》) and "CTO Quarterly Sharing Session" (《CTO季度分享會》) to understand the Company's business map and to achieve team consensus and cohesion. Moreover, we have held a number of employee skills training sessions, covering various topics and skills training on office software and system usage, important internal control policies, listing compliance requirements, leadership enhancement as well as management interaction and communication.

In addition, in-house briefing materials on latest corporate governance and listing rules 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.



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 formulating any 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:

- Listing compliance and data security training
- Contract, stamping approval and system usage training
- Explanation of important internal control processes (including procurement, marketing activities, budgeting and fixed asset management)
- Compliance control training for the management of Macau Pass
- Payment and reimbursement process training



Staff training activity, CEO Research Projects



Staff training activity, The Ode to Gallantry



- **Anti-Corruption Training for Employees**

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.

Our electronic payment business arm in Macau, Macau Pass, conducts organization-wide AML/CFT training at least once a year. All new staff are required to attend compulsory AML/CFT training to strengthen their AML/CFT knowledge and awareness of their job-related responsibilities in this regard. All training records are properly kept by the human resources department of Macau Pass for future review. Macau Pass also attended the training conducted by The Macau Anti-Money Laundering Specialists Association in order to enhance the professional AML/CFT knowledge of Macau Pass' staff and strengthen exchanges and cooperation with other anti-money laundering specialists in Macau.

- **Career Development for Employees**

The Group pays attention to employees' career development, and provides various development modes such as promotion and job rotation. The Human Resources Department of the Group is responsible for the annual promotion of the Group's employees and the redesignation of positions from time to time. The Human Resources Department and relevant business departments provide employees with appropriate career development paths based on their on-the-job performance and relevant skills along with the employee's personal wishes.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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The Human Resources Department of the Group will consider a number of criteria in determining whether an employee deserves a promotion, for instance:

- 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.

For the year ended December 31, 2022, the employee turnover rate of the Group (as compared between total number of employees as at January 1, 2022 and December 31, 2022) was as follows:

*By gender:*

Male	3.86%
Female	4.55%

*By age group:*

30 or below	4.30%
31-45	3.99%
46-60	4.26%
61 or above	0%

*By geographical region:*

Mainland China	4.75%
Hong Kong	3.85%
Macau	2.76%

Employee turnover rate of the Group stood at not more than 4.55% by gender (for the female gender which represented only approximately 37.5% of total number of employees as at December 31, 2022), 4.30% by age group (for the age group of 30 or below which represented only approximately 31.5% of total number of employees as at December 31, 2022) and 4.75% by geographical region (for employees in Mainland China), and was considered acceptable and normal, and an anticipated result of the Group's cost control measure over its operating costs and expenses.

No target-setting in respect of the employee turnover rate of the Group is considered necessary for the KPI purpose as employee turnover is often driven by the employees, which is something beyond the control of the Group.

## Keeping Employees Healthy and Active

- **Creating a Healthy and Safe Workplace**

The Group has policy in place to provide a safe working environment and protecting employees from occupational hazards: (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) On top of the statutory medical plan, the Group also takes out supplemental medical insurance for its employees (which may vary depending on where the employee's social insurance is based) to provide additional protection in the event of work-related injury or illness. (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. The above work arrangements under high temperature conditions are not applicable to Macau and Hong Kong employees.

The Group complies with different laws and regulations relating to the health and safety of its employees in Mainland China, Macau and Hong Kong, such as 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), Macao Special Administrative Region, Law No. 7/2008 "Labour Relations Law" (澳門特別行政區第 7/2008 號法律《勞動關係法》) and Macao Special Administrative Region, Law No. 21/2009 "Law for the Employment of Non-resident Workers" (澳門特別行政區第 21/2009 號法律《聘用外地僱員法》).

The Administration Department conducts regular environmental and security checks in office areas, and cleaning and office greenery companies are engaged to provide office cleaning and greenery services.

Set out below are the 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 December 31,:

2022	0 (0%)
2021	0 (0%)
2020	0 (0%)

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. No target-setting in respect of work-related fatalities is considered necessary for the KPI purpose as it is inappropriate to set a target for accidents such as work-related fatalities.

There were 29 lost days due to work injury for the year ended December 31, 2022 (2021: Nil). There were three work injury cases concerning three employees of the Group during the year under review. No target-setting in respect of work injuries is considered necessary for the KPI purpose as it is inappropriate to set a target for accidents such as work injuries.

Occupational health and safety measures of the Group are implemented and monitored on an ongoing basis by the Human Resources and Administration Departments of the Group. No target-setting in this regard is considered necessary for the KPI purpose as this refers to measures which are not quantitative.

- **Placing Value on the Physical and Mental Health of Employees**

The Group attaches great importance to the physical and mental health of its staff. All office areas are equipped with refreshment areas for staff to take a break and some office areas are equipped with fitness equipment for working out after work. The Group's Human Resources Department has a dedicated Human Resources Generalist ("HRG") to deal with each employee, so that employees can seek help from the HRG when they have work or psychological problems.

In addition, the Company provides funds for team building and travel to encourage employees to carry out various team activities, cultivate hobbies and interests, and improve team cohesion.

- **Emergency Response and Protection for Employees**

We are aware that the safety of our staff is a priority in all business processes and we encourage our staff to participate in various emergency drills, including fire drills at our properties, as well as providing our staff with small emergency kits in our office areas. We have successfully implemented a number of emergency office measures in the past year due to the COVID-19 outbreak and plan to provide more training to our staff on first aid and other emergency matters in the coming years.

## Trust Building

### Building Corporate Trust

- **Building Professional and Effective Governance Framework**

The Group is committed to maintaining a high standard of governance structure. The Board of the Group currently consists of nine directors, including three independent non-executive directors, two executive directors (including one female director) and four non-executive directors. Independent directors comprise one-third of the Board. We value professionalism, skills, gender and diversity in other areas to better facilitate the governance of the Board.

The Board of the Group comprises Audit Committee, Nomination Committee, Remuneration Committee, Corporate Governance Committee and Risk Management and Internal Control Committee. The Board, with the support of the Risk Management and Internal Control Committee, participates in the formulation and promotion of the Group's ESG Strategy. In addition, the Group has established the Social Responsibility Department which is responsible for the implementation of ESG matters of the Group. For more details, please refer to the Group's Corporate Governance Report in this annual report for corporate governance matters.

- **Established Risk Management and Internal Control System**

The Risk Management and Internal Control Committee has been established under the Board of the Group to review the Group's risk management strategies and mechanisms, the design and operation of internal controls, anti-fraud matters and matters related to the ESG performance and reporting. Meanwhile, the Group continues to promote the continuous construction and improvement of the three lines of defense in risk management as follows:

First defensive line of risk control:

The Company's business teams have established a series of internal management policies for critical business management, and have implemented a series of online and offline process initiatives (including necessary approval authorization, segregation of duties and internal supervision) to ensure that critical risks are controlled in the aforesaid management at the business level.

Second defensive line of risk control:

The Company has established specialized teams for finance, legal, risk compliance and other professional function. The aforesaid function teams participate in the decision-making discussions during the usual course of business and process of the Company and provide professional advice to the management's decisions to ensure that the Company's decision-making risks are within an acceptable range.

Third defensive line of risk control:

The Company has established a professional internal audit team, which arranges internal audit projects according to the results of business risk assessment and the needs of management from time to time to independently monitor the design and implementation of the Company's internal risk controls and report relevant findings to management and the Risk Management and Internal Control Committee as well as the Audit Committee.

- **Adherence to Business Ethics and Anti-Corruption Policy**

Our employees are strictly prohibited from engaging in corrupt practices and are committed to maintaining high standards of ethical business conduct. The Group strictly complies with a series of laws and regulations such as the 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), "Law of the People's Republic of China on the Protection of Minors (2020 Revision)" (中華人民共和國未成年人保護法(2020修訂)), The PRC Personal Information Protection Law (中華人民共和國個人信息保護法), PRC Interim Provisions on Prohibiting Commercial Bribery (禁止商業賄賂行為的暫行規定); Macao Special Administrative Region, Decree-Law No. 32/93/M "The Financial System Act" (澳門特別行政區第32/93/M號法令《金融體系法律制度》), Macao Special Administrative Region, Act 8/2005 "Personal Data Protection Act"(澳門特別行政區第8/2005 號法律《個人資料保護法》),Macao Special Administrative Region, Law No.7/89/M"Regulations Regarding Advertising Activities" 第7/89/M 號法律《關於廣告活動的規定》, Macao Special Administrative Region, Law No. 2/2006 "Prevention and Repression of Money Laundering", as amended by Law No. 3/2017 of the Macao Special Administrative Region (澳門特別行政區第3/2017號法律修改之第2/2006 號法律《預防及遏止清洗黑錢犯罪》), Law No. 3/2006 - Prevention and Suppression of the Crimes of Terrorism (第3/2006號法律《預防及遏止恐怖主義犯罪》), "Regulations on Anti-Money Laundering and Combating the Financing of Terrorism" of Monetary Authority of Macao (澳門金融管理局《反洗錢及反恐融資指引》), 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), Hong Kong Prevention of Bribery Ordinance, US Foreign Corrupt Practices Act of 1977 and Penal Code of Macao.

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The Group has an Anti-Corruption Policy in place to regulate the provision of gifts, entertainment, hospitality, free travel and accommodation to government officials or business partners. Furthermore, the Group has established a number of internal control policies such as the “Employee Disciplinary Rules” and “Employee Whistleblowing Policy” to guide the regulation of employees’ behavior. In addition, the Company also sets up whistleblowing email: [internalaudit@agtech.com](mailto:internalaudit@agtech.com), to encourage employees or other relevant third parties to report relevant unethical or irregularities through credible private channel, which enables the Company to detect and stop related misconduct in time. The whistleblowing email will be followed up by the Group’s internal audit department and the audit committee for further investigation, if required. No target-setting in respect of anti-corruption measures is considered necessary for the KPI purpose as this refers to measures which are not quantitative.

During the year under review, no concluded legal cases regarding corrupt practices were brought against the Group or its employees (2021: Nil). No target-setting in this regard is considered necessary for the KPI purpose as it is inappropriate for the Group to set a target on the number of legal cases brought against it or its employees.

- **Observing and Protecting Intellectual Property Rights**

In order to observe and protect intellectual property rights:

- (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
- (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.

As regards the Macau Pass Group, trademarks for the carrying on of its businesses have been registered in Macau, Hong Kong and the PRC, and registrations have been made in respect of certain software copyrights in the PRC.

No target-setting in respect of intellectual property rights protection is considered necessary for the KPI purpose as it refers to practices that are not quantitative.



### Building Social Trust

- **Privacy Protection and Data Security**

The Group has strictly abided by the relevant law and regulations such as The PRC Personal Information Protection Law (中華人民共和國個人信息保護法), Cybersecurity Law (網路安全法) of the PRC, the Personal Data Protection Act (個人資料保護法) of Macau, and the Personal Data (Privacy) Ordinance of Hong Kong, and formulated a series of strict user data security management policies (AGTech Data Security Management Code) and measures, covering the collection, storage, processing, cross-border transmission and disclosure processes. In addition, all employees are required to participate in a data security test when joining the Company, and the Company provides promotion and training on data security for employees from time to time.

The Group's customer privacy protection work follows its Data Security Code and the ancillary system, and provides detailed and operable regulations on user privacy protection from the perspective of organization, process and tools. The Group has established relevant management regulations for data acquisition and transmission, secure storage, encryption protection, authorized access and use/destroy to enhance data security management and encryption protection. We require prior authorization from users to access their private information and adhere to the minimum available scope. We strictly limit the access of internal staff to users' private information. We also adopt classification and hierarchy management for customer information, set up systematic permission management for personnel accessing private information, and keep database logs for the operation of private information, as well as organize regular training on data security and confidentiality to prevent the risk of data leakage, loss or tampering from information, personnel and process. In addition, the Group strictly follows the principle of "minimum scope necessary" in disclosing necessary customer information, and each disclosure of customer information to third parties is subject to prior written disclosure review, and the disclosure is limited to third parties authorized by the customer to strictly protect customer data and privacy.

No target-setting in this regard is considered necessary for the KPI purpose as this refers to consumer/customer data protection and privacy policies which are not quantitative.

- **Fighting Against Illegal and Unethical Transactions (AML/CFT Measures)**

The Group strictly follows the “Regulations on Anti-Money Laundering and Combating the Financing of Terrorism” issued by AMCM, and formulated a series of internal control policies and practical measures such as “Macau Pass Manual for Anti-Money Laundering and Combating the Financing of Terrorism” (澳門通反清洗黑錢及反恐怖融資手冊), “Macau Pass Continuous Monitoring Measures on Anti-Money Laundering and Combating the Financing of Terrorism” (澳門通反洗錢及反恐怖融資持續監控措施), and “Macau Pass’ Management Rules on Cross-Border Payment Acquiring Services” (澳門通跨境支付收單管理規則). A professional risk control and compliance team has been set up to manage and monitor such matters. In addition, Macau Pass submits the AML/CFT Risk Assessment Report of Macau Pass to the AMCM every year. In 2022, we additionally engaged an external auditor to conduct an independent assessment on the internal control framework of AML/CFT, with a view to continuously enhancing the risk control capability of AML/CFT. Thanks to the continuous and effective management of Macau Pass, the overall AML/CFT risks of Macau Pass are at a low level during the year under review.

No target-setting in respect of AML/CFT measures is considered necessary for the KPI purpose as this refers to measures which are not quantitative.

In order to identify and control unethical and suspicious transactions, Macau Pass has stipulated monitoring policies and procedures for transactions including “Guidelines for monitoring suspicious transactions including cashing out e-vouchers under the Electronic Consumption Benefits Plan, changing the location of the point-of-sale payment terminals previously registered with Macau Pass without its permission and improper use of MPay and the electronic consumption card” (MPay及消費卡電子消費優惠套現、移機及不當使用可疑交易監控指引) and “Risk Management Measures for the Macau Pass E-Commerce Platform” (澳門通電商平台風險管理措施). For identified suspicious transactions, the Risk Control and Compliance Department of Macau Pass will conduct transaction investigation solely or jointly with relevant business departments to create a proper transaction environment.

## REPORTING PRINCIPLES

The following reporting principles have been applied in the preparation of this Environmental, Social and Governance Report:

**(A) Materiality:**

As mentioned in the sections headed “Stakeholder Engagement” and “Strategy and Material Areas of Focus” in this Environmental, Social and Governance Report, the Group has identified five material areas of focus in its ESG 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, provision of reliable products and services, sustainable green and carbon reduction action, support for staff development and trust building) played their important roles in formulating the Group’s ESG policies and business practices which are set out in the section headed “ESG POLICIES AND BUSINESS PRACTICES OF THE GROUP” above.

**(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 December 31, 2020, the Group had also set targets for its annual paper consumption and electricity consumption as detailed in the paragraph headed “Encouraging Low-carbon Behavior among Employees” under the section headed “ESG POLICIES AND BUSINESS PRACTICES OF THE GROUP” above. 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:**

The Group sets certain targets for its annual paper consumption and electricity consumption as detailed in the paragraph headed “Encouraging Low-carbon Behavior among Employees” under the section headed “ESG POLICIES AND BUSINESS PRACTICES OF THE GROUP” above. During the year under review, the Group adopted the same methodology to assess achievement of these environmental key performance indicators as in the previous financial year.

Following completion of the acquisition of the Macau Pass Group in March 2022, the Group has diversified into the electronic payment business in Macau. Accordingly, the Company has upgraded its ESG Strategy for the year under review to incorporate elements of this new electronic payment business and its impact on environmental and social matters facing the Group. The Company has also streamlined the presentation of different aspects of environmental and social matters of the Group in this Environmental, Social and Governance Report for the year under review.

## ASPECTS OF ENVIRONMENTAL AND SOCIAL MATTERS STATED IN THE ESG REPORTING GUIDE THAT ARE NOT APPLICABLE TO THE GROUP

Save as otherwise disclosed in the section headed “ESG POLICIES AND BUSINESS PRACTICES OF THE GROUP” above, the other aspects of environmental and social matters stated in the ESG Reporting Guide that are not applicable to the Group (and hence not covered in the section headed “ESG POLICIES AND BUSINESS PRACTICES OF THE GROUP” above) are summarized in the table below:

Aspect	Reason(s) why this aspect is not applicable to the Group
A1: Emissions and KPI A1.1 - KPI A1.6	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.
A2: Use of resources, KPI A2.4 and KPI A2.5	As we do not run any manufacturing factories, we do not anticipate any material risks of wastage of water or raw materials in our operations.
A4: Climate Change	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.
KPI A2.2 (water consumption)	(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 Mainland China, Macau and Hong Kong, and therefore no data of water consumption can be available for individual tenants including the Group.
KPI A3.1 (significant impacts of activities on the environment and natural resources)	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 or wastage of natural resources concerns.
KPI A4.1 (significant climate-related issues)	The Group does not run any factories but outsources the manufacturing functions to outside suppliers/subcontractors. As the revenue of the Group from lottery hardware and games and entertainment is not correlated directly with lottery sales volume of our customers in the PRC, 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. Furthermore, in relation to the electronic payment and related businesses of the Group in Macau, customers can still make payments via online channels in times of adverse climate change which is expected to be temporary. Accordingly, the Group's revenue in respect of such businesses may not be adversely and materially affected by climate change.)

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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Aspect	Reason(s) why this aspect is not applicable to the Group
KPI B4.2 (measures to eliminate child or forced labour when discovered)	With the Group's policies and measures relating to preventing child and forced labour in place as disclosed in the paragraph headed "Labor-Law Compliant Employment" above, it is unlikely that child and forced labour will occur in the Group.
KPI B6.1 (products sold or shipped subject to recalls for safety and health reasons)	The Group principally provides hardware products and services for the lottery and retail sectors in the PRC, online games and entertainment contents and electronic payment and ancillary services. Accordingly, it is not expected that the Group's products will be subject to recalls for safety and health reasons.
KPI B6.4 (quality assurance process and recall procedures)	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.

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

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## 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 electronic payment services, lottery, mobile games and entertainment and marketing technical services and non-lottery hardware supply markets with a focus on Mainland China and Macau. As a member of the Alibaba Group, the Group is the exclusive lottery platform of Alibaba Group and Ant Group.

AGTech's businesses are broadly divided into four principal categories:

- (i) Lottery:
  - (a) lottery hardware sales;
  - (b) lottery distribution through physical channels and ancillary services;
- (ii) Electronic payment:
  - (a) provision of payment card services and ancillary services;
  - (b) provision of e-wallet services;
  - (c) provision of acquiring services for other payment platforms;
- (iii) Games and entertainment and marketing technical services; and
- (iv) Non-lottery hardware supply (including sales and leasing).

AGTech is an associate member of the World Lottery Association (WLA) and the Asia Pacific Lottery Association (APLA).

## CORPORATE STRATEGY AND OBJECTIVES

AGTech is committed to evolving its business into a comprehensive electronic payment services, 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 physical channel expansion, innovative hardware, marketing services and promotions.

Building on the past experiences of the Group in designing, operating and/or providing online and mobile games and entertainment contents to several online or mobile shopping and payment platforms, the Group will strive to integrate its core competencies into its electronic payment business in Macau, with a view to not only strengthening its presence in Macau, but also broadening its business coverage in complementary sectors including but not limited to e-commerce, entertainment and advertising or marketing technical services and expanding its presence beyond Macau.

The Group will continue to utilize its research and development capabilities in respect of lottery hardware to extend its hardware product offering to non-lottery hardware for the retail sector, with a view to broadening the product spectrum of its hardware business. At the same time, the Group will also integrate and optimize its technical capabilities in the POS (point of sales) payment terminals market and provide better services for merchants in Macau.

Looking forward, AGTech will continue to pursue overseas opportunities and globalize our business through offering its proprietary systems and platforms, as well as operational and technical expertise, in addition to seeking strategic partnership with local partners in Asia.

## INDUSTRY OVERVIEW

### **The Macau Electronic Payment Market**

According to the Statistics and Census Service of the Government of Macau (the DSEC), a total of approximately 5.7 million tourists visited Macau in 2022, representing a decrease of approximately 26.0% over 2021, of which approximately 5.1 million tourists were from Mainland China, representing a decrease of approximately 27.5% over 2021. Such decreases were mainly due to the outbreak of the COVID-19 pandemic in Mainland China throughout March to May 2022 and towards the year end in 2022, in addition to Macau's outbreak in late June 2022 which subsequently led to a temporary shutdown of all non-essential businesses in July 2022. In 2023, Macau is gradually recovering from the COVID-19 pandemic and reopening to the world. With most travel restrictions recently lifted and the resumption of electronic visa application for Mainland China tourists to visit Macau, an increase in incoming visitors will be an important driver for Macau's economic recovery.

Electronic payments are defined as non-cash transactions processed through digital channels. The electronic payment market in Macau is growing rapidly with the increase in the number of mobile payment transactions in recent years. According to the statistics of the AMCM\*, the number of mobile payment transactions in Macau increased from approximately 193 million in 2021 to approximately 266 million in 2022, representing a year-over-year increase of approximately 37.8%. In addition, the total transaction value rose from approximately MOP18.52 billion in 2021 to approximately MOP25.86 billion in 2022, representing a year-over-year increase of approximately 39.6%.

It is worth noting that, despite the outbreak of the COVID-19 pandemic in both Mainland China and Macau at different times during 2022 which led to a decrease in the number of visitors to Macau, there was still a significant growth in the mobile payment market in Macau in 2022, which was attributable to the support for electronic payment by the government of Macau in the following ways:

- (i) the government of Macau facilitated the promotion of electronic payment by launching the "Simple Pay" service in 2021, which is an integrated payment system that allows merchants to accept various types of electronic payment methods in Macau by a single payment terminal or a QR code. Over 90% of merchants in Macau have upgraded to the Simple Pay system since launch; and
- (ii) in order to stimulate domestic demand and ease financial pressure faced by local residents and businesses, the government of Macau has launched the third round of "Electronic Consumption Benefits Plan" which ran from June 1, 2022 to February 28, 2023, entitling each qualified Macau resident to receive a start-up fund of MOP5,000 and a discount grant of MOP3,000 through one of the eight locally-registered mobile payment platforms (including MPay) or the electronic consumption card. The government of Macau has further announced an additional living subsidy start-up fund of MOP8,000, which will run from October 28, 2022 to June 30, 2023.

The government's support for electronic payment has contributed to the digital transformation of Macau and the development of Macau's electronic payment market.

*\*Source: AMCM*

### **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 2022 amounted to approximately RMB424.6 billion, representing an increase of approximately 13.8% over 2021. Of this, Welfare Lottery amounted to approximately RMB148.1 billion, representing an increase of approximately 4.1% compared to 2021. Sports Lottery achieved sales of approximately RMB276.5 billion, representing an increase of approximately 19.7% compared to 2021.

*\*Source: Ministry of Finance of the PRC*

### **Games and Entertainment and Marketing Technical Services**

China's digital adaption in the consumer sector, especially in the e-commerce space, has seen significant and continued growth in recent years. With the emergence of innovative marketing channels and platforms, digital technology and products are expected to further integrate with consumers.

According to the latest statistical report on China's internet development released by the China Internet Network Information Center ("**CNNIC**")\*, there were over 1.06 billion internet users in China as of December 2022, with internet penetration rate reaching 75.6% of the population. In the third quarter of 2022, banks processed 27.0 billion online payments worth RMB660 trillion, increased 0.77% and 12.47% year-on-year respectively. Mobile payment services amounted to 43.5 billion transactions, increased 11.56% year-on-year, worth RMB125 trillion, decreased 1.36% year-on-year.

Integrated digital infrastructure has enabled cashless transactions and shopping platforms to become a unique customer experience, and this acceleration has created opportunities in the digital marketing space.

*\*Source: CNNIC: "The 51th Statistical Report on China's Internet Development (March 2023)"*



## **BUSINESS REVIEW**

### **Hardware**

#### ***The development, sale and maintenance of lottery 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 year under review, the Group won multiple lottery hardware tenders to supply lottery terminals to the Sports Lottery Administration Centres in Guangxi Zhuang Autonomous Region, Yunnan province, Sichuan province, Jiangsu province, Hainan province, Hubei province, Inner Mongolia Autonomous Region, Guangdong province and Fujian province of the PRC. The Group will continue to pursue tenders to supply to the lottery and other hardware markets.

### **Lottery Distribution and Ancillary Services**

#### ***Expansion of physical channels and lottery distribution***

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 2022, the Group generated revenue from the distribution of lottery through retail sales outlets, representing an increase of approximately 58% over the corresponding period in 2021. Such increase was mainly attributable to the increase in average lottery sales volume per sales outlet as a result of the Group's continuous efforts in expanding its network of collaborating retail sales outlets for lottery distribution with an increase of approximately 23% in the number of such outlets over the corresponding period in 2021.

#### ***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 online users in China an easy access to information and resources that address various lottery needs.

The content on the lottery resources channel includes 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 event information and paid contents, the Group has been expanding its offerings of tools and products according to market demands and users' needs. Personalized suggestions of sports events information were provided based on users' demands and habits, thus a surge of number of active users was recorded.

During the Qatar World Cup held throughout November and December of 2022, daily active users increased by approximately 140% as compared to the previous major event the UEFA Euro in 2020. Through this channel, the Group hopes to build on its online presence and maximize the value of its 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.

### **Electronic Payment**

An indirect wholly-owned subsidiary of the Company, Macau Pass, is a leading payment service provider in Macau and is an "other credit institution" licensed under AMCM. It is principally engaged in payment card and ancillary services, e-wallet services and acquiring services.

#### ***Payment card services and ancillary services***

The "Macau Pass Card" (the "MP Card(s)") is the most common contactless smart card for payments in Macau. There are currently more than 4.5 million cumulative MP Cards in issuance. The MP Card can be used for bus fare payments, payments for other public transports, car parks, government services, retail consumption, food and beverage services. Starting from May 24, 2022, passengers of the Macau's Light Rail Transit can also use their MP Cards for fare payment. The MP Card can also be customized to include functions such as door access card, staff badge or membership card. Macau Pass receives commission income from merchants for processing transactions with payments made via MP Cards, and also generates revenue from ancillary card services such as sales and management of MP Cards.

In order to stimulate domestic demand and ease financial pressure faced by local residents and businesses, the government of Macau has launched a third round of "Electronic Consumption Benefits Plan" which ran from June 1, 2022 to February 28, 2023, entitling each qualified Macau resident to receive a start-up fund of MOP5,000 and a discount grant of MOP3,000 through one of the eight locally-registered mobile payment platforms (including MPay) or the electronic consumption card. The government of Macau has further announced an additional living subsidy start-up fund of MOP8,000, which will run from October 28, 2022 to June 30, 2023.

Macau Pass continues to support and promote the latest round of economic aid through its three customer service centers by providing assistance to services such as registration and activation. An increase of approximately 25% on active card usage was observed during the month of launch of the third round of "Electronic Consumption Benefits Plan".

### ***E-wallet services***

The Group provides e-wallet services via a mobile app called "MPay", which supports online and offline payments covering different payment scenarios such as person-to-person transfer, telecommunication and utility bill payment, online ticketing, payment of car parking fees and payment of bus fares using QR code. Through co-operation with designated banking partners, MPay is also allowed by the People's Bank of China for offline cross-border use in the PRC. The Group receives commission income (based on a percentage of the transaction value) from merchants for processing transactions with payments made via MPay.

In November 2022, MPay cooperated with Alipay+ (a suite of global cross-border digital payment and marketing solutions launched by Ant Group) and has officially become a payment partner of Taobao (Macao, China) to provide electronic payment services to its users. Residents in Macau and other registered users who are not Mainland Chinese residents can now use MPay to make payments in Macau patacas directly when shopping online with Taobao (Macao). MPay has also launched a new wallet function, namely "Group Red Packets" during December 2022 to allow a personalized feature for sending red packets for the Chinese New Year.

As one of the leading mobile payment e-wallets in Macau, MPay will continue to explore on strategic cooperation with Alibaba Group and Ant Group to further develop and create more diverse business scenarios within the e-commerce and digital media and entertainment landscape, in addition to exploring commercialization opportunities within the Macau electronic payment ecosystem. Registered users of MPay account for over 90% of local residents.

### ***Acquiring services***

The Group supplies integrated payment terminals and provides acquiring services to merchants which enable merchants to accept different payment methods of other payment service providers, including but not limited to the "Alipay" e-wallet, the "AlipayHK" e-wallet and Ant Bank's "Alipay (Macao)" e-wallet operated by the Alipay Entities and/or their affiliate(s), WeChat Pay and other e-wallets launched by certain other banks in Macau (collectively, the "**Other Payment Service Providers**"). The Group receives commission income (based on a percentage of the transaction value) from merchants for processing payment of the transactions and pays a portion of such commission (based on a percentage lower than the commission rate of the transaction value) as service fees to the Other Payment Service Providers.

### **Games and Entertainment and Marketing Technical Services**

#### ***Online non-lottery games, entertainment content, and marketing technical services***

The Group is dedicated to evolving its business into a comprehensive mobile games, entertainment content and marketing technical services 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. The Group has launched a series of initiatives and events throughout the year, such as providing online ticketing payment services to the finale of "Street Dance of China Season 5", which was held in Macau on October 29, 2022. Providing marketing services and convenient payment experience will be beneficial for the Group to participate in the cultural and entertainment market.

The Group continues to assist merchants to attract customers, enhance brand exposure and increase online transactions. In response to the latest round of economic stimulus by the government of Macau and as one of the eight locally-registered mobile payment platforms, MPay has launched a series of electronic consumption promotions via the use of its e-wallet services, where users can get random discounts or payment rebates, as well as win prizes and earn loyalty points, mCoins, for redemption of merchant coupons and other exclusive offers on its platform.

### **Non-lottery Hardware Supply**

In addition to lottery hardware supplies, expansion to other consumer sectors has been 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.

### **Sale and Leasing of Payment Terminals and Equipment**

The Group also sells and leases card reader and scanner payment terminals, multi-functional payment terminals and payment equipment for vending machines to buses and/or merchants which accept the MP Cards, MPay or use the Group's acquiring services.

## **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**”), developed and operated its mobile games and entertainment platform, namely “Paytm First Games”, in India. 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, poker, fantasy sports games, and other card games.

The business has continued to grow, with revenue in 2022 increasing by approximately 40% as compared to 2021. 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.

#### **(ii) Ant Bank in Macau:**

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. 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 CEO of the Company, Mr. Sun Ho, and the non-executive Director, Mr. Ji Gang, are also directors of the Ant Bank.

In September 2019, Ant Bank officially launched the Alipay (Macao) e-wallet payment service in Macau. In addition to its e-wallet payment service, 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, 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

As a leading payment service provider in Macau, the Group strives to contribute to the local fintech development and smart city transformation for Macau and the Greater Bay Area through offering its contactless smart card, e-wallet and multipurpose e-payment system. The Group is committed to enabling consumers and small businesses with access to technology and sustainable payment experiences. Through enhancing infrastructure and platform, it is the Group's aim to support the digital transformation of financial services in the Greater Bay Area and beyond.

Macau Pass will continue to work closely with the government of Macau and provide assistance to merchants and residents via any future round of "Electronic Consumption Benefits Plan" or other relief measures to SMEs promulgated by the government of Macau from time to time in order to ease the impact of the COVID-19 pandemic on the local economy. With most travel restrictions lifted and the resumption of electronic visa application for Mainland China tourists to visit Macau, an increase in incoming visitors will be an important driver for Macau's economic recovery. The Group will also explore on strategic cooperation with Alibaba Group to further develop and create more diverse business scenarios within the e-commerce and digital media and entertainment landscape, in addition to exploring commercialization opportunities within the Macau electronic payment ecosystem and cultural and entertainment market.

The Group will continue to build on its market presence in the Chinese lottery industry. As the exclusive lottery business platform of Alibaba Group and Ant Group, the Group strives to further align and benefit from synergies created through cooperation with Alibaba Group and Ant Group.

The Group's 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 its lottery initiatives. Transformation towards digitalization will continue, as its lottery solutions will enhance synergy and create value to all segments of the lottery industry chain. The Group will continue to explore lower-tier markets with its platform which 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, the Group will continue to closely monitor policy developments.

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

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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. With the addition of a wider variety of sports events and interactive entertainment to its lottery resources channel, the Group will continue to customize features to improve on user experience and engagement after a successful World Cup campaign. The Group will continue to leverage and explore opportunities for collaboration with Alibaba Group's retail ecosystem to enhance on lottery distribution models, and make efforts to provide high-quality payment channels for offline lottery channels to help improve the service capacity of lottery institutions. The Group believes 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 supplied for the retail market share similar technology and components that underlie the lottery hardware products supplied by the Group throughout the years. The Group believes its hardware division continues to be well positioned to take advantage of such opportunities should they arise. The Group will continue to integrate and optimize its technical capabilities in the POS (point of sales) payment terminals market and provide better services for merchants in Macau.

The Group will continue to prioritize its strategic projects, namely its joint venture investment, Paytm First Games, as well as its indirect investment, the Ant Bank. The Group will continue to dedicate its commitment and support to grow its business to further capitalize on diversification opportunities.

Lastly, the Group's continuing investment to enhance its technology infrastructure and develop its in-house capabilities continues to be a demonstration of its 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\$351.4 million (2021: approximately HK\$253.2 million), representing an increase of approximately 38.8% over 2021. For the year under review, revenue contributions were mainly derived from lottery and related business (including lottery hardware sales, provision of lottery distribution and ancillary services in Mainland China) of approximately HK\$171.2 million (2021: approximately HK\$253.2 million) and provision of electronic payment services in Macau of approximately HK\$180.2 million (2021: Nil).

For revenue derived from lottery and related businesses, the decrease by approximately HK\$82.0 million to approximately HK\$171.2 million for the year under review was mainly due to a combination of factors: (i) the increases in revenue from the provision of lottery distribution and ancillary services by approximately HK\$20.5 million as a result of the Group's continuous effort in expanding its network of collaboration with retail sales outlets for lottery distribution; (ii) the decrease in revenue from the sales of lottery hardware by approximately HK\$66.1 million mainly due to the decrease in Sports Lottery's tenders for android terminal in 2022 and the delay in lottery hardware tender and delivery as a result of the outbreak of the COVID-19 pandemic in Mainland China towards the year end in 2022, (iii) the decrease in sales of non-lottery hardware by approximately HK\$18.3 million as a result of completion of a non-lottery hardware supply project in 2021 which was not recurring in 2022; and (iv) the decrease in revenue from the games and entertainment and marketing technical services business by approximately HK\$19.7 million, primarily due to the decrease in revenue from the provision of online game contents by the Group to the JV as the JV successfully established its own research and development center in Beijing, the PRC and the Group no longer provides the JV with the technical and operational support for its fantasy sports games. As a result of the aforesaid mentioned decrease in sales of lottery hardware, there was a corresponding decrease in purchases of and changes in inventories by approximately HK\$57.1 million to approximately HK\$62.7 million for the year (2021: approximately HK\$119.8 million).

Revenue from the electronic payment and related businesses of the newly acquired wholly-owned subsidiary of the Company in Macau, Macau Pass, of approximately HK\$176.7 million was consolidated into the Group's results with effect from March 24, 2022. As a result of the outbreak of the COVID-19 pandemic in Macau and Mainland China with tightened travel restriction in the second half of 2022, and Macau's ongoing government policy to request financial institutions including Macau Pass to exempt the transaction acquiring fee charged to small and medium enterprises until the end of February 2023 in order to continuously support those enterprises, the Group's profitability of electronic payment business was seriously affected during the year. In response to AMCM's guidance, Macau Pass had rebated the transaction handling fees charged to small and medium enterprises of approximately HK\$38.8 million since March 24, 2022.



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

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There was an increase in other operating expenses of the Group by approximately HK\$120.9 million to approximately HK\$212.1 million for the year (2021: approximately HK\$91.2 million), mainly due to the inclusion of other operating expenses of the Macau Pass Group, such as service fees paid to other payment service providers of approximately HK\$62.5 million and marketing expenses of approximately HK\$45.8 million including costs of the promotion campaigns relating to the 2022 Electronic Consumption Benefits Plan in Macau and costs incurred for e-wallet services' customer loyalty programme.

Employee benefits expenses increased by approximately 9.4% to approximately HK\$127.8 million (2021: approximately HK\$116.8 million) for the year despite the inclusion of the Macau Pass Group's employee benefits expenses as the Group implemented workforce restructuring in 2021 for costs control to maintain its competitive position.

Operating loss for the year was approximately HK\$129.7 million (2021: approximately HK\$65.8 million). Such increase in operating loss was mainly due to a combination of factors: (i) the increase in total revenue (offset by the related costs and expenses) of the Group as mentioned above; (ii) the change from a foreign exchange gain of approximately HK\$21.9 million for the year ended December 31, 2021 to a foreign exchange loss of approximately HK\$23.1 million for the year under review as a result of the depreciation of Renminbi against Hong Kong dollars during the year; and (iii) the increase in the depreciation and amortization expenses by approximately HK\$46.0 million to approximately HK\$66.6 million for the year (2021: approximately HK\$20.6 million), mainly due to the consolidation of the depreciation and amortization expenses of the Macau Pass Group into the financial statements of the Group and amortization expenses on the fair value of identifiable intangible assets, i.e. brand name, customer and business relationships arising from the acquisition of the Macau Pass Group.

The loss for the year was approximately HK\$131.1 million (2021: approximately HK\$63.1 million), representing an increase of approximately 107.9% over 2021 which was primarily due to the above-mentioned increase in operating loss. In addition, there were a fair value loss on the convertible term loan facilities provided by the Group to its 45%-owned joint venture company in India, Paytm First Games Private Limited, of approximately HK\$39.9 million for the year (2021: loss of approximately HK\$18.6 million), mainly due to an increase in market interest rates during the year, and an increase in net finance income by approximately HK\$27.3 million to approximately HK\$44.4 million (2021: approximately HK\$17.1 million) mainly due to the consolidation of net finance income of the Macau Pass Group into the financial statements of the Group.

### **Impacts of the COVID-19 pandemic on the Group**

As a result of the COVID-19 outbreak in 2022 in the PRC, there were decrease and delays in lottery hardware tenders and delivery which led to a drop in the Group's lottery hardware revenue by approximately 39.3% for the year ended December 31, 2022.

Nevertheless, the Group continued to maintain a healthy financial position as at December 31, 2022. Net cash (defined as total cash and cash equivalents less total debts, which include trade payables, accruals and other payables (excluding current portion of provision for warranty of HK\$9,241,000), contract liabilities, floats balance due to card or account holders, card deposits due to cardholders, deferred consideration payable and lease liabilities) as at December 31, 2022 amounted to approximately HK\$336.6 million. The Group did not have any bank borrowings, and liquidity ratio (defined as current assets divided by current liabilities) of the Group as at December 31, 2022 stood at approximately 1.2, which continuously reflected the adequacy of financial resources of the Group.

In view of the fact that the net proceeds from the Subscription remained to be used by the Group amounted to only approximately HK\$88.8 million as at September 30, 2022 and the net proceeds previously allocated to "Hardware, Lottery Games & Systems", "Investment project(s) and acquisition(s)" and "General corporate purposes" have been utilized in full, the Company considered that it would be more effective in terms of fund management to reallocate all the remaining net proceeds from the Subscription in "Games and Entertainment" to just "General corporate purposes". In addition, as the Group has been prudent in its spending and business expansion under the persistent COVID-19 pandemic situation and implemented restructuring since 2021 for costs control to maintain its competitive position, the usage of the net proceeds has been kept at a slower pace than expected. Accordingly, the Company considered it necessary to further postpone the deadline of usage of all the remaining net proceeds from the Subscription from December 31, 2022 to December 31, 2023.

### **Liquidity and financial resources**

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and meet its short-term and long-term funding requirements. The total assets and net current assets of the Group as at December 31, 2022 were approximately HK\$6,422.1 million and approximately HK\$715.2 million respectively (2021: approximately HK\$3,081.7 million and approximately HK\$1,625.8 million respectively). Current liabilities of the Group as at December 31, 2022 were approximately HK\$3,631.2 million (2021: approximately HK\$145.1 million). As at December 31, 2022, the Group had no available banking facilities. There were no bank borrowings of the Group as at December 31, 2022 (2021: Nil). The liquidity ratio (defined as current assets divided by current liabilities) of the Group as at December 31, 2022 was approximately 1.2 (2021: 12.2) which continuously reflected adequacy of financial resources of the Group. All credit institutions incorporated in Macau shall observe a capital adequacy ratio as stipulated by the notice issued by AMCM. Apart from that, the Group is not subject to any externally imposed capital requirements.

### **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 December 31, 2022, there were no bank borrowings of the Group (2021: Nil). The gearing ratio (defined as bank borrowings divided by equity) of the Group as at December 31, 2022 was therefore not applicable (2021: Not applicable).

As at December 31, 2022, cash and cash equivalents carried effective interest (per annum) ranging from 0.001% to 3.98% respectively (2021: cash and cash equivalents and fixed deposits held at bank with original maturity over three months carried effective interest (per annum) ranging from 0.001% to 3.6% and 0.49% respectively).

As at December 31, 2022, majority of the Group's bank deposits were denominated in US\$, MOP, HK\$ and RMB. RMB-denominated bank deposits were primarily held by the entities of which functional currency is RMB. MOP-denominated bank deposits were primarily held by the entities of which functional currency is MOP. Since MOP is pegged to HK\$ and HK\$ is pegged to US\$, there is no significant foreign exchange risk in respect to US\$ and MOP during the year under review. As at December 31, 2022, the Group's entity with functional currency of Hong Kong dollar had net monetary assets denominated in INR of approximately HK\$78.9 million (as at December 31, 2021: approximately HK\$84.7 million) which the related foreign exchange risk has not been hedged. Substantially all of its revenue-generating operations, monetary assets and liabilities of the Group are conducted or transacted in functional currencies. The Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during the year under review. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### **Contingent liabilities and capital commitment**

As at December 31, 2022, 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**

Save for the completion of acquisition of the Macau Pass Group on March 24, 2022 as announced by the Company on the same date, 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 December 31, 2022, the Group had 333 (2021: 131) employees in Mainland China, Macau and Hong Kong. Total staff costs (excluding Directors' emoluments) for the year ended December 31, 2022 amounted to approximately HK\$119.6 million (2021: approximately HK\$108.2 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 (including on-the-job training, in-house and external training seminars).

### **Charges on Group's assets**

As at December 31, 2022, bank deposits of approximately HK\$2.1 million (as at December 31, 2021: approximately HK\$Nil) were held in designated bank accounts to secure letters of guarantee granted to the Group.

As at December 31, 2022, a sum of approximately HK\$6.5 million (as at December 31, 2021: approximately HK\$11.6 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.

In addition, as at December 31, 2022, a restricted bank deposit was held for performance guarantees provided by a Macau bank in favor of the Macau government for service projects of Macau Pass to the extent of approximately HK\$19,000. The bank guarantees are secured by the restricted bank deposit provided by the Group amounting to approximately HK\$19,000.

Save as disclosed above, as at December 31, 2022, there was no charge on the assets of the Group.

### **Future plans for material investments and acquisition of capital assets**

As at December 31, 2022, 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\$33.1 million as at December 31, 2022 (as at December 31, 2021: approximately HK\$22.4 million). Inventory turnover period increased from 69 days in 2021 to 162 days in 2022 mainly due to the increase of finished goods as at December 31, 2022 to meet the demand for the committed orders for the upcoming first half of 2023 as a result of the postponed delivery of lottery hardware products caused by the outbreak of the COVID-19 pandemic towards the year end in 2022.

Trade receivables of the Group amounted to approximately HK\$26.6 million as at December 31, 2022 (as at December 31, 2021: approximately HK\$12.4 million). Debtor turnover period increased slightly from 17 days in 2021 to 20 days in 2022.

Goodwill of the Group increased to approximately HK\$1,489.1 million as at December 31, 2022 (as at December 31, 2021: approximately HK\$1,134.5 million), primarily due to the recognition of goodwill arising from the acquisition of the Macau Pass Group in March 2022 of approximately HK\$418.3 million and partially offset by the currency translation difference of approximately HK\$63.7 million.

Other intangible assets of the Group amounted to approximately HK\$348.2 million (as at December 31, 2021: approximately HK\$1.7 million). The increase in balance is mainly due to the recognition of identifiable intangible assets, i.e. brand name, customer and business relationships of approximately HK\$347.1 million arising from the acquisition of the Macau Pass Group in March 2022.

Financial assets at fair value through profit or loss in the sum of approximately HK\$78.9 million as at December 31, 2022 (as at December 31, 2021: approximately HK\$84.7 million) represents the convertible term loan facilities in the maximum amount of INR1,319.4 million (or approximately HK\$137.3 million) (as at December 31, 2021: approximately HK\$103.3 million) which had been provided by the Group to and fully utilized by the JV. A fair value loss of such financial assets of approximately HK\$39.9 million was recognized in 2022 (2021: approximately HK\$18.6 million). For details, please refer to Note 31 to the consolidated financial statements contained in this annual report.

The Group entered into an engagement with the Macau government as one of the registered payment platforms for the Electronic Consumption Benefits Plan (the "ECBP"). Floats balance due to card or account holders represents the balances of prepayment and the start-up fund under ECBP from MP Card or account holders, and card deposits due to cardholders represent the deposits from MP Card holders. Such balances were consolidated into the financial statements of the Group following completion of the acquisition of the Macau Pass Group in March 2022 (2021: Nil).

Deferred consideration payable in relation to the acquisition of the Macau Pass Group amounted to approximately HK\$74.3 million as at December 31, 2022 (as at December 31, 2021: HK\$Nil). During the year under review, an imputed interest expense on deferred consideration of approximately HK\$4.1 million was recorded for the outstanding deferred consideration payable which represented the unwinding of discount on the liability.

The current portion of accruals and other payables increased from approximately HK\$95.5 million as at December 31, 2021 to approximately HK\$1,718.7 million as at December 31, 2022, primarily due to the consolidation of accruals and other payables of the Macau Pass Group into the financial statements of the Group. In particular, the balance includes the outstanding living subsidy and outstanding third round of funds under the 2022 Electronic Consumption Benefits Plan in Macau to be distributed to the registered card/MPay users of approximately HK\$1,355.9 million.

The current portion of other receivables, deposits and prepayments increased from approximately HK\$98.0 million as at December 31, 2021 to approximately HK\$263.1 million as at December 31, 2022, primarily due to the consolidation of the other receivables, deposits and prepayments of the Macau Pass Group into the financial statements of the Group.

### **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 are set out in the Directors' Report on pages 191 to 201 of this annual report.

### **Significant event after the reporting period**

As of the date hereof, there was no significant event affecting the Group after December 31, 2022.

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS - 2023 TECHNOLOGY SERVICES FRAMEWORK AGREEMENT**

On December 29, 2022, Beijing AGTech, being a wholly-owned subsidiary of the Company, entered into a technology services framework agreement (the "**2023 Technology Services Framework Agreement**") with Alibaba Cloud, pursuant to which Beijing AGTech will and will procure the Group to, where applicable, enter into specific agreements with Alibaba Cloud and its subsidiaries and/or affiliates 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 and its subsidiaries and/or affiliates to the Group for a term from January 1, 2023 to December 31, 2024.

Prior to entering into the 2023 Technology Services Framework Agreement, the Group had purchased technology services and resources of the same nature as the aforesaid ones from Alibaba Cloud and its subsidiaries and/or affiliates pursuant to a framework agreement dated December 20, 2019 entered into between Beijing AGTech and Alibaba Cloud (the "**2020 Technology Services Framework Agreement**") which expired on December 31, 2022. The Group renewed the procurement of the aforesaid technology services and resources from Alibaba Cloud and its subsidiaries and/or affiliates by way of the 2023 Technology Services Framework Agreement, reflecting the Group's strategy of utilising a range of technology services and resources to enhance its product and service offerings so as to improve the user experiences of its customers.

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

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The Company expects that the maximum aggregate fees payable to Alibaba Cloud and its subsidiaries and/or affiliates by the Group under the 2023 Technology Services Framework Agreement will not be more than HK\$4,200,000 for the year ending December 31, 2023 and HK\$6,500,000 for the year ending December 31, 2024. These annual caps have been primarily estimated with reference to: (i) the historical amounts of the aggregate fees paid to Alibaba Cloud and its subsidiaries and/or affiliates by the Group under the 2020 Technology Services Framework Agreement for the year ended December 31, 2020, the year ended December 31, 2021 and the eleven-month period ended November 30, 2022, being approximately HK\$3,160,000, HK\$2,150,000 and HK\$1,508,000, respectively; (ii) the Group's expected demand and rate of usage for the above-mentioned technology services and resources during the term of the 2023 Technology Services Framework Agreement; (iii) the applicable rates of services currently published by Alibaba Cloud on its official website(s); and (iv) the discount rates historically offered by Alibaba Cloud and its subsidiaries and/or affiliates to third parties. It is expected that, as a result of the Group's business growth and launch of new initiatives in the coming financial years (especially due to the Group's newly acquired electronic payment business in Macau), the demand for the aforesaid technology services and resources will increase and will lead to an increase in the annual caps as compared to the historical amounts.

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 2023 Technology Services Framework Agreement thus constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As one or more applicable percentage ratios with respect to the highest annual cap of fees payable to Alibaba Cloud and its subsidiaries and/or affiliates by the Group under the 2023 Technology Services Framework Agreement are more than 0.1% but all of them are less than 5%, the transactions contemplated under the 2023 Technology Services Framework Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Further details of the renewal of the continuing connected transactions under the 2023 Technology Services Framework Agreement are set out in the announcement of the Company dated December 29, 2022.

## 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” on pages 131 to 134 of the annual report of the Company for the year ended December 31, 2021, Net Proceeds in the sum of approximately HK\$222.2 million remained as at December 31, 2021.

During the year ended December 31, 2022, approximately HK\$181.3 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\$40.9 million remained as at December 31, 2022, which were placed in the bank accounts of the Group.

In view of the fact that the Net Proceeds remained to be used by the Group amounted to only approximately HK\$88.8 million as at September 30, 2022 and the Net Proceeds previously allocated to the categories (ii), (iv) and (v) in the table below have been utilized in full, the Company considered that it would be more effective in terms of fund management to reallocate all the remaining Net Proceeds in category (i) to just category (v) for general corporate purposes (the “**2022 Re-allocations**”), rather than further breaking them down into all five categories as shown in the table below. In addition, as the Group has been prudent in its spending and business expansion under the persistent COVID-19 pandemic situation and implemented restructuring since 2021 for costs control to maintain its competitive position, the usage of the Net Proceeds has been kept at a slower pace than expected. Accordingly, the Company considered it necessary to further postpone the deadline of usage of all the remaining Net Proceeds from December 31, 2022 to December 31, 2023.



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

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, 2021	Amount of Net Proceeds actually used during the year ended December 31, 2022	Amount of Net Proceeds reallocated in/(out) under the 2022 Re-allocations	Amount of Net Proceeds remained to be used as at December 31, 2022	Actual application of Net Proceeds during the year ended December 31, 2022 (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
<b>(i) Games and Entertainment:</b>	<b>approximately HK\$52.7 million</b>	<b>approximately HK\$5.0 million</b>	<b>(approximately HK\$47.7 million)</b> <i>(Note 1)</i>	<b>Nil</b>	The Net Proceeds were used in item (i)(c).
(a) development, operation and promotion of the Chinese card game, GuanDan, and Two-on-One Poker	(or approximately 23.7% of total remaining as at December 31, 2021)				No material difference from intended usage noted following the 2020 Re-allocations and 2022 Re-allocations.
(b) development, operation and promotion of the mind sports, leisure games and entertainment					
(c) research and development ("R&D") of games and entertainment content that are not subject to the applicable lottery laws and regulations in the PRC or other overseas markets					
(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					

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

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, 2021	Amount of Net Proceeds actually used during the year ended December 31, 2022	Amount of Net Proceeds reallocated in/(out) under the 2022 Re-allocations	Amount of Net Proceeds remained to be used as at December 31, 2022	Actual application of Net Proceeds during the year ended December 31, 2022 (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\$9.4 million</b>	<b>approximately HK\$9.4 million</b>	<b>Nil</b>	<b>Nil</b>	The Net Proceeds were used in items (ii)(a), (ii)(b) and (ii)(e).  No material difference from intended usage noted following the 2020 Re-allocations and 2022 Re-allocations.
(a) operation and development of lottery hardware and terminal production	(or approximately 4.2% of total remaining as at December 31, 2021)				
(b) operation and development of lottery software systems					
(c) development of ancillary parts for lottery hardware and terminal production					
(d) investment for lottery games					
(e) sourcing, manufacturing, operation and development of smart hardware and ancillary equipment and provision of related after-sales maintenance services					

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

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, 2021	Amount of Net Proceeds actually used during the year ended December 31, 2022	Amount of Net Proceeds reallocated in/(out) under the 2022 Re-allocations	Amount of Net Proceeds remained to be used as at December 31, 2022	Actual application of Net Proceeds during the year ended December 31, 2022 (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\$95.1 million</b>	<b>approximately HK\$73.4 million</b>	<b>Nil</b>	<b>approximately HK\$21.7 million</b>	The Net Proceeds were used in item (iii)(c).
(a) sales, marketing and distribution of virtual lottery games	(or approximately 42.8% of total remaining as at December 31, 2021)				No material difference from intended usage noted following the 2020 Re-allocations and 2022 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, 2023.
(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)					

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

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, 2021	Amount of Net Proceeds actually used during the year ended December 31, 2022	Amount of Net Proceeds reallocated in/(out) under the 2022 Re-allocations	Amount of Net Proceeds remained to be used as at December 31, 2022	Actual application of Net Proceeds during the year ended December 31, 2022 (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
<p>(iv) <b>Investment project(s) and acquisition(s):</b></p> <p>(a) potential investment project(s) in overseas markets in areas of lottery business and games and entertainment business</p> <p>(b) potential acquisition(s) of businesses engaged in lottery business and games and entertainment business</p> <p>(c) capital investments in the Group's joint venture company established with One97 Communications Limited in India</p> <p>(d) funding provided by the Group to support business expansion and ongoing operation in overseas markets</p>	<p>approximately <b>HK\$0.9 million</b> (or approximately 0.4% of total remaining as at December 31, 2021)</p>	<p>approximately <b>HK\$0.9 million</b></p>	<p>Nil</p>	<p>Nil</p>	<p>The Net Proceeds were used in item (iv)(d).</p> <p>No material difference from intended usage noted following the 2020 Re-allocations and 2022 Re-allocations.</p>

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

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, 2021	Amount of Net Proceeds actually used during the year ended December 31, 2022	Amount of Net Proceeds reallocated in/(out) under the 2022 Re-allocations	Amount of Net Proceeds remained to be used as at December 31, 2022	Actual application of Net Proceeds during the year ended December 31, 2022 (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(v) <b>General corporate purposes:</b>	<b>approximately HK\$64.1 million</b>	<b>approximately HK\$92.6 million</b>	<b>approximately HK\$47.7 million</b>	<b>approximately HK\$19.2 million</b>	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)	(or approximately 28.9% of total remaining as at December 31, 2021)		(Note 2)		No material difference from intended usage noted following the 2020 Re-allocations and 2022 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, 2023.
<b>Grand total:</b>	<b>approximately HK\$222.2 million</b>	<b>approximately HK\$181.3 million</b>	-	<b>approximately HK\$40.9 million</b>	

### Notes:

- The remaining Net Proceeds of approximately HK\$47.7 million previously allocated to "Games and Entertainment" were re-allocated to "General corporate purposes" pursuant to the 2022 Re-allocations.
- The total amount of Net Proceeds re-allocated to "General corporate purposes" in the sum of approximately HK\$47.7 million represents the Net Proceeds re-allocated from "Games and Entertainment" as stated in Note 1 above.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS

#### **Mr. Sun Ho – Executive Director, Chairman & CEO**

Mr. Sun, aged 54, took over the Company in 2006 and gradually transformed the Group into an integrated technology and services group engaged in mobile payment services, internet technology and services and lottery business. Mr. Sun serves as the Company's executive Director, Chairman and Chief Executive Officer, leading it in overall strategic direction, business development and corporate management. He is also an authorized representative, the compliance officer and the chairman of each of the nomination committee, the corporate governance committee and the risk management and internal control committee of the Company. Mr. Sun is also Chairman and CEO of Macau Pass S.A., a director of Ant Bank (Macao) Limited, and serves as a director of various subsidiaries of the Company. Currently, under his leadership, AGTech's strategy is focused on providing more product and content for the payment system, local life service and tourism of Macau and Greater Bay Area to serve more small and medium businesses and customers. At the same time, the Group is eager to take on more social responsibility and continue contributing to the smart city transformation for Macau and the Greater Bay Area.

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 taking over 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 43, 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 January 30, 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. Liu Zheng – Non-executive Director**

Mr. Liu, aged 44, has been a non-executive Director since December 20, 2021. He has been the chief financial officer of Cainiao Network since February 2016. Mr. Liu served as the Senior Finance Director with Alibaba Group and was responsible for the financial operations of Tmall, Taobao and Alibaba.com from June 2010 to February 2016. Prior to joining Alibaba Group, he held senior positions in corporate finance management in Vimicro, Sky Flying Media and Hurray Holding from January 2005 to May 2010 and worked at PricewaterhouseCoopers' audit division from July 2001 to December 2004. Mr. Liu has been a director of ZTO Express (Cayman) Inc. (New York Stock Exchange: ZTO; SEHK: 2057) since March 2021 and a non-executive director of Alibaba Pictures Group Limited (SEHK: 1060) since October 2021. Mr. Liu received his bachelor's degree in Business English from Beijing Foreign Studies University in July 2001. Mr. Liu is a member of the American Institute of Certified Public Accountants (AICPA) and a Certified Internal Auditor (CIA).

**Mr. Li Jie – Non-executive Director**

Mr. Li, aged 47, has been a non-executive Director since April 28, 2022. He has been an executive director and a member of the executive committee of Alibaba Pictures Group Limited (“**Alibaba Pictures**”) (SEHK stock code: 1060) since June 24, 2020. Mr. Li joined the Alibaba Pictures Group (i.e. Alibaba Pictures and its subsidiaries) on October 1, 2017 and is currently the president of the Alibaba Pictures Group and Tao Piao Piao, responsible for the investment, promotion and distribution of films and the user platform business in Mainland China. He is also a director of certain subsidiaries of Alibaba Pictures. Mr. Li is a vice president of Alibaba Group and the president of Damai.

He has served as a director of Shanghai Tingdong Film Co., Ltd.\* (上海亭東影業有限公司) since January 2019 and a non-independent director of Beijing Enlight Media Co., Ltd.\* (北京光線傳媒股份有限公司) (Shenzhen Stock Exchange stock code: 300251) since November 12, 2019. Mr. Li worked at Youku Tudou Inc. as senior vice president, responsible for strategic partnership, human resources and relevant functions; he joined Alibaba Group in April 2016 upon completion of its acquisition of Youku Tudou Inc. and served as the general manager of its digital entertainment business unit. Mr. Li also held some key management positions at Asialfo Technology Co., Ltd.\* (亞信科技股份有限公司) and Acer Group, serving as vice president and general manager of business department, respectively.

Mr. Li obtained a Bachelor of Engineering from Tianjin University and an EMBA degree from China Europe International Business School.

**Mr. Ji Gang – Non-executive Director**

Mr. Ji, aged 48, has been a non-executive Director since August 10, 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 Hundsun Technologies Inc.\* (恆生電子股份有限公司) (Shanghai Stock Exchange stock code: 600570) since April 2022. He was a director of Phoenix Tree Holdings Limited from January 2019 to June 2020. 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 50, has been a non-executive Director since November 10, 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 joined Ant Group in 2015 and 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.

**Mr. Feng Qing – Independent Non-executive Director**

Mr. Feng, aged 69, was appointed as an independent non-executive Director and a member of each of the audit, remuneration and nomination committees of the Company on May 4, 2015. Mr. Feng 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, aged 64, was appointed as an independent non-executive Director and a member of each of the audit, remuneration and nomination committees of the Company on May 6, 2015.

Dr. Gao has extensive experience in information technology (“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 American depositary shares (“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 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.

**Mr. Chow Siu Lui – Independent Non-executive Director**

Mr. Chow, aged 62, was appointed as an independent non-executive Director, the chairman of each of the audit committee and the remuneration committee, and a member of the nomination committee of the Company on January 24, 2022. Mr. Chow has extensive experience in fund raising and initial public offering activities in Hong Kong as well as accounting and financial fields. Mr. Chow worked in KPMG Hong Kong for about 28 years and was admitted as one of its partners in 1995. He was then mainly responsible for providing advice in group structuring prior to initial public offering and fund raising in local and overseas stock exchanges. He is currently a partner of VMS Investment Group (HK) Limited, who is responsible for private equities investment, including due diligence of all investment projects. Mr. Chow was a previous chairman of the investment strategy task force of the Hong Kong Chartered Governance Institute (“**HKCGI**”) (formerly known as Hong Kong Institute of Chartered Secretaries) and the Mainland Development Strategies Advisory Panel of the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Mr. Chow is currently an independent non-executive director for a number of listed companies, including Genertec Universal Medical Group Company Limited (SEHK: 2666), China Everbright Greentech Limited (SEHK: 1257), Futong Technology Development Holdings Limited (SEHK: 465), China Tobacco International (HK) Company Limited (SEHK: 6055), and Global Cord Blood Corporation (New York Stock Exchange: CO), and a non-executive director of Renrui Human Resources Technology Holdings Limited (SEHK: 6919). He was an independent non-executive director for (i) Sinco Pharmaceuticals Holdings Limited (SEHK: 6833) from February 2016 to November 2018, and (ii) Fullshare Holdings Limited (SEHK: 607) from December 2013 to December 2021 and Shanghai Dazhong Public Utilities (Group) Co., Ltd.\* (SEHK: 1635) from April 2016 to May 2022.

Mr. Chow earned a Professional Diploma in Accountancy from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1983. He became a fellow of the Association of Chartered Certified Accountants in July 1991, The Chartered Governance Institute and HKCGI both in October 2009, and HKICPA in December 1993.

For the information of the Directors’ and chief executive’s emoluments, please refer to Note 38 to the consolidated financial statements contained in this report.

## SENIOR MANAGEMENT (OTHER THAN EXECUTIVE DIRECTORS)

### **Mr. Zhao Hao – Chief Technology Officer**

Mr. Zhao, aged 43, is the Chief Technology Officer (CTO) of the Company and also holds the position of CTO at Macau Pass S.A.. With over 18 years of experience in the financial industry, Mr. Zhao has extensive experience in both 2C and 2B fields. Prior to joining the Group in July 2022, Mr. Zhao worked at Citicorp Software Technology and Services (Shanghai) Limited and EMC Computer Systems (China) Co., Ltd. consecutively and gained experience in R&D and technical consulting.

Afterwards, Mr. Zhao also worked as senior technical expert at Ant Group and concurrently held the position of CTO at Touch'n Go in Malaysia, the leading e-wallet in Malaysia which is also one of Ant Group's main strategic partners in Asia. He also served as the technical director for Ant Group's technical sites in countries including India, Thailand, Pakistan, Vietnam, the Philippines, Indonesia, and Bangladesh, responsible for the technical and product strategic development, team building and empowerment, product and technology framework construction, and leading the multinational teams to design core products and technical solutions, incubating the core business scenarios of e-wallets in these countries from 0 to 1, and successfully led the local partners to become the top players in the local digital ecosystems.

Mr. Zhao has extensive experience in managing the operation of internet software companies, and capable of driving systemized structure and promotion for the achievement of company strategy, system building, technical capabilities and financial goals.

### **Ms. Wang Haiying – Vice President of Human Resources and Administration**

Ms. Wang, aged 49, joined the Group in July 2022. Ms. Wang is the Vice President of Human Resources and Administration of the Company and is responsible for the management of human resources and administration. She obtained her bachelor's degree in computer communication from Nanjing University of Posts and Telecommunications in July 1995, she was certified as a level two psychological consultant in March 2015 and was certified as a nutrition and health consultant by the Chinese Nutrition Society in December 2021.

Ms. Wang joined Alibaba Group in July 2008, and worked in Taobao product management, industry operation, intelligent HR system design, organization development and M&A Companies Governance. Before joining the Group, Ms. Wang was a senior HR expert in merger and acquisition of Alibaba Group.

**Mr. Zhang Yan – Vice President**

Mr. Zhang, aged 39, is a Vice President of the Company, with over 15 years of domestic and international games, lottery and sports industry experience. Mr. Zhang joined the Group in November 2016 and is presently responsible for executing the Group's post-investment projects, 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.

**Ms. Lee Wai Yan Vivian – Legal & Compliance Director and Company Secretary**

Ms. Lee, aged 43, is the Legal & Compliance Director and company secretary of the Company. Ms. Lee has more than 15 years of experience in the legal industry. She joined Alibaba Group as a senior legal counsel in January 2019 and joined the Group in 2022. 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 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

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The Directors present the annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2022.

## 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 41 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 December 31, 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 210.

The Board does not recommend the payment of a final dividend for the year under review (2021: 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 December 31, 2022 are set out in Note 33 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

The Company had no distributable reserves calculated under the laws of Bermuda as at December 31, 2022.

## 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 December 31, 2022 is set out on page 202.

## **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. Liu Zheng

Mr. Li Jie (appointed on April 28, 2022)

Mr. Ji Gang

Mr. Zou Liang

Mr. Yang Guang (resigned on April 28, 2022)

### **Independent non-executive Directors:**

Mr. Feng Qing

Dr. Gao Jack Qunyao

Mr. Chow Siu Lui (appointed on January 24, 2022)

Ms. Monica Maria Nunes (resigned on January 24, 2022)

In accordance with bye-law 84 of the Bye-laws, three Directors (namely, Mr. Ji Gang, 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 (the "2023 AGM").

## 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 August 8, 2022, 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 January 30, 2019 for an initial term of one 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 April 1, 2024 (subject to rotation of directorship according to the bye-laws of the Company) and automatically renewable for successive terms of one year each commencing from the day next after the expiry of the then current term, unless terminated in accordance with the service agreement.

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 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 May 4, 2022 and May 6, 2022 respectively. During the tenures of the aforesaid service agreements for all of these 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. Mr. Chow Siu Lui was appointed as an independent non-executive Director under a service agreement with an initial term of one year commencing from January 24, 2022 and automatically renewable for successive terms of one year each commencing from the day next after the expiry of the then current term unless terminated by either party thereto giving the other party not less than one calendar 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).



## 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 (“CCTs”)

During the year ended December 31, 2022, the Group continued to be 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:

**(a) Payment of service fees by CLM and/or ZCLM to Alibaba China in relation to the sale of sports and/or welfare lottery products in the PRC via the retail shops under the membership network of Lingshoutong**

On December 17, 2021, CLM and ZCLM, each being an indirect wholly-owned subsidiary of the Company, entered into a cooperation agreement (the “**LST Cooperation Agreement**”) with Alibaba China, pursuant to which CLM and/or ZCLM shall cooperate with Alibaba China in relation to the sale of sports and/or welfare lottery products in the PRC via the retail shops (under the membership network of Alibaba China’s digital sourcing platform for retailers, i.e. “Lingshoutong” (零售通)) for a term of two years from January 1, 2022 to December 31, 2023. CLM and ZCLM shall be responsible for entering into agreements separately with various provincial China Sports Lottery Administration Centers and/or China Welfare Lottery Issuance and Administration Centers in the PRC (collectively, the “**Lottery Centers**”), and shall recommend to the Lottery Centers some retail shops (under the membership network of Lingshoutong), which shall meet the required standards of the Lottery Centers and shall be selected by Alibaba China to set up as lottery sales outlets (the “**Sales Outlets**”), to act as selling agents, or to provide services to CLM and/or ZCLM which act as selling agents, for the sale of sports and/or welfare lottery products in the PRC. Through the cooperation with the Sales Outlets, the Group is able to promote the sales of lottery products to more customers through Alibaba Group’s physical new retail distribution channel and networks, thereby broadening the source of revenue from the Group’s lottery distribution business.

## DIRECTORS' REPORT

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The service fees payable by CLM and/or ZCLM to Alibaba China under the LST Cooperation Agreement shall be calculated as follows:

- (i) Where CLM and/or ZCLM act as selling agents by selling the lottery products through Sales Outlets and receives sales commission from Lottery Centers, service fees payable to Alibaba China = (sales commission receivable by CLM and/or ZCLM from Lottery Centers for the sale of lottery products (exclusive of taxes) – service fees payable to the Sales Outlets + incentive fee payable by Alibaba China to its business development personnel – other costs and expenses payable by CLM and/or ZCLM) x 50%.

The service fees payable to the Sales Outlets (which are not controlled or owned by the Alibaba Group) shall be determined on a case-by-case basis with reference to (i) where applicable, the recommendations made by the relevant Lottery Centers, and/or (ii) the mutual agreement between CLM/ZCLM and the Sales Outlets after arm's length negotiations and taking into consideration, among other things, the nature and quantity of the relevant sports and/or welfare lottery products to be sold and the specific scope of services to be provided by the Sales Outlets to CLM/ZCLM.

- (ii) Where Sales Outlets act as selling agents and CLM and/or ZCLM receive service fees (including but not limited to sales channel management fees and promotion fees) from Lottery Centers, service fees payable to Alibaba China = (service fees receivable by CLM and/or ZCLM from Lottery Centers (exclusive of taxes) + incentive fee payable by Alibaba China to its business development personnel – other costs and expenses payable by CLM and/or ZCLM) x 50%.

The incentive fee payable by Alibaba China to its business development personnel for expansion of sales channels shall be calculated at an amount not exceeding RMB200 per Sales Outlet. Specific incentive schemes (including but not limited to the amount of incentive fee and the time of payment) shall be mutually agreed by CLM/ZCLM and Alibaba China, depending on the actual circumstances of each province.

The above-mentioned net revenue sharing ratios on a 50:50 basis in calculating the service fees payable by CLM and/or ZCLM to Alibaba China under the LST Cooperation Agreement are determined with reference to (1) the revenue-sharing model that was previously adopted between a similar platform of Alibaba Group and its other business partners who were independent third parties; and (2) the scale of potential customers that can be reached by utilizing the channels and networks of Alibaba Group and its expected traffic volume.

## DIRECTORS' REPORT

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The annual caps for the aggregate service fees payable by the Group to Alibaba China (the “**Fee Split**”) with respect to the transactions for the years ending December 31, 2022 and 2023 are fixed at HK\$4.5 million and HK\$5.2 million, respectively. The annual caps relating to the transactions are determined with reference to the following principal factors: (1) the historical amounts of the Fee Split with respect to the transactions relating to the provision of services for sale of sports/welfare lottery products under the previous cooperation agreement dated December 13, 2019 (details of which were disclosed in the announcement of the Company dated November 16, 2021) (the “**2020/21 Transactions**”) for the year ended December 31, 2020 and the eleven months ended November 30, 2021, being approximately HK\$2.0 million and approximately HK\$2.9 million, respectively; (2) the projected Fee Split relating to the 2020/21 Transactions for the month of December 2021 of approximately HK\$0.4 million; (3) the projected annual growth rate of the Fee Split relating to the 2020/21 Transactions for the year ended December 31, 2021 (the “**2021 Growth Rate**”) as compared to the year ended December 31, 2020, after taking out the months of January to June in both 2020 and 2021 in the comparison to avoid the distortion by the anomalous effects of the COVID-19 pandemic present primarily in the first half of 2020 in the PRC lottery market; and (4) the projected annual growth rates of the Fee Split relating to the transactions under the LST Cooperation Agreement for the two years ending December 31, 2022 and 2023, with the growth rate for 2022 assumed to remain relatively stable with only a modest increment over the 2021 Growth Rate; whereas the growth rate for 2023 is assumed to rise at a lower rate.

Ali Fortune, the controlling shareholder of the Company, is indirectly held as to 60% by Alibaba Holding. Alibaba China, being an indirect wholly-owned subsidiary of Alibaba Holding, is accordingly an associate of Ali Fortune and a connected person of the Company. The transactions thus constitute CCTs of the Company under Chapter 20 of the GEM Listing Rules. As one or more applicable percentage ratios with respect to the highest annual cap for the transactions are more than 0.1% but all of them are less than 5%, the transactions are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Further details of these CCTs are set out in the announcement of the Company dated December 17, 2021.

**(b) Payment of service fees by the Group (including Beijing AGTech) to Alibaba Cloud and its subsidiaries in respect of the provision of technology services and resources**

On December 20, 2019, 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. 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 January 1, 2020 and ending on December 31, 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 December 31, 2020, HK\$4,000,000 for the year ended December 31, 2021 and HK\$4,800,000 for the year ended December 31, 2022.

However, as announced by the Company on December 17, 2020, the Company subsequently revised the annual cap for the year ended December 31, 2020 upwards to HK\$3,800,000 with reference to (i) the fact that the historical transaction amount (unaudited) relating to the relevant technology services for the 11 months ended November 30, 2020 was already approximately HK\$2,930,000, and (ii) 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 ended December 31, 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 then 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.

## DIRECTORS' REPORT

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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.

The Group offers a range of products and services along the entire value chain of the lottery and mobile games and entertainment business in the PRC and selected global markets. The procurement of the technology services from Alibaba Cloud under the 2020 Technology Services Framework Agreement reflects the Group's strategy of utilising a range of technology services and resources to enhance its offerings so as to improve the user experiences of its domestic and international customers. For details of these CCTs, please refer to the announcements of the Company dated December 20, 2019 and December 17, 2020.

### **CCTs with Ant Group:**

Ali Fortune, the controlling shareholder of the Company, is indirectly held as to 60% by Alibaba Holding and as to 40% by Ant Holdco. Ant Holdco is indirectly held by Alibaba Holding as to 33% of its equity interest. Alipay is a direct wholly-owned subsidiary, and Alipay Singapore is an indirect wholly-owned subsidiary, of Ant Holdco. Ant Bank is an indirect 66.7%-owned subsidiary of Ant Holdco and its other 33.3% equity interest is held by a 30% indirectly owned associated company of the Company. Ant Holdco and the Alipay Entities are associates of Alibaba Holding and hence members of the Alipay Entities Group are connected persons of the Company under the GEM Listing Rules.

Upon completion of the acquisition of the entire equity interest in Macau Pass Holding Ltd. and 1% equity interest in Macau Pass by two indirect wholly-owned subsidiaries of the Company pursuant to the sale and purchase agreement dated September 10, 2021 (the "**Acquisition**") on March 24, 2022, members of the Macau Pass Group (including Macau Pass) became indirect wholly-owned subsidiaries of the Company. Accordingly, any continuing transactions between the Macau Pass Group (including Macau Pass) and the Alipay Entities Group constitute CCTs for the Company under Chapter 20 of the GEM Listing Rules with effect from March 24, 2022.

**(a) Payment of MP Acquiring Service Fees by Macau Pass to Alipay Entities**

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 (collectively, the "**Alipay E-Wallets**") operated by 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 (the "**MP Acquiring Service Fees**") to the other payment service providers such as the Alipay Entities. On September 10, 2021, the Company entered into a framework agreement (the "**MP Acquiring Service Framework Agreement**") with the Alipay Entities to set out the terms and conditions of the business cooperation (in respect of Macau Pass' acquiring services) between Macau Pass and the Alipay Entities with effect from March 24, 2022.

Given the increasing usage of digital payment by customers in Macau with Alipay E-Wallets operated by the Alipay Entities being a popular payment option, the entering into of the MP Acquiring Service Framework Agreement enables the Group (including Macau Pass) to continue its business relationships with the Alipay Entities in compliance with the GEM Listing Rules with effect from March 24, 2022.

The pricing for the MP Acquiring Service Fees payable by Macau Pass to the Alipay Entities under the MP Acquiring Service Framework Agreement shall be within the normal range of such fees payable by Macau Pass in respect of its acquiring services to other third party payment service providers independent of Macau Pass and its connected persons (which was in the region of 0.5% to 1.8% of the transaction value for processing payment of the transactions at the date of the MP Acquiring Service Framework Agreement). The MP Acquiring Service Framework Agreement is for a term commencing on March 24, 2022 and ending on December 31, 2023, and is subject to the maximum amounts of MP Acquiring Service Fees payable by Macau Pass to the Alipay Entities thereunder of HK\$95,000,000 for the year ended December 31, 2022 and HK\$100,000,000 for the year ending December 31, 2023 respectively. The aforesaid annual caps are determined mainly with reference to the projected amounts of payment transactions processed through the acquiring services provided by Macau Pass for the Alipay Entities which are estimated after taking into account factors including (i) the historical figures of the number and value of the online and offline transactions processed through the acquiring services provided by Macau Pass to merchants for accepting the Alipay E-Wallets during the three years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021; (ii) the service fee rates charged by the Alipay Entities to Macau Pass; (iii) the estimated growth in the number and value of the transactions processed through the acquiring services provided by Macau Pass to merchants for accepting the Alipay E-Wallets in light of the resumption of tourists activities in Macau as the COVID-19 pandemic has been kept under control in the city; the expansion of its network of merchants by Macau Pass in Macau; the increase in per capita consumption of mainland Chinese tourists in Macau; and the competition of acquiring services provided by other acquirers and banks in Macau.

As the aforesaid annual caps in respect of the MP Acquiring Service Fees exceed 5% of the relevant applicable percentage ratios and HK\$10 million per annum, the MP Acquiring Service Framework Agreement and the transactions contemplated thereunder (including the relevant annual caps) are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The MP Acquiring Service Framework Agreement and the transactions contemplated thereunder (including the relevant annual caps) were duly approved by the independent Shareholders at the special general meeting of the Company held on November 18, 2021. Further details of the MP Acquiring Service Framework Agreement are set out in the circular of the Company dated October 29, 2021.

**(b) Payment of service fees in respect of MP Payment Related Services and Referral Services by Alipay Entities to Macau Pass**

On July 13, 2022, the Company entered into a framework agreement (the "**MP Payment and Related Services Framework Agreement**") with the Alipay Entities, pursuant to which the Company and the Alipay Entities may from time to time enter into or procure their respective subsidiaries and/or affiliated companies to enter into specific execution agreements for the provision to each other of the services specified in the MP Payment and Related Services Framework Agreement (subject to the approval of the relevant regulatory authorities) for a term commencing from July 13, 2022 to December 31, 2023. Set out below are those services specified in the MP Payment and Related Services Framework Agreement which are subject to the reporting, announcement and annual review requirements under Chapter 20 of the GEM Listing Rules:

(i) MP Payment Related Services

Macau Pass shall provide clearing and settlement services to the Alipay Entities Group via acquiring platforms of Alipay Entities outside Macau (including but not limited to Macau Pass participating as a business partner of the Alipay+ Solution for online or offline business scenarios) (the "**Alipay Acquiring Services**") and foreign exchange settlement services related to its acquiring business in Macau to the Alipay Entities Group (the "**MP Acquiring Business Foreign Exchange Settlement Services**", together with the Alipay Acquiring Services, are referred to as the "**MP Payment Related Services**" hereinafter).

## DIRECTORS' REPORT

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The pricing basis of the service fees in respect of the Alipay Acquiring Services payable by the Alipay Entities Group to Macau Pass shall be within the range of 0.1% to 1.8% of the transaction amount, which are determined based on a number of factors, including but not limited to the countries, regions, industries of merchants involved in the cross-border transactions, the monthly transaction volume and whether the transaction is conducted online or offline, and shall be within the normal range of service fees payable by the Alipay Entities Group to other independent third party payment service providers.

The pricing basis of the service fees in respect of the MP Acquiring Business Foreign Exchange Settlement Services payable by the Alipay Entities Group to Macau Pass shall be within the range of 0.1% to 0.6% of the transaction amount, which are determined based on the actual business situation and shall be within the normal range of service fees payable by the Alipay Entities Group to other independent third party payment service providers.

(ii) Referral Services

Macau Pass shall provide users referral services to the Alipay Entities Group (including referral of individual customers and merchants) via online or offline channels, including but not limited to referring MPay users to open, authenticate and link new account at Ant Bank via MPay, and purchase or enter into deposits, loans or other financial products or services provided by Ant Bank (collectively, the "**Referral Services**").

The service fee payable by the Alipay Entities Group to Macau Pass for successful account opening at Ant Bank shall be in the range of MOP50 to MOP300 for each new account of Ant Bank opened via the referral by Macau Pass. Where a user referred by Macau Pass has successfully purchased or entered into deposits, loans or other financial products or services provided by Ant Bank, the pricing basis of the Referral Services fees payable by the Alipay Entities Group to Macau Pass are determined based on the terms of the relevant specific execution agreements between the parties, the scope of the services, the scale and costs of the events or cooperation, which shall be within the range of 0.1% to 0.25% of the transaction amount as fund withdrawal handling fees for such services and shall be within the normal range of service fees chargeable by Macau Pass to other independent third party banks.

The annual caps of service fees payable by the Alipay Entities Group to Macau Pass under the MP Payment and Related Services Framework Agreement are:

- HK\$11,250,000 for the period from March 24, 2022 to December 31, 2022 and HK\$12,300,000 for the year ending December 31, 2023 respectively in respect of the MP Payment Related Services; and



## DIRECTORS' REPORT

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- HK\$1,750,000 for the period from July 13, 2022 to December 31, 2022 and HK\$7,280,000 for the year ending December 31, 2023 respectively in respect of the Referral Services.

The above annual caps of the service fees in respect of the MP Payment Related Services are determined primarily with reference to the expected demand of the Alipay Entities Group for such services during the term of the MP Payment and Related Services Framework Agreement; the rates of service fees charged by Macau Pass; and certain buffer for additional services that may be required by the Alipay Entities Group.

The above annual caps of the service fees in respect of the Referral Services are determined primarily with reference to the estimated number of users that may be referred to Ant Bank by Macau Pass who will successfully open an account with Ant Bank or purchase or enter into deposits, loans or other financial products or services provided by Ant Bank during the term of the MP Payment and Related Services Framework Agreement; the rates of service fees charged by Macau Pass; and the estimated average amount of deposit that each referred user will place in the account opened at Ant Bank.

As one or more applicable percentage ratios with respect to the highest annual cap of the service fees payable by the Alipay Entities Group to the Group for each of the MP Payment Related Services (which is inclusive of the services fees payable under the prior agreements in relation to the MP Acquiring Business Foreign Exchange Settlement Services) and the Referral Services under the MP Payment and Related Services Framework Agreement are more than 0.1% but all of them are less than 5%, the transactions under the MP Payment and Related Services Framework Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Board considers that the transactions under the MP Payment and Related Services Framework Agreement will foster closer cooperation between the Group (in particular, Macau Pass) and the Alipay Entities Group in respect of the Group's business in Macau and Macau Pass' cross-border payment business outside Macau or in the Guangdong-Hong Kong-Macau Greater Bay Area, thereby enhancing the source of revenue of the Group. For details of these CCTs, please refer to the announcement of the Company dated July 13, 2022.

**CCTs with Past Directors Group of Macau Pass:**

Pursuant to Rule 20.07(2) of the GEM Listing Rules, a person who was a director of the Group in the last 12 months shall be regarded as a “connected person” of the Company. Accordingly, the past directors of Macau Pass until their resignation as such on March 24, 2022 (the “**Past Directors**”) and their respective associates (collectively, the “**Past Directors Group**”, including but not limited to Transportes Urbanos de Macau, S.A.R.L. (“**TRANSMAC**”) and Macao Clever Catering Management Company Limited (“**MCC**”), each of which is controlled as to over 30% by some of the Past Directors and is therefore an associate of such Past Directors) are regarded as connected persons of the Company until March 23, 2023, and any continuing transactions between the Macau Pass Group (including Macau Pass) and the Past Directors Group (the “**Past Directors Transactions**”) constitute CCTs for the Company until March 23, 2023.

It is anticipated that the transaction amounts of the Past Directors Transactions will exceed the de minimis threshold if the Group continues to conduct those transactions pursuant to the existing agreements. Therefore, the Past Directors Transactions will be subject to annual review and disclosure requirements and the Company has set annual caps for such transactions pursuant to Chapter 20 of the GEM Listing Rules.

As (i) the Past Directors Transactions are CCTs between the Group and connected persons at the subsidiary level of the Company (i.e. the Past Directors Group) on normal commercial terms, (ii) the Board (including the independent non-executive Directors) has approved the Past Directors Transactions, and (iii) the independent non-executive Directors have confirmed that the terms of the Past Directors Transactions are fair and reasonable, on normal commercial terms or better and in the interest of the Company and its shareholders as a whole, the Past Directors Transactions are only subject to the reporting and announcement requirements, but are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 20.99 of the GEM Listing Rules.

The Macau Pass Group has a good and longstanding business relationship with the Past Directors Group. The Past Directors Transactions form part of the Macau Pass Group's ordinary and important business activities, which will allow the Macau Pass Group to capitalise on its industry experience and expertise and will continue to generate stable revenue.

## DIRECTORS' REPORT

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Details of the Past Directors Transactions are set out below:

**(a) Transactions with TRANSMAC (the “TRANSMAC Transactions”)**

Macau Pass (an indirect wholly-owned subsidiary of the Company) and TRANSMAC (a member of the Past Directors Group) entered into an agreement (the “**Fare Collection System Services Agreement**”) on November 1, 2020 (as amended and supplemented by an agreement dated December 1, 2020) in relation to the leasing of fare collection machines and the provision of fare collection and clearing services and ancillary services for the electronic fare collection system (collectively, the “**Fare Collection System Services**”).

The term of the Fare Collection System Services Agreement commenced from November 1, 2020 and is renewable automatically for one year upon expiry of each one-year term until December 31, 2026 on which day the Fare Collection System Services Agreement will be terminated automatically, unless either party serves a notice for termination of such agreement at least six months prior to the expiry of each one-year term. The Board wishes to reiterate that TRANSMAC will cease to be a connected person of the Company after March 23, 2023 and the TRANSMAC Transactions will not be subject to any disclosure and/or shareholders' approval requirements under Chapter 20 of the GEM Listing Rules after such date.

The rental fee payable by TRANSMAC to Macau Pass for leasing of the fare collection machines is calculated based on (i) such number of fare collection machines as stated in the Fare Collection System Services Agreement or the actual number of fare collection machines actually leased to TRANSMAC, whichever is the higher; and (ii) a monthly rental fee of MOP350 (equivalent to approximately HK\$340) for each fare collection machine. The service fee payable by TRANSMAC to Macau Pass with respect to the provision of fare collection and clearing services and ancillary services for the electronic fare collection system is calculated primarily based on the number of transactions conducted on public buses of TRANSMAC, and a sliding fee scale corresponding to the number of transactions so conducted with reference to the pricing policy indicated by Transport Bureau in Macau, which is the standard market term applicable to the bus operators in Macau.

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The annual caps for the aggregate of rental fees and service fees payable by TRANSMAC to Macau Pass with respect to the TRANSMAC Transactions for the two periods from March 24, 2022 to December 31, 2022 and from January 1, 2023 to March 23, 2023 are fixed at MOP10,700,000 (equivalent to approximately HK\$10,380,000) and MOP3,600,000 (equivalent to approximately HK\$3,490,000), respectively. Such annual caps are determined with reference to: (1) the historical aggregate amount of the rental fees and service fees with respect to the TRANSMAC Transactions for the year ended December 31, 2021, being approximately MOP10,964,000 (equivalent to approximately HK\$10,640,000); (2) the expected growth in the number of the TRANSMAC Transactions; (3) the expected growth in number of fare collection machines to be leased to TRANSMAC to support more payment tools for use on its buses such as the Transport QR Code (乘車碼) of MPay and other e-wallets; and (4) certain buffer for additional service fees that may be charged by Macau Pass in relation to the provision of the Fare Collection System Services.

**(b) Transactions with MCC (the “MCC Transactions”)**

Macau Pass (an indirect wholly-owned subsidiary of the Company) and MCC (a member of the Past Directors Group) entered into an agreement (the “**MCC Online Payment Agreement**”) on May 11, 2020 (as amended and supplemented by an agreement dated September 10, 2021) in relation to the establishment of payment gateway on “mFood”, which is an online food and beverage delivery platform owned and operated by MCC. Under the MCC Online Payment Agreement, Macau Pass has agreed to provide MCC with online payment services which enable merchants on the mFood platform to accept payment methods of various payment service providers, such that their customers may choose their preferred payment methods at checkout.

The term of the MCC Online Payment Agreement commenced from May 11, 2020, and will end two years after completion of the Acquisition, being March 23, 2024. The Board wishes to reiterate that MCC will cease to be a connected person of the Company after March 23, 2023 and the MCC Transactions will not be subject to any disclosure and/or shareholders' approval requirements under Chapter 20 of the GEM Listing Rules after such date.

## DIRECTORS' REPORT

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The service fee payable by MCC to Macau Pass for its provision of online payment services ranges from 0.7% to 0.8% of the transaction amount of the payment processed for the mFood platform, depending on the payment methods chosen by the customers at checkout. Where the transaction amount is settled through redemption of reward points held by the MPay users on the mFood platform, the service fee payable by MCC to Macau Pass shall be 1.2% of the transaction amount so settled in accordance with a cooperation framework agreement entered into between MCC and Macau Pass on July 6, 2022 (the “**Reward Points Redemption Cooperation Agreement**”), which agreement was terminated on August 31, 2022.

The aggregate annual caps for the service fees (inclusive of the aforesaid 0.7%-0.8% and 1.2% of the transaction amount respectively) payable by MCC to Macau Pass with respect to the MCC Transactions for the two periods from March 24, 2022 to December 31, 2022 and from January 1, 2023 to March 23, 2023 are fixed at MOP7,500,000 (equivalent to approximately HK\$7,280,000) and MOP3,500,000 (equivalent to approximately HK\$3,400,000), respectively. Such aggregate annual caps are determined primarily with reference to: (1) the historical amount of the service fees with respect to the MCC Transactions for the year ended December 31, 2021, being approximately MOP2,397,000 (equivalent to approximately HK\$2,330,000); and (2) the expected fast growth in the number and transaction volume of the MCC Transactions based on the rapid business growth of MCC over each quarters of the past 12 months and, in particular, the growth of over 30% in revenue generated from the MCC Transactions in the first quarter of 2022 as compared to the fourth quarter of 2021.

Further details of the Past Directors Transactions have been disclosed in the announcements of the Company dated June 20, 2022 and August 8, 2022.

## DIRECTORS' REPORT

### Assessment of compliance with the annual caps

During the year ended December 31, 2022, the actual transaction amounts in respect of the CCTs described above were as follows:

CCTs with Alibaba Group	Total amount (HK\$'000)
(a) Payment of service fees by CLM and/or ZCLM to Alibaba China in relation to the sale of sports and/or welfare lottery products in the PRC via the retail shops under the membership network of Lingshoutong under the LST Cooperation Agreement	4,120 <sup>Note 1</sup>
(b) Payment of service fees by the Group (including Beijing AGTech) to Alibaba Cloud and its subsidiaries in respect of the provision of technology services and resources under the 2020 Technology Services Framework Agreement	1,873 <sup>Note 2</sup>

#### Notes:

1. The aggregate amount of these transactions amounted to approximately HK\$4,120,000 for the year ended December 31, 2022, which fell below the annual cap amount of HK\$4,500,000 for such year.
2. The aggregate amount of these transactions amounted to approximately HK\$1,873,000 for the year ended December 31, 2022, which fell below the annual cap amount of HK\$4,800,000 for such year.

## DIRECTORS' REPORT

CCTs with Ant Group	Total amount (HK\$'000)
(a) Payment of MP Acquiring Service Fees by Macau Pass to Alipay Entities under the MP Acquiring Service Framework Agreement	19,594 <sup>Note 3</sup>
(b) Payment of service fees by Alipay Entities to Macau Pass in respect of MP Payment Related Services under the MP Payment and Related Services Framework Agreement	6,255 <sup>Note 4</sup>
(c) Payment of service fees by Alipay Entities to Macau Pass in respect of Referral Services under the MP Payment and Related Services Framework Agreement	Nil <sup>Note 5</sup>

Notes:

- The aggregate amount of these transactions amounted to approximately HK\$19,594,000 for the year ended December 31, 2022, which fell below the annual cap amount of HK\$95,000,000 for such year.*
- The aggregate amount of these transactions amounted to approximately HK\$6,255,000 for the period from March 24, 2022 to December 31, 2022, which fell below the cap amount of HK\$11,250,000 for such period.*
- The aggregate amount of these transactions amounted to approximately HK\$Nil for the period from July 13, 2022 to December 31, 2022, which fell below the cap amount of HK\$1,750,000 for such period.*

## DIRECTORS' REPORT

CCTs with Past Directors Group of Macau Pass	Total amount (HK\$'000)
(a) Payment of rental fees and service fees by TRANSMAC to Macau Pass with respect to the TRANSMAC Transactions under the Fare Collection System Services Agreement	6,987 <sup>Note 6</sup>
(b) Payment of service fees by MCC to Macau Pass with respect to the MCC Transactions under the MCC Online Payment Agreement and the Reward Points Redemption Cooperation Agreement	4,348 <sup>Note 7</sup>

### Notes:

- The aggregate amount of these transactions amounted to approximately MOP7,196,000 (equivalent to approximately HK\$6,987,000) for the period from March 24, 2022 to December 31, 2022, which fell below the cap amount of MOP10,700,000 (equivalent to approximately HK\$10,380,000) for such period.*
- The aggregate amount of these transactions amounted to approximately MOP4,478,000 (equivalent to approximately HK\$4,348,000) for the period from March 24, 2022 to December 31, 2022, which fell below the cap amount of MOP7,500,000 (equivalent to approximately HK\$7,280,000) for such period.*

### 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.



## DIRECTORS' REPORT

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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 December 31, 2022, 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 37 to the consolidated financial statements were such transactions required to be disclosed pursuant to Chapter 20 of the GEM Listing Rules.

### **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 CCTs with Alibaba Group, Ant Group and the Past Directors Group respectively as more fully described in the section headed "CONTINUING CONNECTED TRANSACTIONS ("CCTs")" above or which are otherwise exempt from disclosure under Chapter 20 of the GEM Listing Rules.

Ms. Hu Taoye, Mr. Liu Zheng, Mr. Li Jie and Mr. Yang Guang (resigned on April 28, 2022) 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 Mr. Sun Ho is also a director of Ant Bank, 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 ("CCTs")" above 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 or any of its subsidiaries, the controlling shareholder of the Company (as defined in the GEM Listing Rules) or any of its subsidiaries, holding company 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.

## DIRECTORS' REPORT

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

As at December 31, 2022, 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 (Note 4)	–	384,000	0.003%
Mr. Liu Zheng	–	–	–	0%
Mr. Li Jie (appointed on April 28, 2022)	–	–	–	0%
Mr. Ji Gang	–	–	–	0%
Mr. Zou Liang	–	–	–	0%
Mr. Chow Siu Lui (appointed on January 24, 2022)	–	–	–	0%
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 December 31, 2022.
2. It represents 44,658,000 Shares and 1,500,000 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 and CEO of the Company, he was deemed to be interested in such Shares under the SFO.
4. It represents 192,000 Shares and 192,000 restricted Share units (granted under the Share Award Scheme) beneficially held by Ms. Hu Taoye.

DIRECTORS' REPORT

**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 (in the number of American Depository Shares ("ADS(s)") of Alibaba Holding)		Approximate percentage of total issued share capital of Alibaba Holding (Note 2)
		(Note 1)	(in the number of ordinary shares of Alibaba Holding) (Note 1)	
Ms. Hu Taoye	(Note 3)	17,920	143,360	0.001%
Mr. Liu Zheng	(Note 4)	22,382	179,056	0.001%
Mr. Li Jie (appointed on April 28, 2022)	(Note 5)	81,347	650,776	0.003%
Mr. Ji Gang	(Note 6)	10,235	81,880	negligible
Mr. Zou Liang	(Note 7)	2,540	20,320	negligible

Notes:

1. 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.
2. Based on a total of 21,180,285,568 ordinary shares of Alibaba Holding in issue as at December 31, 2022.
3. The interest comprised 15,170 ADSs of Alibaba Holding and 2,750 RSUs of Alibaba Holding beneficially held by Ms. Hu Taoye.
4. The interest comprised 11,882 ADSs of Alibaba Holding and 10,500 RSUs of Alibaba Holding beneficially held by Mr. Liu Zheng.
5. The interest comprised 55,995 ADSs of Alibaba Holding and 25,352 RSUs of Alibaba Holding beneficially held by Mr. Li Jie.
6. The interest comprised 7,039 ADSs of Alibaba Holding and 3,196 RSUs of Alibaba Holding beneficially held by Mr. Ji Gang.
7. The interest comprised 1,505 ADSs of Alibaba Holding and 1,035 RSUs of Alibaba Holding beneficially held by Mr. Zou Liang.

DIRECTORS' REPORT

**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	Capacity	Number of shares/ underlying shares of Ali Pictures held	Approximate percentage of total issued share capital of Ali Pictures (Note 1)
Mr. Zou Liang	Note 2	90,000	negligible
Mr. Li Jie	Note 3	45,280,836	0.17%

Notes:

1. Based on a total of 26,975,740,156 ordinary shares of Ali Pictures in issue as at December 31, 2022.
2. The interest comprised 90,000 ordinary shares of Ali Pictures beneficially held by Mr. Zou Liang.
3. The interest comprised 4,118,336 ordinary shares, 30,625,000 share options and 10,537,500 awarded shares of Ali Pictures beneficially held by Mr. Li Jie.

**d. Long positions in shares and underlying shares of Cainiao Smart Logistics Network Limited ("Cainiao"), an associated corporation of the Company within the meaning of Part XV of the SFO:**

Name of Director	Capacity	Number of relevant class of shares/underlying shares of Cainiao held		Approximate percentage of total issued share capital of Cainiao (Note)
		(class A ordinary shares)	(class B ordinary shares)	
Mr. Liu Zheng	Beneficial Owner	5,460,000	6,200,000	0.07%

Note: As at December 31, 2022, the issued share capital of Cainiao was made up of 15,212,555,296 ordinary shares, 477,237,147 class A ordinary shares and 168,335,540 class B ordinary shares; Mr. Liu Zheng was interested in 5,460,000 class A ordinary shares and 6,200,000 class B ordinary shares, representing approximately 1.14% and 3.68% of the relevant class of shares in issue of Cainiao respectively, and was not interested in any ordinary shares in issue of Cainiao.

## DIRECTORS' REPORT

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Save as disclosed above, as at December 31, 2022, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

### **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 December 31, 2022, 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:

## DIRECTORS' REPORT

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of total 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 Consulting 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%
Mr. Cheung Lup Kwan Vitor (Note 10)	Interest of controlled corporation	584,515,224	5.01%
Rainwood Resources Limited (Note 10)	Beneficial owner	584,515,224	5.01%

## DIRECTORS' REPORT

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### Notes:

1. Based on a total of 11,672,342,235 Shares in issue as at December 31, 2022.
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 31.04% and 22.42% (together approximately 53.46%) of Ant Holdco total issued shares, respectively.
7. Hangzhou Yunbo Investment Consulting 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 a concert party agreement (the "**Concert Party Agreement**") 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. Pursuant to certain agreements entered into by Mr. Ma Yun, Yunbo and others on January 7, 2023, subject to certain conditions (including obtaining regulatory approvals) being satisfied, among other things, the Concert Party Agreement among shareholders of Yunbo will be terminated, Yunbo will cease to be Junhan's GP, Mr. Ma Yun will cease to hold any interests in Yunbo. When these steps are effected, Mr. Ma Yun, Mr. Jing Eric Xiandong, Ms. Jiang Fang, Mr. Hu Simon Xiaoming and Yunbo will cease to have a notifiable interest. As at the date of this report, completion of such agreements has not taken place and is subject to approval of or filing with relevant government authorities.
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. Mr. Sun Ho is a director of Maxprofit Global Inc.
10. Based on the disclosure of interest filed on March 3, 2023, the equity interest of Mr. Cheung Lup Kwan Vitor in Rainwood Resources Limited decreased from 100% to 52% with effect from May 9, 2022. Therefore, Mr. Cheung Lup Kwan Vitor is deemed to be interested in these 584,515,224 Shares under the SFO.



## DIRECTORS' REPORT

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Save as disclosed above, as at December 31, 2022, 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 December 31, 2022, 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 December 23, 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 November 18, 2004 (the “**2004 Scheme**”) (which had expired on November 17, 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 35 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 December 23, 2014 for the purpose of, among other things, approving such scheme).

During the year ended December 31, 2022, no options were granted by the Company pursuant to the Share Option Schemes. No options were exercised, cancelled and lapsed during the year ended December 31, 2022. As at January 1, 2022 and December 31, 2022, the total number of Shares still available for grant 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 and 313,309,485 Shares respectively, representing approximately 2.7% and 2.7% of the Company’s issued share capital as at that date respectively.

As at January 1, 2022 and December 31, 2022, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Schemes was Nil (2021: Nil), representing Nil% (2021: Nil%) of the Company’s issued share capital as at that date.

The remaining life of the 2014 Scheme is less than three years as at the date of this report.

## GRANT OF AWARD SHARES PURSUANT TO SHARE AWARD SCHEME

As disclosed in the announcement of the Company dated March 17, 2017, the Company adopted the Share Award Scheme on March 17, 2017 (the “**Adoption Date**”). The Share Award Scheme is aimed to allow the Company to grant award Shares to selected participants so as to (i) attract skilled and experienced personnel for the future development and expansion of the Group by providing them with the opportunity to acquire equity interest in the Company, and/or (ii) incentivize the Group’s employees to remain with the Group and motivate the Group’s employees to strive for the future development and expansion of the Group. Eligible participants to the Share Award Scheme include employees, directors, officers, consultants or advisors of any member of the Group or any other persons who the Board or its delegate(s) considers, in their absolute discretion, to have contributed or will contribute to the Group.

Subject to any early termination pursuant to the scheme rules, the Share Award Scheme shall be valid and effective for the period commencing on the Adoption Date and ending on the business day immediately prior to the tenth (10th) anniversary of the Adoption Date. The remaining life of the Share Award Scheme is less than four years.

The Board or the committee of the Board or person(s) to which the Board delegated its authority may from time to time while the Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the award Shares to be vested under the Share Award Scheme. The award Shares granted typically shall vest in the grantees within four years from the date of grant. No amount is payable by the grantee on acceptance of the grant.

During the year under review, on August 12, 2022, the Company granted a total of 46,568,900 award Shares to nine eligible persons, including one director of a subsidiary of the Company and eight employees of the Group under the Share Award Scheme. The 46,568,900 award Shares granted represent approximately 0.40% of the issued share capital of the Company as at the date hereof. On November 9, 2022, the Company granted a total of 18,000,000 award Shares to 35 eligible persons who are employees of the Group and independent of the Company and its connected persons under the Share Award Scheme. The 18,000,000 award Shares granted represent approximately 0.15% of the issued share capital of the Company as at the date hereof.

During the year under review, the trustee of the Share Award Scheme (the “**Trustee**”) has purchased a total of 81,624,000 Shares on the Stock Exchange at a total consideration of approximately HK\$23.6 million to satisfy award Shares granted under the Share Award Scheme.

During the year under review, 64,568,900 award Shares were granted by the Company pursuant to the Share Award Scheme, 23,863,500 award Shares were vested in the grantees and 10,780,000 award Shares were forfeited.

## DIRECTORS' REPORT

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All of the 64,568,900 award Shares were granted by way of acquisition of existing Shares through on-market transactions by the Trustee. The Company will send an instruction letter to the Trustee to purchase the award Shares on the market at a price not exceeding the prescribed maximum price which is determined with reference to the prevailing market price of the Shares on the date of the instruction letter, but in any event such prescribed maximum price shall not exceed 30% of the closing price of the Shares on the trading day immediately before the date of such letter. 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.

The Company has only one Share Award Scheme. Under such Share Award Scheme, the aggregate number of Shares, whether they are new Shares to be allotted and issued by the Company, award Shares that are unvested and/or forfeited or lapsed in accordance with the terms of the Share Award Scheme, or existing Shares to be purchased on-market by the Trustee, underlying all grants (including grants to connected persons of the Company) made pursuant to the Share Award Scheme (excluding award Shares that have been forfeited or lapsed in accordance with the Share Award Scheme) shall not exceed 6% of the total number of issued Shares as at the Adoption Date (i.e. 630,852,526 Shares) (the "**Award Scheme Limit**") without shareholders' approval. The total number of unvested award Shares granted to any one selected participant under the Share Award Scheme shall not exceed 1% of the total number of issued Shares from time to time.

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), representing approximately 2.70% of the total issued Shares as at both December 31, 2022 and the date hereof (i.e. March 22, 2023).

As at January 1, 2022 and December 31, 2022, the total number of award Shares still available for grant under the Share Award Scheme shall be 436,872,426 Shares and 383,083,526 Shares respectively, representing approximately 3.74% and 3.28% of the Company's issued share capital as at that date respectively.

## DIRECTORS' REPORT

Set out below is a table summarizing the movements of the award Shares under the Share Award Scheme during the year ended December 31, 2022:

Grantee name/categories	Date of grant during the year ended December 31, 2022 (MM/DD/YY)	Market price of award Shares at date of grant based on closing price of Shares as at date of grant HK\$	Vesting date/period (MM/DD/YY - MM/DD/YY)	Number of Shares					Unvested award Shares at December 31, 2022	Closing price of Shares immediately before the vesting date (Note 4) HK\$	Closing price of Shares immediately before the date of grant HK\$
				Unvested award Shares at January 1, 2022	Granted during the year	Vested during the year	Lapsed during the year	Forfeited during the year			
<b>Directors of the Company:</b>											
Mr. Sun Ho	-	-	04/01/23	4,770,000	-	3,270,000	-	-	1,500,000	0.32	-
Ms. Hu Taoye	-	-	04/01/23-04/01/24	288,000	-	96,000	-	-	192,000	0.32	-
<b>Directors of subsidiaries of the Company:</b>											
	08/12/22	0.275	04/01/23-06/01/26	11,075,000	2,000,000	6,100,000	-	825,000	6,150,000	0.322	0.29
<b>Eligible employees:</b>											
<b>four top-paid employees (excluding one Director as disclosed above):</b>											
	08/12/22	0.275	04/01/23-07/28/26	8,825,000	16,000,000	3,925,000	-	-	20,900,000	0.313	0.29
<b>Other employees:</b>											
	08/12/22	0.275	01/03/23-11/02/26	24,672,500	28,568,900	10,472,500	-	9,955,000	50,813,900	0.297	0.29
	11/09/22	0.255			18,000,000					0.255	
<b>Related entities participants:</b>											
	-	-	-	-	-	-	-	-	-	-	-
<b>Service providers:</b>											
	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>				49,630,500	64,568,900	23,863,500	-	10,780,000	79,555,900		

### Notes:

- Save as disclosed in the table above, no award Shares have been granted to any chief executive or substantial shareholder of the Company, or any of their respective associates (as defined in the GEM Listing Rules).
- The fair value of the award Shares at the date of grant on August 12, 2022 and November 9, 2022 during the year ended December 31, 2022 was HK\$0.275 per Share and HK\$0.255 per Share respectively, and was determined based on the published closing price of the Shares at the respective dates of grant. The Group has adopted the accounting standard in accordance with HKFRS 2 – Share-based Payment and for the details of accounting policy applied, please refer to Note 2.22 to the consolidated financial statements contained in this annual report.
- 10,780,000 award Shares were cancelled (including lapsed and forfeited) during the year ended December 31, 2022 with average purchase price at HK\$0.431 each.
- This represents the weighted average closing price of the Shares immediately before the date on which the award Shares were vested.
- The average purchase price per Share for award Shares granted during the year was HK\$0.261.
- No vesting of any award shares will take place within 12 months after the date of grant.

### EQUITY-LINKED AGREEMENT

Save as disclosed 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:

	2022	2021
– the largest customer	13.5%	15.5%
– five largest customers combined	33.9%	52.1%

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

	2022	2021
– the largest supplier	22.0%	22.1%
– five largest suppliers combined	42.2%	66.5%

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 20% 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 close 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

During the year under review, 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. During the year, the Group made contributions to the MPF Scheme in Hong Kong amounted to approximately HK\$0.5 million (2021: approximately HK\$0.5 million). As at December 31, 2022, there are available forfeited contributions of approximately HK\$0.3 million (2021: approximately HK\$0.3 million) and no forfeited contributions had been used by employer to reduce the existing level of contributions.

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.

The Group also participates in the Macau Private Pension Fund to which all qualified employees of the Group in Macau are entitled. Mandatory contributions to the Macau Private Pension Fund are made by the employers at 5% of the employees' monthly relevant income. During the year, the Group made contributions to the Macau Private Pension Fund amounted to approximately HK\$1.3 million (2021: Nil). As at December 31, 2022, there are available forfeited contributions of approximately HK\$0.1 million (2021: HK\$Nil) and forfeited contributions of approximately HK\$0.1 million had been used by employer to reduce the existing level of contributions during 2022.



## LOAN TO AN OFFICER

A loan granted to an officer of the Company for an original period of 2 years was expired on December 31, 2018 and extended for three years. It was further 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. As at December 31, 2022, the officer was no longer an employee of the Company.

## DONATIONS

During the year under review, the Group did not make any donations (2021: Nil) for charitable or other 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 ("**Fortune Happy**") in December 2011.

Fortune Happy 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 "**Silvercreek Control Agreements**") entered into between the WFOE and two individual shareholders of Silvercreek (the "**Silvercreek 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 the Silvercreek 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 May 4, 2017. Thus, CLMC controls 100% equity interest in Silvercreek. During the year under review, the Silvercreek Nominee Shareholders were Mr. Zhang Ting (who held a 95% equity interest in Silvercreek as at December 31, 2022) and Mr. Wang Jian (who held a 5% equity interest in Silvercreek as at December 31, 2022).

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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 “**Silvercreek Restricted Business**”).

Silvercreek held the necessary PRC internet content provider and PRC telecom service provider licences to operate the Silvercreek Restricted Business in the PRC which is subject to foreign investment restrictions. Accordingly, the Silvercreek 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 Silvercreek Control Agreements were not adopted for reasons or requirements other than the aforesaid foreign investment restrictions in respect of the Silvercreek Restricted Business in the PRC. The relevant PRC telecom service provider licences expired on August 22, 2021 and September 20, 2021. The Group plans to implement a restructuring on the contractual arrangement structure of Silvercreek and its subsidiary and will consider to wind up Silvercreek after such restructuring is completed. As at the date of Silvercreek and its subsidiary of the Annual Report, Silvercreek is no longer operating any Silvercreek Restricted Business. Silvercreek only contributed a small part to the revenue of the Group. There will be no material adverse impact on the financial position and business of the Group for the proposed restructuring and winding up mentioned above. For the year ended December 31, 2022, net assets totalling approximately HK\$7.8 million and no revenue of Silvercreek were consolidated into the consolidated financial statements of the Group via the Silvercreek Control Agreements.

Set out below is a summary of the Silvercreek 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 Silvercreek Nominee Shareholders, CLMC (as the lender) agreed to lend a loan amounting to RMB50 million (equivalent to approximately HK\$56.24 million) to the Silvercreek 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 Silvercreek Nominee Shareholders transferring their equity interests in Silvercreek to CLMC or its nominee and may only be used by the Silvercreek Nominee Shareholders for the purpose of investing in Silvercreek as its increased registered capital. The Silvercreek 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 Silvercreek Nominee Shareholders their entire equity interests in Silvercreek or all the assets of Silvercreek and use the outstanding loan owed by the Silvercreek Nominee Shareholders to CLMC as settlement of the consideration for the acquisition;

## DIRECTORS' REPORT

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- (ii) under an *equity pledge agreement* (股權質押合同) between CLMC and the Silvercreek Nominee Shareholders, the Silvercreek 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 Silvercreek 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 Silvercreek 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 Silvercreek Nominee Shareholders) to acquire part or all of the Silvercreek 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 Silvercreek 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 Silvercreek 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 Silvercreek Restricted Business in the PRC; and
- (iv) under a *declaration of trust* (信託承諾及聲明書) between CLMC and the Silvercreek Nominee Shareholders, the Silvercreek 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 Silvercreek 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 Silvercreek Nominee Shareholders or that the Silvercreek 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 Silvercreek Nominee Shareholders to hold the equity interests in Silvercreek on trust for CLMC. Under those circumstances, the Silvercreek 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 Silvercreek Nominee Shareholders shall immediately

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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 Silvercreek Nominee Shareholders so that CLMC can have effective control over Silvercreek.

All the above-mentioned Silvercreek Control Agreements provide for dispute resolution via arbitration in China. The PRC counsel of the Company was of the view that the initial Silvercreek 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 Silvercreek 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 Silvercreek Nominee Shareholders involved), the adoption of a combination of the Silvercreek 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 Silvercreek Control Agreements and/or the circumstances under which they were adopted.

The Group has not unwound any of the Silvercreek Control Agreements as the foreign investment restrictions that led to the adoption of the Silvercreek 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.

### **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 December 31, 2022, the Caixiaoer Nominee Shareholders were Ms. Wang Liying (who held a 75% equity interest in Caixiaoer) and Ms. Hu Taoye (who held a 25% 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 online casual entertainment 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 December 31, 2022, net liabilities totalling approximately HK\$2.5 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 RMB10 million (equivalent to approximately HK\$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;

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- (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

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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.

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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

During the year under review, the audit committee of the Company (the "**Audit Committee**") comprised independent non-executive Directors, namely, Mr. Chow Siu Lui (appointed on January 24, 2022), Ms. Monica Maria Nunes (resigned on January 24, 2022), Mr. Feng Qing and Dr. Gao Jack Qunyao. Mr. Chow Siu Lui is the current chairman of the Audit Committee. The consolidated financial statements of the Group for the year ended December 31, 2022 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 December 31, 2022 have been audited by PwC.

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

Save for the completion of acquisition of the Macau Pass Group on March 24, 2022 as announced by the Company on the same date, 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 December 31, 2022.

## 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 December 31, 2022 are set out in the "Discussion and Analysis of the Group's Results and Business" section on pages 116 to 139 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) Risks relating to the Group's electronic payment business**
- The Group's electronic payment business arm, Macau Pass, is an "other credit institution" licensed under AMCM. The sustainability of its business relies on its maintenance of the licence with AMCM and its success depends on its ability to remain competitive among numerous electronic payment service providers in Macau.
  - The profitability of Macau Pass may be affected adversely by the drop of tourist activities in Macau, for example due to the outbreak of pandemics and the closure of borders in Mainland China, Hong Kong and Macau. In addition, in times of severe pandemic situations, the Government of Macau may require financial institutions to support relief measures promulgated by the government, such as exemption of service fees by Macau Pass for the local merchants.
- (iii) Uncertainties for the Group resulting from the PRC regulatory regime**
- Under the current PRC regulatory regime, lottery products offered by provincial lottery administration centers may be discontinued or subject to restriction and regulations by the relevant national lottery administration centers. 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.

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- 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 October 23, 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.

**(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 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); Administrative Measures for Internet-based Information Services (互聯網信息服務管理辦法); 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); Personal Information Protection Law of the People's Republic of China (中華人民共和國個人信息保護法); 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); "Regulations on Anti-Money Laundering and Combating the Financing of Terrorism" of Monetary Authority of Macao (澳門金融管理局《反洗錢及反恐融資指引》); The Penal Code of Macao (澳門特別行政區《刑法典》); Macao Special Administrative Region, Law No. 7/2008 "Labour Relations Law" (澳門特別行政區第7/2008號法律《勞動關係法》)) 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 December 31, 2022.

**(e) Business outlook of the Group:**

Details of the likely future development in the Group's business are set out in the section headed "Business Outlook" on pages 124 and 125 of this annual report.

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

KPIs	Reasons for selection as KPIs	Financial Year 2022 (HK\$'000)	Financial Year 2021 (HK\$'000)	Variance
Revenue	To assess the sales performance and volume of transactions of the Group.	351,414	253,242	↑ 38.8%
Operating loss	To assess the Group's operating performance and cost management.	129,715	65,785	↑ 97.2%
Loss for the year attributable to owners of the Company	To assess the Group's profitability (after expenses).	126,700	63,633	↑ 99.1%

**(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 and non-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 efforts to (i) support low-carbon offices in that employees are encouraged to observe our policies and business practices on energy and resource savings; and (ii) introduce new business initiatives through our electronic payment business arm in Macau that can help reduce the use of paper in the community, as set out in the paragraph headed “Green Office” and the paragraph headed “Carbon Reduction for Merchant Platforms, MPay users and Retail Sector” respectively in the section headed “ESG POLICIES AND BUSINESS PRACTICES OF THE GROUP” in the Environmental, Social and Governance Report of this annual report.

**(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, regulators 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"> <li>• maintaining and employing a policy of open and timely disclosure of relevant information to the Shareholders through announcements, circulars, quarterly, interim and annual reports;</li> <li>• maintaining effective communications with the Shareholders through annual general meeting and the official website of the Company;</li> <li>• 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</li> <li>• setting up the RMICC to help detect risks associated with our operations and minimize their impact.</li> </ul>

## DIRECTORS' REPORT

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Stakeholders of the Group	Relationships with the Group
Business partners	<p>Apart from maintaining close working relationships with Alibaba Group and Ant Group, the Group has been pursuing opportunities abroad to globalize its business by strategically working with leading local business partners in selected overseas markets.</p>
Employees	<p>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.</p> <p>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.</p> <p>(i) On-the-job training: The technical departments of the Group comprise veteran professionals in the PRC lottery, online games and electronic payment 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>

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## DIRECTORS' REPORT

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### Stakeholders of the Group

### Relationships with the Group

- (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.

Our electronic payment business arm in Macau, Macau Pass, also conducts organization-wide AML/CFT training at least once a year.

Suppliers/subcontractors

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

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## DIRECTORS' REPORT

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### Stakeholders of the Group

### Relationships with the Group

Customers (including but not limited to governmental lottery authorities or operators authorized by such authorities, online consumers in respect of games and entertainment business and merchants and individual users of electronic payment or e-commerce services)

During the year under review, the largest customer and the five largest customers (combined) of the Group accounted for approximately 13.5% and approximately 33.9% of the total revenue of the Group respectively. No single customer accounted for more than 20% 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 center 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.

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

In respect of our electronic payment business in Macau, the Group has been striving to build a diversified service platform, integrating electronic payment services, e-commerce, multimedia marketing and business networks for individual users and merchants, with a view to taking care of all aspects of life of the Macau residents and tourists.

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Regulators (for electronic payment business, i.e. AMCM in Macau)

Apart from supporting the initiatives of smart city transformation in Macau such as the launch of the "Simple Pay" integrated payment system, we have also assisted the Government of Macau in its relief measures for the merchants and Macau residents during the COVID-19 pandemic (e.g. various rounds of the "Electronic Consumption Benefits Plan" for Macau residents and service fee exemption on the "Simple Pay" system for merchants).

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## DIRECTORS' REPORT

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### 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.

In respect of our electronic payment business in Macau, we aim to assist the city with its smart city transformation and promote the development of the Greater Bay Area. We also integrate our development strategies with technological innovation, common prosperity as well as green and low carbon development strategies, so as to promote the long-term sustainable growth of our business and the businesses of merchants in Macau.

The footprint of our business primarily spans across Mainland China and Macau. We employ around 333 employees and help sustain job opportunities in the communities where we operate.

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On behalf of the Board

**Sun Ho**  
*Chairman & CEO*

March 22, 2023

# FINANCIAL SUMMARY

## RESULTS

	For the year ended December 31,				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	<b>351,414</b>	253,242	161,649	175,077	168,573
Operating loss	<b>129,715</b>	65,785	131,087	194,931	261,979
(Loss)/Profit for the year attributable to owners of the Company	<b>(126,700)</b>	(63,633)	(121,372)	(123,883)	315,157

## ASSETS AND LIABILITIES

	As at December 31,				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Total assets	<b>6,422,104</b>	3,081,673	3,148,432	3,254,718	3,721,541
Total liabilities	<b>(3,759,265)</b>	(195,533)	(205,118)	(239,496)	(688,810)
Net assets	<b>2,662,839</b>	2,886,140	2,943,314	3,015,222	3,032,731
Equity attributable to owners of the Company	<b>2,631,936</b>	2,836,609	2,895,740	2,982,224	2,983,982
Non-controlling interests	<b>30,903</b>	49,531	47,574	32,998	48,749
	<b>2,662,839</b>	2,886,140	2,943,314	3,015,222	3,032,731



# AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279

# 2022

## FINANCIAL REPORT



Fortune · Happiness · Health · Luck · Responsibility

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# 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”), which are set out on pages 210 to 306, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- 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 significant accounting policies and other explanatory information.

#### 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 2022, 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.

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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 matters identified in our audit are related to revenue recognition and purchase price allocation for acquisition of 100% equity interest in Macau Pass Holding Ltd.

#### Key Audit Matters

#### How our audit addressed the Key Audit Matter

##### Revenue recognition

Refer to notes 2.24 and 5 to the consolidated financial statements.

The Group recognized revenue of HK\$351,414,000 (2021: HK\$253,242,000) from sales of lottery hardware, provision of lottery distribution and ancillary services, provision of electronic payment services (including provision of payment card services and ancillary services, e-wallet services and acquiring services for other payment platforms), games and entertainment and marketing technical services, non-lottery hardware sales and lease income of lottery hardware, payment terminals and equipment for the year ended 31 December 2022. Revenue of approximately HK\$176,680,000 was contributed by Macau Pass Holding Ltd. ("Macau Pass") since the date of acquisition.

Sales of lottery and non-lottery hardware are recognized when products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. For lottery distribution through physical channels and ancillary services, games and entertainment and marketing technical services, revenue is primarily recognized over time when the services are rendered according to the terms of services agreements. For provision of payment card services, provision of e-wallet services and provision of acquiring services for other payment platforms, revenue is primarily recognized at the point in time when such payment are made. For provision of ancillary card services, revenue is recognized over time when the service is rendered. Lease income from lottery hardware, payment terminals and equipment is recognized as revenue on a straight-line basis over the term of the lease.

We focused this area due to the magnitude and the volume of revenue transactions of the Group.

In response to this key audit matter, our audit work included controls testing and substantive procedures as follows:

- evaluated and tested the design and operating effectiveness of controls over the capture and measurement of revenue transactions;
- evaluated and tested the general controls and automated controls of the relevant information technology systems used in the business processes;
- evaluated the appropriateness of accounting policies on revenue recognition and the appropriateness of related accounting estimates and judgements made;
- performed substantive testing on the accuracy and occurrence of revenue using sampling techniques by examining contracts or service agreements, invoices, customer receipts, relevant data from the systems used in the business processes and obtaining confirmations from customers as applicable to respective revenue transactions; 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 and customer receipts.

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.



## INDEPENDENT AUDITOR'S REPORT

### Key Audit Matters

### How our audit addressed the Key Audit Matter

#### **Purchase price allocation for acquisition of 100% equity interest in Macau Pass**

Refer to notes 2.2 and 39 to the consolidated financial statements.

On 24 March 2022, the Group completed the acquisition of 100% equity interest in Macau Pass at an aggregate consideration of approximately HK\$776,182,000, comprising of a cash consideration of HK\$700,200,000 and a deferred consideration of HK\$75,982,000.

The Group determined the fair values of identifiable assets acquired and liabilities assumed of Macau Pass as at the date of acquisition by income approach with the assistance of an independent external valuer.

Based on the purchase price allocation, the Group recognized amortizable intangible assets of HK\$347,058,000, mainly representing brand name, customer relationship and business relationship. Goodwill of HK\$418,335,000, being the excess of considerations transferred over the fair value of identified net assets, was recognized.

The valuation of purchase price allocation involved significant management judgements and estimates in the determination of valuation model and the application of assumptions in the model, including future revenue growth rates and weighted average cost of capital used.

We focused on the valuation of purchase price allocation of Macau Pass because it is subject to high degree of estimation uncertainty due to complexity of the model and subjectivity of significant assumptions used.

We consider this area a key audit matter given the magnitude of the identified intangible assets and goodwill recognized, and the significant judgements and estimates involved in the valuation.

In response to this key audit matter, our audit work included the procedures as follows:

- discussed with management and obtained an understanding of management's internal controls and process of the purchase price allocation;
- evaluated the independent external valuer's objectivity, capability and competency;
- obtained the valuation report and discussed with the independent external valuer on the methodologies and key assumptions used;
- tested the completeness, mathematical accuracy and relevance of the underlying data used in management's cash flow projections adopted in the income approach; and
- assessed the appropriateness of methodologies and the reasonableness of key assumptions used in valuation including future revenue growth rates and weighted average cost of capital based on our knowledge of the business and industry and market research with the involvement of our internal valuation specialists.

Based on the above procedures performed, we found that the key judgement and assumptions applied by management in relation to the purchase price allocation for acquisition of 100% equity interest in Macau Pass were supportable by the evidence obtained.

## **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 judgement 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.

## INDEPENDENT AUDITOR'S REPORT

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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, 22 March 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2022

	Note	2022 HK\$'000	2021 HK\$'000
Revenue	5	351,414	253,242
Other income	7	13,503	15,961
Net other (losses)/gains	8	(25,443)	13,331
Employee benefits expenses	9	(127,788)	(116,784)
Purchase of and changes in inventories		(62,718)	(119,772)
Depreciation and amortization expenses	15,16,19	(66,581)	(20,557)
Other operating expenses	10	(212,102)	(91,206)
<b>Operating loss</b>		<b>(129,715)</b>	(65,785)
Loss on fair value changes of financial assets at fair value through profit or loss	31	(39,901)	(18,564)
Imputed interest expense on deferred consideration	30	(4,148)	–
Net finance income	11	44,364	17,117
<b>Loss before income tax</b>		<b>(129,400)</b>	(67,232)
Income tax (expense)/credit	12	(1,688)	4,182
<b>Loss for the year</b>	13	<b>(131,088)</b>	(63,050)
<b>Other comprehensive income:</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		(58,661)	14,843
Other comprehensive income for the year, net of tax		(58,661)	14,843
<b>Total comprehensive income for the year</b>		<b>(189,749)</b>	(48,207)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
For the year ended December 31, 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>(Loss)/profit attributable to:</b>			
Owners of the Company		<b>(126,700)</b>	(63,633)
Non-controlling interests		<b>(4,388)</b>	583
		<b>(131,088)</b>	(63,050)
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>(182,881)</b>	(50,164)
Non-controlling interests		<b>(6,868)</b>	1,957
		<b>(189,749)</b>	(48,207)
<b>Loss per share</b>			
Basic	14	<b>(HK1.11 cents)</b>	(HK0.55 cent)
Diluted	14	<b>(HK1.11 cents)</b>	(HK0.55 cent)

The notes on pages 219 to 306 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	34,295	4,293
Right-of-use assets	16	67,598	28,135
Investment properties	17	31,399	36,696
Goodwill	18	1,489,082	1,134,494
Other intangible assets	19	348,194	1,742
Deferred income tax assets	20	9,373	5,791
Investments accounted for using equity method	21	–	–
Financial assets at fair value through profit or loss	31	78,854	84,698
Other receivables, deposits and prepayments	22	16,882	14,895
		<b>2,075,677</b>	1,310,744
<b>Current assets</b>			
Inventories	23	33,072	22,380
Trade receivables	24	26,601	12,403
Other receivables, deposits and prepayments	22	263,090	98,003
Cash and bank balances	25	4,023,664	1,638,143
		<b>4,346,427</b>	1,770,929
<b>Total assets</b>		<b>6,422,104</b>	3,081,673
<b>Current liabilities</b>			
Trade payables	27	31,181	25,540
Accruals and other payables	28	1,718,736	95,476
Floats balance due to card or account holders	29	1,744,283	–
Contract liabilities	26	31,623	9,056
Card deposits due to cardholders	29	15,137	–
Current income tax liabilities		27	268
Deferred consideration payable	30	74,307	–
Lease liabilities	16	15,894	14,792
		<b>3,631,188</b>	145,132

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
As at December 31, 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>Non-current liabilities</b>			
Deferred income tax liabilities	20	43,759	4,907
Provision for warranties	32	27,680	29,775
Accruals and other payables	28	2,431	323
Lease liabilities	16	54,207	15,396
		<b>128,077</b>	50,401
<b>Total liabilities</b>		<b>3,759,265</b>	195,533
<b>Net assets</b>		<b>2,662,839</b>	2,886,140
<b>Equity</b>			
Share capital	33	23,344	23,344
Reserves attributable to owners of the Company		2,608,592	2,813,265
		<b>2,631,936</b>	2,836,609
Non-controlling interests		30,903	49,531
<b>Total equity</b>		<b>2,662,839</b>	2,886,140

The consolidated financial statements on pages 210 to 306 were approved by the Board of Directors on March 22, 2023 and were signed on its behalf by:

**Sun Ho**  
Director

**Hu Taoye**  
Director

The notes on pages 219 to 306 are an integral part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022

	Attributable to owners of the Company										Attributable to non-controlling interests	Total	
	Share capital	Share premium	Shares held for share award scheme	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
	(Note 33)		(Note (a))		(Note (b))		(Note (c))	(Note (d))	(Note (e))				
Balance at January 1, 2022	23,344	3,397,632	(118,855)	25,316	27,833	122,393	47,191	14,402	44,317	(746,964)	2,836,609	49,531	2,886,140
Loss for the year	-	-	-	-	-	-	-	-	-	(126,700)	(126,700)	(4,388)	(131,088)
Other comprehensive income for the year	-	-	-	-	-	(56,181)	-	-	-	-	(56,181)	(2,480)	(58,661)
Total comprehensive income for the year	-	-	-	-	-	(56,181)	-	-	-	(126,700)	(182,881)	(6,868)	(189,749)
Recognition of equity settled share-based payments	-	-	-	1,721	-	-	-	-	-	-	1,721	-	1,721
Purchase of shares under share award scheme	-	-	(23,602)	-	-	-	-	-	-	-	(23,602)	-	(23,602)
Transfer of shares upon vesting of share awards under share award scheme	-	369	10,806	(11,175)	-	-	-	-	-	-	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(11,760)	(11,760)
Transactions with shareholder	-	-	-	-	-	-	-	-	210	-	210	-	210
- Employee share-based compensation recharge	-	-	-	-	-	-	-	-	(121)	-	(121)	-	(121)
Transfer to accumulated losses	-	-	-	-	(5,451)	-	-	-	-	5,451	-	-	-
Balance at December 31, 2022	23,344	3,398,001	(131,651)	15,862	22,382	66,212	47,191	14,402	44,406	(868,213)	2,631,936	30,903	2,662,839

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended December 31, 2022

	Attributable to owners of the Company											Attributable to non-controlling interests	Total
	Share capital	Share premium	Shares held for share award scheme	Share awards reserve	Statutory reserve	Exchange reserve	Contributed surplus	Property revaluation reserve	Other reserve	Accumulated losses	Subtotal		
	HK\$'000 (Note 33)	HK\$'000	HK\$'000 (Note (a))	HK\$'000	HK\$'000 (Note (b))	HK\$'000	HK\$'000	HK\$'000 (Note (c))	HK\$'000 (Note (d))	HK\$'000 (Note (e))	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 year	-	-	-	-	-	-	-	-	-	(63,633)	(63,633)	583	(63,050)
Other comprehensive income for the year	-	-	-	-	-	13,469	-	-	-	-	13,469	1,374	14,843
Total comprehensive income for the year	-	-	-	-	-	13,469	-	-	-	(63,633)	(50,164)	1,957	(48,207)
Recognition of equity settled share-based payments	-	-	-	9,059	-	-	-	-	-	-	9,059	-	9,059
Purchase of shares under share award scheme	-	-	(17,262)	-	-	-	-	-	-	-	(17,262)	-	(17,262)
Transfer of shares upon vesting of share awards under share award scheme	-	2,334	21,388	(23,722)	-	-	-	-	-	-	-	-	-
Transaction with shareholder	-	-	-	-	-	-	-	-	698	-	698	-	698
- Employee share-based compensation	-	-	-	-	-	-	-	-	(1,462)	-	(1,462)	-	(1,462)
- Employee share-based compensation recharge	-	-	-	-	-	-	-	-	-	(1,077)	-	-	-
Transfer from accumulated losses	-	-	-	-	1,077	-	-	-	-	-	-	-	-
Balance at December 31, 2021	23,344	3,397,632	(118,855)	25,316	27,833	122,393	47,191	14,402	44,317	(746,964)	2,836,609	49,531	2,886,140

**Notes:**

- (a) 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 35 for further information). Shares vested to selected participants are recognized on a weighted average basis. As at December 31, 2022, 258,954,900 shares were held for share award scheme (2021: 201,194,400).
- (b) 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.
- (c) Contributed surplus represents the transfer from the share premium account in prior years.
- (d) 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.
- (e) 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.

The notes on pages 219 to 306 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	2022 HK\$'000	2021 HK\$'000
<b>Cash flows from operating activities</b>		
Loss before income tax	(129,400)	(67,232)
Adjustments for:		
Share-based payments	1,931	9,757
Depreciation and amortization expenses	66,581	20,557
Provision for warranties charged to profit or loss	8,157	14,476
Gain on disposals of property, plant and equipment	(83)	(866)
Loss on fair value changes of investment properties	2,331	8,434
Loss on fair value changes of financial assets at fair value through profit or loss	39,901	18,564
Imputed interest expense on deferred consideration	4,148	–
Reversal of loss allowance on trade and other receivables	(205)	–
Reversal of loss allowance on loan to a joint venture	–	(263)
Loss allowance on cash and bank balances	304	–
Loss allowance on amount due from a joint venture	–	1,282
Net finance income	(44,364)	(17,117)
	(50,699)	(12,408)
<b>Changes in working capital</b>		
Inventories	(10,270)	944
Trade receivables	(14,339)	(989)
Other receivables, deposits and prepayments	(39,867)	3,051
Amounts due from/to fellow subsidiaries	1,446	(6,231)
Amounts due from related parties	(49,236)	–
Amount due from/to a joint venture	136	(4,713)
Trade payables	(18,466)	14,657
Contract liabilities	16,403	(1,878)
Accruals and other payables	1,553,878	(12,982)
Floats balance due to card or account holders	1,372,959	–
Card deposits due to cardholders	(189)	–
Provision for warranties	(6,569)	(7,034)
Cash generated from/(used in) operations	2,755,187	(27,583)
Income tax (paid)/return	(7,599)	1,444
Net cash generated from/(used in) operating activities	2,747,588	(26,139)

CONSOLIDATED STATEMENT OF CASH FLOWS  
For the year ended December 31, 2022

Note	2022 HK\$'000	2021 HK\$'000
<b>Cash flows from investing activities</b>		
Purchases for property, plant and equipment	(30,135)	(2,525)
Proceeds from disposal of property, plant and equipment	158	3,010
Issue of convertible term loans to a joint venture	(34,057)	(103,262)
Proceeds from repayment of loan by a joint venture	–	71,825
Decrease in fixed deposits held at bank with original maturity over three months	540,885	932,904
(Increase)/decrease in pledged bank deposits	(2,134)	293
Acquisition of Macau Pass Group	39 (277,153)	–
Loan to an associate	(9,705)	–
Interest received	46,146	20,187
Net cash generated from investing activities	234,005	922,432
<b>Cash flows from financing activities</b>		
Payments to trustees for purchase of shares under share award scheme	(18,466)	(23,529)
Interest element of lease rentals paid	(2,402)	(2,996)
Payment of principal portion of lease liabilities	(16,904)	(16,020)
Dividend paid to non-controlling interests	(11,760)	–
Net cash used in financing activities	(49,532)	(42,545)
<b>Net increase in cash and cash equivalents</b>	<b>2,932,061</b>	<b>853,748</b>
Cash and cash equivalents at beginning of year	1,088,450	237,380
Exchange losses on cash and cash equivalents	(5,401)	(2,678)
<b>Cash and cash equivalents at end of year</b>	<b>4,015,110</b>	<b>1,088,450</b>

Note: The principal non-cash transactions included purchases and transfer of shares upon vesting of share awards under share award scheme discussed in Notes 35.

CONSOLIDATED STATEMENT OF CASH FLOWS  
For the year ended December 31, 2022

**(a) Reconciliation of liabilities arising from financing activities:**

	Lease liabilities HK\$'000
Balance as at January 1, 2021	55,444
Termination of leases	(1,880)
Modification of leases	(8,446)
Interest expense	2,996
Cash flows	(19,016)
Currency translation difference	1,090
<hr/>	
Balance as at December 31, 2021 and January 1, 2022	<b>30,188</b>
Addition of leases	<b>55,033</b>
Acquisition through business combination	<b>2,666</b>
Modification of leases	<b>1,047</b>
Interest expense	<b>2,402</b>
Cash flows	<b>(19,306)</b>
Currency translation difference	<b>(1,929)</b>
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Balance as at December 31, 2022	<b>70,101</b>

The notes on pages 219 to 306 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 1 GENERAL INFORMATION

AGTech Holdings Limited (the “Company”) and its subsidiaries (together “the Group”) are principally engaged in electronic payment services, lottery, mobile games and entertainment and marketing technical services and non-lottery hardware supply markets with a focus on the People’s Republic of China (“PRC”) and Macau.

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 and financial assets at fair value through profit or loss, 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 January 1, 2022:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRS	Annual Improvements to HKFRSs 2018 - 2020
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021

The amendments listed above did not have material 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 January 1, 2022 and have not been applied in preparing these consolidated financial statements:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	January 1, 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to HKAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
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. These standards and amendments are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

## 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 unrealized gains on transactions between group companies are eliminated. Unrealized 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.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture 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 joint arrangement are recognized in the Group’s consolidated financial statements only to the extent of unrelated investor’s interests in the joint arrangement. Unrealized 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 Investments accounted for using equity method (continued)

#### 2.3.2 Associates (continued)

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.

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. Unrealized 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'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 Foreign currency translation (continued)

#### (c) Group companies (continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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.

#### (d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

## 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 amortization from the time when the land interest becomes available for its intended use. Amortization 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%
Business server system, card readers and others	33 1/3% - 50%
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. Customer relationship, business relationship and brand name acquired in a business combination are recognized at fair value at the acquisition date.

Intangible assets that have a finite useful life are carried at cost less accumulated amortization and impairment. Amortization is calculated using the straight-line method to allocate the cost of intangible assets over their estimated useful lives, as followed:

Customer relationship – bus companies	6 <sup>2</sup> / <sub>3</sub> %
Business relationship – acquiring services	10%
Brand name	6 <sup>2</sup> / <sub>3</sub> %
Software	33 <sup>1</sup> / <sub>3</sub> %

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 amortization 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.10 Financial assets

#### (a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### (b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade date, being 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 financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.10 Financial assets (continued)

#### (c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### (i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized 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 other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.10 Financial assets (continued)

#### (c) Measurement (continued)

##### (ii) *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

### 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 amortized 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 amortized 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.

### 2.15 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 amortized cost using the effective interest method.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.18 Floats balance due to card or account holders

Floats balance due to card or account holders are prepayments from Macau Pass Card or MPay account holders. The balances are repayable on demand and classified as current liabilities. Floats balance due to card or account holders are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### 2.19 Card deposits due to cardholders

Card deposits due to cardholders are deposits from Macau Pass Card holders. The balances are repayable on demand upon the return of the cards to the Group and classified as current liabilities. Card deposits due to cardholders are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### 2.20 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 realized 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 utilized.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.20 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 utilized.

#### (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.

### 2.21 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)

### 2.22 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-market 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)

### 2.23 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.

### 2.24 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.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.24 Revenue recognition (continued)

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

Lottery and non-lottery hardware sales are recognized when the Group 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 2.23 and 32).

#### (b) Provision of services

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

For provision of payment card services and ancillary services, provision of e-wallet services and provision of acquiring services for other payment platforms, revenue is primarily recognized at the point in time when such payment are made.

Card related other service income is recognized over time when the service is rendered.

#### (c) Lease income

Lease income of lottery hardware, payment terminals and equipment are recognized as revenue on a straight-line basis over the term of the lease.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.25 Rental income

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

### 2.26 Interest income

Interest income is recognized using the effective interest method.

### 2.27 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)

### 2.27 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. 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)

### 2.28 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 foreign exchange 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. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

Majority of the Group's bank deposits were denominated in United States dollars ("US\$"), Hong Kong dollars ("HK\$"), Macau Patacas ("MOP") and Renminbi ("RMB"). RMB-denominated bank deposits were primarily held by the entities of which functional currency is RMB, MOP-denominated bank deposits were primarily held by the entities of which functional currency is MOP, and US\$ and HK\$ denominated bank deposits were primarily held by the entities of which functional currency is HK\$. Since MOP is pegged to HK\$ and 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\$ and MOP.

At December 31, 2022, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in Indian Rupee of HK\$78,854,000 (2021: HK\$84,698,000) which the related foreign exchange risk has not been hedged. If Hong Kong dollar had strengthened/weakened by 5% against Indian Rupee with all other variables held constant, the Group's loss for the year would have been HK\$3,943,000 (2021: HK\$4,235,000) higher/lower respectively.

This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rate had occurred at the end of the reporting period. The stated change represents reasonably next possible changes in foreign exchange rates over the period until the end of the next reporting period.

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 convertible term loans to a joint venture. Fair value interest rate risk is the risk that the fair value of the future cash flows of the financial instruments will fluctuate because of changes in market interest rates.

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.

The sensitivity analysis of the convertible term loans is disclosed in Note 31. 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.

##### *(iii) Other price risk*

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

##### (b) Credit risk

The credit risk of the Group mainly arises from cash and bank balances, other receivables and deposits, trade receivables and convertible terms loans to a joint venture that are measured at fair value through profit or loss. 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 expected credit loss is assessed by incorporates key parameters, including probability of default, loss given default, exposures of default and other adjustment factors and was assessed to be immaterial as at December 31, 2021. Cash and bank balances of the Macau Pass Group was consolidated into the financial statements of the Group from March 24, 2022, which drove the increase in the cash and bank balance, the Group provided HK\$304,000 of loss allowance on cash and bank balances for the year ended December 31, 2022 (2021: Nil).

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk (continued)

For other receivables and deposits, the balances mainly comprise of loan to an associate, amounts due from fellow subsidiaries, amount due from related parties, amount due from a joint venture and rental and utilities deposits. For amounts due from fellow subsidiaries and related parties 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\$1,282,000 and HK\$64,000 of loss allowance on amount due from 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. 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, no loss allowance were recognized (2021: loss allowance of HK\$1,282,000 were recognized and HK\$263,000 were reversed) in profit or loss in relation to other receivables and deposits.

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. For trade receivables from customers other than governmental lottery authorities or operators authorized by such authorities, they are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced. The expected credit loss identified of approximately HK\$17,000 was immaterial as at December 31, 2022.

For convertible term loans to a joint venture that are measured at fair value through profit or loss, credit risk has been considered in the fair value measurement of the convertible term loans.

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

As at December 31, 2022, the Group is subject to concentration of credit risk as 28% (2021: 35%) 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.



### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Financial risk factors (continued)

##### (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 December 31, 2022, the Group has no available unutilized banking facilities (2021: 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.

	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
<b>At December 31, 2022</b>				
Trade payables	31,181	–	31,181	31,181
Accruals and other payables	1,709,495	2,431	1,711,926	1,711,926
Floats balance due to card or account holders	1,744,283	–	1,744,283	1,744,283
Card deposits due to cardholders	15,137	–	15,137	15,137
Deferred consideration payable	75,982	–	75,982	74,307
Lease liabilities	18,305	60,932	79,237	70,101
	<b>3,594,383</b>	<b>63,363</b>	<b>3,657,746</b>	<b>3,646,935</b>
<b>At December 31, 2021</b>				
Trade payables	25,540	–	25,540	25,540
Accruals and other payables	86,645	323	86,968	86,968
Lease liabilities	17,550	23,176	40,726	30,188
	129,735	23,499	153,234	142,696

### 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 2021.

The capital structure of the Group consists of net debt (which includes trade payables, accruals and other payables (excluding current portion of provision for warranty), contract liabilities and lease liabilities, floats balance due to card or account holders, card deposits due to cardholders, deferred consideration payable, net of cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital and reserves).

All credit institutions incorporated in Macau shall observe a capital adequacy ratio as stipulated by the notice issued by Autoridade Monetária de Macau (Monetary Authority of Macao) ("AMCM"). Apart from that, 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:

	2022 HK\$'000	2021 HK\$'000
Debt	<b>3,678,558</b>	151,752
Less: cash and cash equivalents	<b>(4,015,110)</b>	(1,088,450)
Net cash	<b>336,552</b>	936,698
Equity attributable to owners of the Company	<b>2,631,936</b>	2,836,609
Net debt-to-equity ratio	<b>N/A</b>	N/A

As at December 31, 2022, 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

The table below analyses the Group's financial instruments carried at fair value as at December 31, 2022 by level of the inputs to valuation techniques used to measure fair value. The level of the inputs are categorized 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
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#### Financial assets at fair value through profit or loss

Convertible term loans	–	–	78,854	78,854
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The following table presents the Group's financial instruments that are measured at fair value as at December 31, 2021:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
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#### Financial assets at fair value through profit or loss

Convertible term loans	–	–	84,698	84,698
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### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.3 Fair value estimation (Continued)

See Notes 17 and 31 for disclosures of the measurement of investment properties and convertible term loans 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 December 31, 2022 and 2021 have been arrived at on the basis of valuation carried out on the respective dates by AVISTA Valuation Advisory Limited ("AVISTA"). The fair values of the convertible term loans as at December 31, 2022 and 2021 have been arrived at on the basis of valuation carried out by GW Financial Advisory Services Limited ("GWFASL"). See Notes 17 and 31 for disclosures of the basis of valuation of investment properties and convertible term loans that are measured at fair value. AVISTA and GWFASL 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.

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 as applicable; 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. Details of the judgement and assumptions have been disclosed in Note 18.

**(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 generates 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.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

**(e) 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.

**(f) Valuation of financial assets at fair value through profit or loss**

The fair value of financial assets at fair value through profit or loss has been determined based on discounted contractual cash flows. These calculations require the use of estimates, including discount rates and credibility of counter party. Details of the judgement and assumptions have been disclosed in Note 31.

**(g) Provision for warranties**

The Group generally offers three-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.

**(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.

**(i) Business combination**

Accounting for acquisitions requires the Group to allocate the purchase price to specific assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The Group has undertaken processes to identify all assets acquired and liabilities assumed, including acquired intangible assets. Judgements made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset's useful lives, could materially impact the calculation of goodwill and depreciation and amortization charges in subsequent periods. Estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management. Determining the estimated useful lives of tangible and intangible assets acquired also requires judgement. Different conclusions around these judgements may materially impact how these investments presented and measured in the consolidated statement of financial position of the Group.

## 5 REVENUE

Revenue represents the amounts received and receivable from lottery hardware sales (including provision of related after-sales services), provision of lottery distribution and ancillary services in Mainland China, provision of electronic payment services in Macau (including provision of payment card services and ancillary services, e-wallet services and acquiring services for other payment platforms), games and entertainment and marketing technical services, non-lottery hardware sales and lease income of lottery hardware, payment terminals and equipment in Mainland China and Macau and is analysed as follows:

	2022 HK\$'000	2021 HK\$'000
Lottery		
(i) Lottery hardware sales	<b>102,009</b>	168,154
(ii) Lottery distribution through physical channels and ancillary services	<b>63,410</b>	42,883
(iii) Lottery games and systems	–	67
Electronic payment		
(i) Provision of payment card services and ancillary services	<b>87,949</b>	–
(ii) Provision of e-wallet services	<b>32,401</b>	–
(iii) Provision of acquiring services for other payment platforms	<b>52,505</b>	–
Games and entertainment and marketing technical services	<b>5,387</b>	21,566
Non-lottery hardware sales	<b>2,425</b>	20,572
Subtotal	<b>346,086</b>	253,242
Lease income of lottery hardware, payment terminals and equipment	<b>5,328</b>	–
Total	<b>351,414</b>	253,242

## 6 SEGMENT INFORMATION

The executive Directors have been identified as the chief operating decision maker (“CODM”). The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. On March 24, 2022, the Group acquired the Macau Pass Group which is principally engaged in the provision of payment card services, e-wallet services, acquiring services, as well as sales and leasing of card reader and scanner payment terminals in Macau (as detailed in Note 39), and it is considered as a new operating and reportable segment by the CODM. In light of the business acquired on March 24, 2022, the Group reorganized its internal reporting structure which resulted in changes to the composition of its reporting segments by line of businesses, which are (i) Lottery operation; (ii) Electronic payment and related services, respectively. The CODM is of the view that the revised presentation of the operating segment information better reflects the Group’s operations and this is consistent with the internal information regularly reviewed by the CODM for the purposes of resources allocation and assessment of performance. Prior period segment disclosures have been revised to conform with the current period’s presentation.

Principal activities of the Group’s reportable segments are as follows:

Lottery operation – sales and leasing of lottery hardware (including provision of related after-sale services), provision of lottery distribution and ancillary services in Mainland China; and other related services.

Electronic payment and related services – provision of payment card services and ancillary services; provision of e-wallet services; provision of acquiring services for other payment services providers; sale and leasing of payment terminals and equipment; and other related services in Macau.

Segment results represent the profit earned or loss incurred by each segment without allocation of results attributable to net finance income, income tax, depreciation and amortization expenses, net other gains/losses, gain or loss on fair value changes of financial assets at fair value through profit or loss, imputed interest expense on deferred consideration, unallocated other income and unallocated expenses (the “Adjusted EBITDA”). Unallocated expenses mainly includes corporate and head office expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.



## 6 SEGMENT INFORMATION (continued)

Information regarding the above reportable segments is reported as below:

### (a) Segment revenue and results

For the year ended December 31

	Lottery operation		Electronic payment and related services		Total	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue</b>						
Recognized at a point in time	<b>104,337</b>	188,726	<b>162,062</b>	–	<b>266,399</b>	188,726
Recognized over time	<b>65,240</b>	64,516	<b>14,447</b>	–	<b>79,687</b>	64,516
Lease income of lottery hardware, payment terminals and equipment	<b>1,597</b>	–	<b>3,731</b>	–	<b>5,328</b>	–
Total Revenue	<b>171,174</b>	253,242	<b>180,240</b>	–	<b>351,414</b>	253,242
<b>Adjusted EBITDA</b>	<b>1,894</b>	(14,997)	<b>(11,842)</b>	–	<b>(9,948)</b>	(14,997)
Net finance income					<b>44,364</b>	17,117
Depreciation and amortization expenses					<b>(66,581)</b>	(20,557)
Net other (losses)/gains					<b>(25,443)</b>	13,331
Loss on fair value changes of financial assets					<b>(39,901)</b>	(18,564)
Imputed interest expense on deferred consideration					<b>(4,148)</b>	–
Unallocated other income					<b>3,521</b>	3,586
Unallocated expenses					<b>(31,264)</b>	(47,148)
Loss before income tax					<b>(129,400)</b>	(67,232)

## 6 SEGMENT INFORMATION (continued)

### (b) Segment assets and liabilities

There was no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

### (c) Geographical information

The Group's operations are mainly located in the Mainland China and Macau.

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*	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China	171,174	235,131	1,129,314	1,213,689
Macau	180,240	–	852,646	–
Hong Kong	–	–	5,490	6,566
Others	–	18,111	–	–
	<b>351,414</b>	253,242	<b>1,987,450</b>	1,220,255

\* Non-current assets represent non-current assets other than financial assets at fair value through profit or loss and deferred income tax assets.

### Information about major customers

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

	2022 HK\$'000	2021 HK\$'000
Customer A	47,427	N/A*
Customer B	N/A*	39,284
Customer C	N/A*	32,133
Customer D	N/A*	25,330
	<b>47,427</b>	96,747

\* The corresponding customer did not contribute over 10% to the Group's revenue in 2021 or 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**7 OTHER INCOME**

	2022 HK\$'000	2021 HK\$'000
Rental income from investment properties	3,521	3,586
Recharge for technical services to a joint venture	121	212
Recharge for rental services to a joint venture	377	3,090
Write-back of contract liabilities in relation to games and entertainment business	–	887
Compensation income in relation to lottery games and systems business	–	7,967
Other technical services income	5,432	–
Sundry service income	2,837	–
Others	1,215	219
	<b>13,503</b>	15,961

**8 NET OTHER (LOSSES)/GAINS**

	2022 HK\$'000	2021 HK\$'000
Loss on fair value changes of investment properties (Note 17)	<b>(2,331)</b>	(8,434)
Foreign exchange (loss)/gain	<b>(23,096)</b>	21,918
Reversal of loss allowance/(loss allowance) on		
– loan to a joint venture	–	263
– amount due from a joint venture	–	(1,282)
– trade and other receivables	205	–
– cash and bank balances	<b>(304)</b>	–
Gain on disposals of property, plant and equipment	83	866
	<b>(25,443)</b>	13,331

## 9 EMPLOYEE BENEFITS EXPENSES

	2022 HK\$'000	2021 HK\$'000
Fees, salaries, discretionary bonuses and other benefits	110,672	87,497
Share-based payments	1,931	9,757
Defined contributions plans	15,185	19,530
<b>Total employee benefits expenses</b>	<b>127,788</b>	116,784

### (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 in Hong Kong and Macau Private Pension Fund in Macau to which all qualified employees of the Group 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.

Contributions totalling approximately HK\$1,243,000 (2021: HK\$638,000) were payable to the funds 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 (2021: one) Director whose emolument is reflected in the analysis shown in Note 38. The emoluments payable to the remaining four (2021: four) individuals during the year are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and other benefits	6,462	6,064
Defined contributions plans	383	500
Discretionary bonus	283	478
Share-based payments	1,770	2,683
<b>Total</b>	<b>8,898</b>	9,725

## 9 EMPLOYEE BENEFITS EXPENSES (continued)

### (b) Five highest paid individuals (continued)

Their emoluments fell within the following bands:

	2022 Number of individuals	2021 Number of individuals
HK\$1,500,001 to HK\$2,000,000	2	1
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	1	1
	<b>4</b>	<b>4</b>

No emoluments were paid by the Group to any of the above four (2021: four) individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 10 OTHER OPERATING EXPENSES

	2022 HK\$'000	2021 HK\$'000
Marketing and distribution expenses	90,968	28,763
Transaction service fees	41,747	–
Handling fees (for stored value top-up services)	20,665	–
Technology service fees	1,978	4,564
Provision for warranties	8,157	14,476
Legal and professional fees	9,924	13,421
Management and administrative service fees to fellow subsidiaries	4,936	7,390
Rent, rates and property management fees	4,655	3,477
Telecommunication and postage	4,921	193
Repair and maintenance	1,949	216
Office expenses	4,209	2,701
Travel and transportation expenses	4,036	4,183
Auditor's remuneration	2,661	4,300
Others	11,296	7,522
	<b>212,102</b>	<b>91,206</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11 NET FINANCE INCOME

	2022 HK\$'000	2021 HK\$'000
Interest income on bank deposits	45,080	16,933
Interest income on loan to an associate	1,686	1,397
Interest income on loan to a joint venture	–	1,783
Interest expense on lease liabilities	(2,402)	(2,996)
	<b>44,364</b>	<b>17,117</b>

## 12 INCOME TAX EXPENSE/(CREDIT)

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

北京亞博科技有限公司 (Beijing AGTech Co., Ltd.\*) (“Beijing AGTech”), 北京亞博高騰科技有限公司 (Beijing AGTech GOT Technology Co., Ltd.\*) (“GOT”) and 北京思德泰科技發展有限公司 (Beijing Systek Science & Technology Development Co., Ltd.\*) (“Beijing Systek”) are subject to PRC Enterprise Income Tax (“EIT”) at 15% for both years, as Beijing AGTech, GOT and Beijing Systek are recognized as High and New Technology Enterprise under the PRC EIT Law. 珠海橫琴中澳通電子支付技術有限公司 (Zhuhai Hengqin Zhongtaotong Electronic Payment Technology Co., Ltd.\*) is subject to EIT at 15% for the year ended December 31, 2022, as it is recognized as High and New Technology Enterprise under the PRC EIT Law for the year ended December 31, 2022. Other PRC subsidiaries of the Group are subject to PRC EIT at 25% for both years.

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in the PRC to a foreign investor are generally subject to a 10% withholding tax.

\* For identification purpose only

	2022 HK\$'000	2021 HK\$'000
Current tax:		
- PRC EIT on assessable profit for the year	180	176
- Adjustments in respect of prior years	32	(1,977)
- Withholding tax on dividend paid (note)	7,127	–
Deferred tax (Note 20):		
- Origination and reversal of temporary differences	(5,651)	(2,381)
Income tax expense/(credit)	<b>1,688</b>	<b>(4,182)</b>

note:

Withholding tax is charged at 10% on dividend declared by a subsidiary in Mainland China and payable to its holding company in Hong Kong.

## 12 INCOME TAX EXPENSE/(CREDIT) (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:

	2022 HK\$'000	2021 HK\$'000
Loss before income tax	<b>(129,400)</b>	(67,232)
Tax calculated at domestic income tax rates	<b>(21,235)</b>	(13,802)
Income not subject to tax	<b>(10,668)</b>	(24,229)
Expenses not deductible for tax purposes	<b>19,967</b>	20,270
Utilization of previously unrecognized tax losses	<b>(11,055)</b>	(5,023)
Tax losses and other temporary differences for which no deferred income tax asset was recognized	<b>17,520</b>	20,579
Adjustments in respect of prior years	<b>32</b>	(1,977)
Withholding tax on dividend	<b>7,127</b>	–
Income tax expense/(credit)	<b>1,688</b>	(4,182)

## 13 LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2022 HK\$'000	2021 HK\$'000
Share-based payments		
- Directors and eligible employees (Note 9)	<b>1,931</b>	9,757
Auditor's remuneration		
- Audit services	<b>2,640</b>	1,800
- Audit-related services	<b>21</b>	2,500

## 14 LOSS PER SHARE

### (a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company for the year ended December 31, 2022 of approximately HK\$126,700,000 (2021: loss of approximately HK\$63,633,000) by the weighted average number of ordinary shares outstanding during the year of approximately 11,672,342,000 (2021: approximately 11,672,342,000) shares and excluding the weighted average number of shares held for share award scheme of approximately 237,023,000 (2021: approximately 155,184,000) 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 one category of dilutive potential ordinary shares: share awards. For the 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 awards.

For the years ended December 31, 2022 and 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**15 PROPERTY, PLANT AND EQUIPMENT**

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Business server system, card readers and others HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>							
Balance at January 1, 2021	877	9,097	4,658	-	7,123	5,755	27,510
Additions	-	30	895	-	1,600	-	2,525
Disposals	-	(540)	(2,530)	-	(1,702)	-	(4,772)
Currency translation differences	26	251	90	-	371	95	833
Balance at December 31, 2021 and January 1, 2022	903	8,838	3,113	-	7,392	5,850	26,096
Additions	-	20,382	2,440	5,692	110	1,511	30,135
Acquisition through business combination	-	161	3,735	9,128	538	-	13,562
Disposals	-	-	(195)	-	(16)	(65)	(276)
Currency translation differences	(75)	(696)	(346)	(3)	(547)	(267)	(1,934)
Balance at December 31, 2022	828	28,685	8,747	14,817	7,477	7,029	67,583
<b>Accumulated depreciation and impairment</b>							
Balance at January 1, 2021	548	8,744	4,154	-	2,527	4,249	20,222
Depreciation charge	44	397	502	-	2,271	316	3,530
Disposals	-	(540)	(1,722)	-	(365)	-	(2,627)
Currency translation differences	17	237	73	-	257	94	678
Balance at December 31, 2021 and January 1, 2022	609	8,838	3,007	-	4,690	4,659	21,803
Depreciation charge	43	1,067	1,747	7,445	1,880	822	13,004
Disposals	-	-	(128)	-	(8)	(65)	(201)
Currency translation differences	(52)	(703)	(27)	(1)	(320)	(215)	(1,318)
Balance at December 31, 2022	600	9,202	4,599	7,444	6,242	5,201	33,288
<b>Net book amount</b>							
Balance at December 31, 2022	228	19,483	4,148	7,373	1,235	1,828	34,295
Balance at December 31, 2021	294	-	106	-	2,702	1,191	4,293

## 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:

	December 31, 2022 HK\$'000	December 31, 2021 HK\$'000
<b>Right-of-use assets</b>		
Buildings	67,598	28,135
	<b>67,598</b>	28,135
<b>Lease liabilities</b>		
Current	15,894	14,792
Non-current	54,207	15,396
	<b>70,101</b>	30,188

Additions to the right-of-use assets during the year ended December 31, 2022 was HK\$56,070,000 (2021: HK\$Nil).

The future lease payment relating to leases:

	2022 HK\$'000	2021 HK\$'000
Lease payables as follow:		
Within 1 year	18,305	17,550
Between 1 and 2 years	8,252	11,272
Between 2 and 5 years	26,141	9,748
Over 5 years	26,539	2,156
Total lease payments	79,237	40,726
Less: future finance charges	(9,136)	(10,538)
Total lease liabilities	70,101	30,188
Less: portion classified as current liabilities	(15,894)	(14,792)
Non-current liabilities	54,207	15,396

## 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:

	December 31, 2022 HK\$'000	December 31, 2021 HK\$'000
<b>Depreciation charge of right-of-use assets</b>		
Buildings	20,051	17,027
	<b>20,051</b>	17,027
Interest expense (included in net finance income)	2,402	2,996
Expense relating to short-term leases (included in other operating expenses)	1,531	438

The total cash outflow for leases in the year ended December 31, 2022 was HK\$19,306,000 (2021: HK\$19,454,000).

- (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 ten 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 maximize 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

	2022 HK\$'000	2021 HK\$'000
<b>At fair value</b>		
Balance at beginning of year	36,696	43,941
Loss on fair value changes	(2,331)	(8,434)
Currency translation differences	(2,966)	1,189
Balance at end of year	31,399	36,696
<b>Amounts recognized in profit or loss</b>		
Rental income	3,521	3,586
Direct operating expenses from properties that generated rental income	(1,051)	(982)
	2,470	2,604

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 December 31, 2022, no investment properties of the Group (2021: 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 December 31, 2022 and 2021 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
<b>Office units in the Mainland China</b>				
December 31, 2022	–	31,399	–	31,399
December 31, 2021	–	36,696	–	36,696

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

	2022 HK\$'000	2021 HK\$'000
<b>Cost</b>		
Balance at beginning of year	1,137,351	1,115,087
Arising from acquisition of Macau Pass Group	418,335	–
Currency translation differences	(63,747)	22,264
Balance at end of year	1,491,939	1,137,351
<b>Accumulated impairment</b>		
Balance at beginning and end of year	2,857	2,857
<b>Net book amount</b>		
Balance at end of year	1,489,082	1,134,494

Goodwill of the Group arose from the acquisition of subsidiaries 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 in Mainland China and electronic payment related businesses in Macau.

After the completion of acquisition of Macau Pass Group in March 2022, the Group reorganized its internal reporting structure which resulted in changes in the composition of its reporting segments. Goodwill is allocated to the Group's cash generating units identified according to the operating segments as follows:

	2022 HK\$'000	2021 HK\$'000
Lottery operation	1,070,828	1,134,494
Electronic payment and related services	418,254	–
	1,489,082	1,134,494

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## 18 GOODWILL (continued)

### Lottery operation

As at December 31, 2022, the fair value less costs of disposal of the lottery operation CGU was primarily determined based on an adjusted ratio of enterprise value divided by revenue (the "adjusted EV/Revenue ratio") of 6.0, multiplied by the revenue of the CGU. The adjusted EV/Revenue ratio was determined by comparable public companies chosen based on factors such as industry similarity and company size etc. In performing the impairment test, the Directors have engaged an independent external valuer to assist them with the Valuation. As at December 31, 2022, the management determined that there was no impairment of goodwill related to lottery operation CGU based on the fair value less costs of disposal calculation.

### Electronic payment and related services

As at December 31, 2022, the recoverable amount of electronic payment and related services CGU is determined based on value in use calculation. The calculation uses pre-tax cash flow projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. In performing the impairment testing, the Directors have made reference to a valuation performed by an independent external valuer.

The key assumptions used in the value in use calculation was the average revenue growth rates for the next five years of 26.9%, the terminal growth rate of 3% and the pre-tax discount rate of 15.7%. Revenue growth was based on past performance, current industry trends, inflation forecasts and management's expectations of market development. Long term growth rate was consistent with the economic and industry forecasts. Discount rate was pre-tax and reflected specific risks relating to the CGU. As at December 31, 2022, the management determined that there was no impairment of goodwill related to electronic payment and related services CGU based on the value in use calculation.

## 19 OTHER INTANGIBLE ASSETS

	Customer relationship HK\$'000	Business relationship HK\$'000	Brand name HK\$'000	Club membership HK\$'000	Software HK\$'000	Total HK\$'000
<b>Cost</b>						
Balance at January 1, 2021, December 31, 2021 and January 1, 2022	-	-	-	1,742	-	1,742
Acquisition through business combination (Note 39)	106,623	7,477	232,958	-	32,986	380,044
Currency translation differences	(19)	(1)	(43)	-	(6)	(69)
Balance at December 31, 2022	106,604	7,476	232,915	1,742	32,980	381,717
<b>Accumulated amortization and impairment</b>						
Balance at January 1, 2021, December 31, 2021 and January 1, 2022	-	-	-	-	-	-
Amortization charge	5,468	575	11,946	-	15,537	33,526
Currency translation differences	-	-	-	-	(3)	(3)
Balance at December 31, 2022	5,468	575	11,946	-	15,534	33,523
<b>Net book amount</b>						
Balance at December 31, 2022	101,136	6,901	220,969	1,742	17,446	348,194
Balance at December 31, 2021	-	-	-	1,742	-	1,742

Customer relationship, business relationship and brand name were identified as part of the acquisition of Macau Pass Group (see Note 39 for details). They are recognized at fair value at the date of acquisition and subsequently amortized on a straight-line based on their estimated useful lives.

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

Amortization charges of HK\$35,526,000 (2021: HK\$nil) had been included in depreciation and amortization expenses in the consolidated statement of profit or loss and other comprehensive income.



## 20 DEFERRED INCOME TAX

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

	2022 HK\$'000	2021 HK\$'000
<b>Deferred tax assets:</b>		
Deferred tax assets to be recovered after more than 12 months	7,987	4,466
Deferred tax assets to be recovered within 12 months	1,386	1,325
	<b>9,373</b>	5,791
<b>Deferred tax liabilities:</b>		
Deferred tax liabilities to be recovered after more than 12 months	40,952	4,907
Deferred tax liabilities to be recovered within 12 months	2,807	–
	<b>43,759</b>	4,907

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 HK\$'000	Tax losses HK\$'000	Total HK\$'000
At January 1, 2021	4,522	–	4,522
Currency translation differences	153	–	153
Credited to profit or loss	1,116	–	1,116
At December 31, 2021 and January 1, 2022	5,791	–	5,791
Currency translation differences	(491)	(1)	(492)
Acquisition through business combination (Note 39)	–	932	932
Credited to profit or loss	238	2,904	3,142
At December 31, 2022	5,538	3,835	9,373

**20 DEFERRED INCOME TAX (continued)****Deferred tax liabilities**

	Investment properties HK\$'000	Intangible assets HK\$'000	Total HK\$'000
At January 1, 2021	5,889	–	5,889
Currency translation differences	283	–	283
Credited to profit or loss	(1,265)	–	(1,265)
At December 31, 2021 and January 1, 2022	4,907	–	4,907
Currency translation differences	(279)	(7)	(286)
Acquisition through business combination (Note 39)	–	41,647	41,647
Credited to profit or loss	(350)	(2,159)	(2,509)
At December 31, 2022	4,278	39,481	43,759

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from January 1, 2008 onwards. As at December 31, 2022, no withholding tax had been provided for the earnings of approximately HK\$196,698,000 (2021: HK\$214,456,000) 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\$1,196,274,000 (2021: HK\$1,293,516,000) 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\$809,419,000 (2021: HK\$945,994,000) 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\$386,855,000 (2021: HK\$347,522,000) 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:

	2022 HK\$'000	2021 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:

	2022 HK\$'000	2021 HK\$'000
The Group's share of:		
Loss from continuing operation	–	–
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	–	–
	–	–

The amount of unrecognized share of loss of an associate for the current year was approximately HK\$5,349,000 (2021: HK\$5,491,000) and cumulative unrecognized loss was approximately HK\$20,764,000 (2021: HK\$15,415,000).

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
			2022	2021		
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:

	2022 HK\$'000	2021 HK\$'000
Unlisted investment, at cost	125,845	125,845
Share of post-acquisition profit or loss and other comprehensive income, net of dividends received	(122,922)	(122,922)
Exchange difference	(2,923)	(2,923)
	–	–

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

	2022 HK\$'000	2021 HK\$'000
The Group's share of:		
Loss from continuing operation	–	–
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	–	–
	–	–

The amount of unrecognized share of loss of a joint venture for the current year was approximately HK\$24,262,000 (2021: HK\$83,966,000) and cumulative unrecognized loss was approximately HK\$110,326,000 (2021: HK\$86,064,000).

## 21 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

### Joint venture (continued)

The tables below provide summarized 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 joint venture and not the Group's share of those amounts.

	2022 HK\$'000	2021 HK\$'000
<b>Current assets</b>		
Cash and cash equivalents	11,514	44,807
Other current assets	154,030	65,222
	<b>165,544</b>	110,029
<b>Non-current assets</b>	<b>49,250</b>	58,526
<b>Current liabilities</b>		
Financial liabilities (excluding trade and other payables and provisions)	9,882	2,600
Other current liabilities	115,292	117,743
	<b>125,174</b>	120,343
<b>Non-current liabilities</b>	<b>246,900</b>	194,672
<b>Net liabilities</b>	<b>(157,280)</b>	(146,460)

## 21 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

### Joint venture (continued)

	2022 HK\$'000	2021 HK\$'000
Revenue	460,246	348,290
Interest income	1,184	1,440
Marketing expense	(185,878)	(227,767)
Depreciation and amortization	(3,334)	(2,986)
Interest expense	(26,400)	(15,067)
Income tax credit	2,122	11,579
Loss from continuing operations	(53,966)	(186,538)
Loss for the period	(53,966)	(186,538)
Other comprehensive income	50	(53)
Total comprehensive income	(53,916)	(186,591)
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
		2022	2021		
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**

	2022 HK\$'000	2021 HK\$'000
Other receivables, net of loss allowance	<b>237,363</b>	71,472
Interest receivables	–	1,066
Rental, utility and other deposits	<b>32,032</b>	28,934
Prepayments	<b>10,577</b>	11,426
	<b>279,972</b>	112,898
Less non-current portion	<b>(16,882)</b>	(14,895)
	<b>263,090</b>	98,003

At December 31, 2022, other receivables included amounts due from fellow subsidiaries of approximately HK\$1,813,000 (2021: HK\$1,941,000), amounts due from related parties of approximately HK\$49,248,000 (2021: Nil), amount due from a joint venture less loss allowance of approximately HK\$24,136,000 (2021: HK\$24,272,000) and loan to an associate together with accrued interest thereon less loss allowance of approximately HK\$43,974,000 (2021: HK\$32,595,000).

Loan to an associate of approximately HK\$38,796,000 (2021: HK\$29,103,000) was unsecured, carried interest of 4.8% (2021: 4.8%) per annum and repayable on demand. Provision for loss allowance of HK\$64,000 (2021: HK\$64,000) was made on this loan.

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

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, MOP, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23 INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Raw materials	3,652	6,553
Work in progress	–	–
Finished goods	29,420	15,827
	<b>33,072</b>	22,380

The cost of inventories recognized as expense and included in 'purchase of and changes in inventories' amounted to approximately HK\$62,718,000 (2021: HK\$119,772,000). The amount of inventory write-downs for the year ended December 31, 2022 was approximately HK\$Nil (2021: HK\$1,105,000).

## 24 TRADE RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables	26,618	12,403
Loss allowance	(17)	–
	<b>26,601</b>	12,403

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 before loss allowance was as follows:

	2022 HK\$'000	2021 HK\$'000
0 to 30 days	24,178	11,122
31 to 60 days	755	1,056
61 to 90 days	159	145
91 to 120 days	560	–
121 to 365 days	672	39
Over 365 days	294	41
	<b>26,618</b>	12,403



## 24 TRADE RECEIVABLES (continued)

At December 31, 2022, trade receivables of approximately HK\$24,178,000 (2021: HK\$11,122,000) were full performing.

At December 31, 2022, trade receivables of approximately HK\$2,440,000 (2021: HK\$1,281,000) 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 and MOP.

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

	2022 HK\$'000	2021 HK\$'000
Cash and cash equivalents	4,015,110	1,088,450
Fixed deposits held at bank with original maturity over three months	–	538,076
Pledged bank deposits	2,053	–
Restricted cash	6,501	11,617
	<b>4,023,664</b>	1,638,143

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 3.98% (2021: 0.001% to 3.6%) per annum.

As at December 31, 2021, fixed deposits held at bank with original maturity over three months carried effective interest at 0.49% per annum.

Pledged bank deposits represented deposits pledged with banks to secure letters of guarantee granted to the Group carrying effective interest at Nil (2021: 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\$6,482,000 (2021: approximately HK\$11,617,000) 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. In addition, a restricted bank deposit was held for performance guarantees provided by a Macau bank in favor of the Macau government for service projects of Macau Pass to the extent of approximately HK\$19,000. The bank guarantees are secured by the restricted bank deposit provided by the Group amounting to approximately HK\$19,000.

## 25 CASH AND BANK BALANCES (continued)

At December 31, 2022, a loss allowance of approximately HK\$304,000 (2021: Nil) is provided for cash and cash equivalents.

As at December 31, 2022, cash and bank balance included prepayments and deposit from Macau Pass Card or MPay account holders and the fund received from the Macau Government under the 2022 Electronic Consumption Benefits Plan (the "ECBP") in Macau which is payable to merchants upon the consumption by Macau citizen or to Macau Government upon termination of ECBP in 2023. For details, please refer to Note 28 and 29.

As at December 31, 2022 and 2021, cash and bank balances were denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
HK\$	155,386	15,671
RMB	171,453	224,718
MOP	3,162,567	–
United States dollars	534,083	1,397,548
Others	175	206
	<b>4,023,664</b>	1,638,143

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

	2022 HK\$'000	2021 HK\$'000
Contract liabilities in relation to lottery hardware	14,435	8,610
Contract liabilities in relation to provision of lottery distribution and ancillary services	247	446
Contract liabilities in relation to provision of e-wallet services	16,065	–
Contract liabilities in relation to provision of payment card services and ancillary services	653	–
Contract liabilities in relation to non-lottery hardware	223	–
Total current contract liabilities	<b>31,623</b>	9,056

## 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.

	2022 HK\$'000	2021 HK\$'000
<b>Revenue recognized that was included in the contract liability balance at the beginning of year</b>		
Lottery hardware	8,610	6,101
Provision of lottery distribution and ancillary services	169	743
	<b>8,779</b>	<b>6,844</b>

## 27 TRADE PAYABLES

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

	2022 HK\$'000	2021 HK\$'000
0 to 30 days	28,418	24,544
31 to 60 days	141	61
61 to 90 days	32	–
91 to 120 days	91	175
121 to 365 days	720	–
Over 365 days	1,779	760
	<b>31,181</b>	<b>25,540</b>

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. The carrying amount of trade payables is approximated to its fair value.

## 28 ACCRUALS AND OTHER PAYABLES

	2022 HK\$'000	2021 HK\$'000
Accrued expenses	28,136	19,878
Other payables	1,693,031	75,921
	<b>1,721,167</b>	95,799
Less non-current portion	<b>(2,431)</b>	(323)
	<b>1,718,736</b>	95,476

As at December 31, 2022, other payables included amounts due to fellow subsidiaries of approximately HK\$48,041,000 (2021: HK\$50,973,000), which was unsecured, interest-free and repayable on demand. The other payables also included the outstanding living subsidy and outstanding third round of funds under ECBP in Macau to be distributed to the registered card/MPay users of approximately HK\$1,355.9 million (2021: Nil).

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 and MOP.

The fair value of other payables approximated to their carrying amounts.

## 29 FLOATS BALANCE DUE TO CARD OR ACCOUNT HOLDERS AND CARD DEPOSITS DUE TO CARDHOLDERS

The Group entered into an engagement with the Macau government as one of the registered payment platforms for ECBP. Floats balance due to card or account holders represent the balances of prepayment and the start-up fund under ECBP from Macau Pass Card or MPay account holders in relation to the electronic payment business in Macau. As at December 31, 2022, the balance included the start-up fund under ECBP of approximately HK\$1,256.5 million (2021: Nil). The balances are repayable on demand and management expects the majority of the floats balance will be utilized in the coming 12 months.

Card deposits due to cardholders represent the deposits from Macau Pass Card holders in relation to the electronic payment business in Macau. The balances are repayable on demand upon the return of the cards to the Company, management expects the majority of the deposits will not be redeemable in the coming 12 months.

Under the regulations of AMCM, the total amount of cash and bank deposits and net receivables from participating service providers of Macau Pass S.A. should not be less than the aggregate amount of floats balance due to card or account holders, card deposits and net payables to participating service providers at all times.

### 30 DEFERRED CONSIDERATION PAYABLE

	2022 HK\$'000	2021 HK\$'000
Balance at beginning of year	–	–
Acquisition through business combination	<b>70,159</b>	–
Imputed interest expense	<b>4,148</b>	–
Balance at end of year	<b>74,307</b>	–

According to the terms of the sale and purchase agreement for the acquisition of Macau Pass Holding Ltd. and its subsidiaries (including Macau Pass) (“Macau Pass Group”), the deferred consideration payable subject to the downward adjustment mechanism and the fulfillment of the payment conditions, an amount equal to HK\$77,800,000 (or the balance thereof after the adjustment(s), if any) shall be paid to the sellers on the date falling on the first anniversary after March 24, 2022 (or the next Business day if such anniversary falls on a non-business day). For details, please refer to the circular of the Company dated October 29, 2021. The deferred consideration payable from acquisition of Macau Pass Group (as defined in Note 39) as at March 24, 2022 are estimated to be approximately HK\$70,159,000.

The deferred consideration payable as at December 31, 2022 has been measured by discounting the contractual cash flows over the contractual term of the consideration payable at the discount rate 10.3%, which were appropriate to the risk level of the consideration payable, with reference to the prevailing market rates and other relevant indicators. The carrying amount of deferred consideration payable is approximated to its fair value.

### 31 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at December 31, 2022, financial assets at fair value through profit or loss in the sum of approximately HK\$78.9 million represents the convertible term loan facilities in the maximum amount of INR1,319.4 million (or approximately HK\$137.3 million) which had been provided by the Group to, and fully utilized by, its joint venture company in India, Paytm First Games Private Limited (the "JV"). A fair value losses of such financial assets of approximately HK\$39.9 million was recognized for the year ended December 31, 2022 (2021: HK\$18.6 million).

The convertible term loans are unsecured and are repayable on the dates falling after 60 months from the respective dates of their utilization or can 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 facility) or otherwise by mutual agreement among the JV, One97 Communications Limited ("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.

	<b>Convertible term loans</b> HK\$'000
As at January 1, 2021	–
Issue of convertible term loans	103,262
Loss on fair value changes	(18,564)
<b>As at December 31, 2021</b>	<b>84,698</b>
As at January 1, 2022	84,698
Issue of convertible term loans	34,057
Loss on fair value changes	(39,901)
<b>As at December 31, 2022</b>	<b>78,854</b>

### 31 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

#### Valuation techniques

The convertible term loans are treated as financial assets at fair value through profit or loss of the Group and are subject to fair value measurement (determined by discounting the contractual cash flows (the principal amount and all periodic interests) over the contractual term of the convertible term loans at discount rates with reference to the yield of comparable bonds adjusted for specific loan market.

#### Information about fair value measurement using significant unobservable inputs (level 3) - convertible term loans

As at December 31, 2022

Description	Fair value (HK\$'000)	Valuation technique	Unobservable Inputs	Range (Weighted average)	Relationship of unobservable inputs to fair value
Convertible term loans	78,854 (2021: 84,698)	Discounted cash flow	Discount rate	23.42% to 23.82% (2021: 14.93% to 15.03%)	The higher the discount rate, the lower the fair value

If the discount rate has increased/decreased by 1%, with all other variables held constant, the fair values of the convertible term loans would change by approximately -HK\$2,339,000/+HK\$2,431,000.

## 32 PROVISION FOR WARRANTIES

	2022 HK\$'000	2021 HK\$'000
Balance at beginning of year	38,606	30,147
Amount charged to profit or loss	8,157	14,476
Amounts utilized	(6,569)	(7,034)
Currency translation differences	(3,273)	1,017
Balance at end of year	36,921	38,606
Less non-current portion	(27,680)	(29,775)
	<b>9,241</b>	8,831

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 utilized in six years.

Provision for warranties of approximately HK\$8,157,000 (2021: provision for warranties of approximately HK\$14,476,000) was included in 'other operating expenses'.

## 33 SHARE CAPITAL

	Number of shares (in thousand)	HK\$'000
<b>Authorized:</b>		
Ordinary shares of HK\$0.002 each	20,000,000	40,000
<b>Issued and fully paid:</b>		
At December 31, 2021 and December 31, 2022	11,672,342	23,344

## 34 DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2021: Nil).



## 35 SHARE-BASED PAYMENT TRANSACTIONS

### Share option scheme prior to November 17, 2014 (“2004 Share Option Scheme”)

The 2004 Share Option Scheme was adopted pursuant to a resolution passed on November 18, 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 November 18, 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 November 18, 2004 had lapsed in 2019.

## 35 SHARE-BASED PAYMENT TRANSACTIONS (continued)

### Share option scheme on or after December 23, 2014 (“2014 Share Option Scheme”)

The 2014 Share Option Scheme was adopted pursuant to a resolution passed on December 23, 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 December 23, 2014.

### 35 SHARE-BASED PAYMENT TRANSACTIONS (continued)

#### Share option scheme on or after December 23, 2014 (“2014 Share Option Scheme”) (continued)

During the years ended December 31, 2021 and 2022, no share 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 December 31, 2022, there were no outstanding options granted by the Company pursuant to any share option scheme.

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.

The fair values of options granted in previous years were calculated using the binominal model, details of which are as follows:

	Date of grant		
	July 7, 2015	June 1, 2015	January 20, 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.

### 35 SHARE-BASED PAYMENT TRANSACTIONS (continued)

#### Share option scheme on or after December 23, 2014 (“2014 Share Option Scheme”) (continued)

On June 22, 2015, certain options previously granted to eligible employee were forfeited by cancellation. On July 7, 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 March 17, 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.

### 35 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 December 31, 2022:

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\$)
May 15, 2017	Directors and eligible employees	100,618,500	0.9% as at December 31, 2017	1.33	133,822,605
January 10, 2018	Certain eligible persons	28,800,000	0.26% as at December 31, 2018	1.26	36,288,000
September 11, 2018	Director and certain eligible persons	75,690,000	0.67% as at December 31, 2018	0.58	43,900,200
May 17, 2019	Certain eligible persons	55,200,000	0.47% as at December 31, 2019	0.45	24,840,000
December 9, 2019	Director and certain eligible persons	16,100,000	0.14% as at December 31, 2019	0.315	5,071,500
May 20, 2020	Director and certain eligible persons	52,744,000	0.45% as at December 31, 2020	0.48	25,317,120
December 17, 2021	Certain eligible persons	8,500,000	0.07% as at December 31, 2021	0.255	2,167,500
August 12, 2022	Director and certain eligible persons	46,568,900	0.40% as at December 31, 2022	0.275	12,806,448
November 9, 2022	Certain eligible persons	18,000,000	0.15% as at December 31, 2022	0.255	4,590,000
<b>Total:</b>		<b>402,221,400</b>			

All of the 402,221,400 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.

### 35 SHARE-BASED PAYMENT TRANSACTIONS (continued)

#### Share award scheme (“Share Award Scheme”) (continued)

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.

	Directors	Eligible employees	Total
Outstanding at January 1, 2021	9,924,000	101,765,000	111,689,000
Granted during the year	–	8,500,000	8,500,000
Vested during the year	(4,866,000)	(30,792,500)	(35,658,500)
Forfeited during the year	–	(34,900,000)	(34,900,000)
Outstanding at December 31, 2021 and January 1, 2022	5,058,000	44,572,500	49,630,500
Granted during the year	–	64,568,900	64,568,900
Vested during the year	(3,366,000)	(20,497,500)	(23,863,500)
Forfeited during the year	–	(10,780,000)	(10,780,000)
Outstanding at December 31, 2022	1,692,000	77,863,900	79,555,900

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 December 31, 2022 was HK\$0.269 per share (2021: HK\$0.255 per share).

## 36 COMMITMENTS

### (a) Capital commitment

The outstanding commitment for capital expenditure is as follow:

	2022 HK\$'000	2021 HK\$'000
Contracted but not provided for Acquisition of Macau Pass Group	–	778,000
	–	778,000

See Note 39 for disclosure of the acquisition of Macau Pass Group.

### (b) Commitments under operating leases

#### The Group as lessor

Property rental income earned during the year was approximately HK\$3,521,000 (2021: HK\$3,586,000). 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:

	2022 HK\$'000	2021 HK\$'000
Within one year	3,746	2,552
In the second to fifth years inclusive	2,029	37
	5,775	2,589

### 37 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	2022 HK\$'000	2021 HK\$'000
Revenue of games and entertainment business from fellow subsidiaries	(i)	22	53
Revenue of games and entertainment business from a joint venture	(ii)	–	18,111
Revenue of electronic payment business from related parties	(iii)	6,255	–
Revenue of non-lottery hardware business from a fellow subsidiary	(iv)	2,554	1,434
Recharge for technical services to a joint venture	(v)	121	212
Recharge for rental services to a joint venture	(vi)	377	3,090

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 revenue received from related parties for electronic payment business which is based on pre-determined fee basis as stipulated in the agreement.
- (iv) This represents the revenue received from a fellow subsidiary for non-lottery hardware business which is based on pre-determined fee basis as stipulated in the agreement.
- (v) This represents the recharge for technical services to a joint venture which is charged at pre-determined fee basis as stipulated in the agreement.
- (vi) This represents the recharge for rental services to a joint venture which is charged at pre-determined fee basis as stipulated in the agreement.



## 37 RELATED PARTY TRANSACTIONS (continued)

### (b) Purchases of goods and services

	Note	2022 HK\$'000	2021 HK\$'000
Recharge for operation of lottery distribution from fellow subsidiaries	(i)	4,261	3,413
Recharge for service fees for electronic payment business from related parties	(ii)	19,594	–
Purchase of technology services from fellow subsidiaries	(iii)	2,066	2,514
Recharge for rental services from fellow subsidiaries	(iv)	19	19
Recharge for management and administrative services from fellow subsidiaries	(v)	5,454	7,833
Purchase of marketing services for lottery distribution business from a fellow subsidiary	(vi)	117	129

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 service fees for electronic payment business from related parties which are based on pre-determined fee basis as stipulated in the agreement.
- (iii) 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.
- (iv) 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.
- (v) 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.
- (vi) 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.

### 37 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:

	2022 HK\$'000	2021 HK\$'000
Short-term employee benefits	6,525	6,563
Share-based payments	1,419	1,795
Post-employment benefits	198	198
	<b>8,142</b>	8,556

#### (d) Loan to related parties

	Note	2022 HK\$'000	2021 HK\$'000
Loan to an officer	(i)	–	1,999
Loan to an associate, net of loss allowance	(ii)	43,974	32,595
Convertible term loans to a joint venture (note 31)		78,854	84,698

Notes:

- (i) This represents the loan granted to an officer of the Company for an original period of two years which was expired on December 31, 2018 and extended for three years. It was further 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. As at December 31, 2022, the officer was no longer an employee of the Company.
- (ii) This represents the loan granted to an associate together with accrued interest. The loan was unsecured, carried interest of 4.8% per annum and repayable on demand.

**38 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS**

The remuneration of every Director and the chief executive is set out below:

**For the year ended December 31, 2022**

	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
<b>Executive Directors:</b>					
Mr. Sun Ho	4,290	264	1,187	198	5,939
Ms. Hu Taoye	–	1,371	232	–	1,603
<b>Non-executive Directors:</b>					
Mr. Liu Zheng (iii)	–	–	–	–	–
Mr. Yang Guang (iv)	–	–	–	–	–
Mr. Li Jie (v)	–	–	–	–	–
Mr. Ji Gang	–	–	–	–	–
Mr. Zou Liang	–	–	–	–	–
<b>Independent non-executive Directors:</b>					
Ms. Monica Maria Nunes (vi)	13	–	–	–	13
Mr. Chow Siu Lui (vii)	187	–	–	–	187
Mr. Feng Qing	200	–	–	–	200
Dr. Gao Jack Qunyao	200	–	–	–	200
<b>Total emoluments</b>	<b>4,890</b>	<b>1,635</b>	<b>1,419</b>	<b>198</b>	<b>8,142</b>

### 38 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

For the year ended December 31, 2021

	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
<b>Executive Directors:</b>					
Mr. Sun Ho	4,290	–	1,052	198	5,540
Ms. Hu Taoye	–	1,673	743	–	2,416
<b>Non-executive Directors:</b>					
Mr. Li Faguang (ii)	–	–	–	–	–
Mr. Liu Zheng (iii)	–	–	–	–	–
Mr. Yang Guang	–	–	–	–	–
Mr. Ji Gang	–	–	–	–	–
Mr. Zou Liang	–	–	–	–	–
<b>Independent non-executive Directors:</b>					
Ms. Monica Maria Nunes	200	–	–	–	200
Mr. Feng Qing	200	–	–	–	200
Dr. Gao Jack Qunyao	200	–	–	–	200
<b>Total emoluments</b>	<b>4,890</b>	<b>1,673</b>	<b>1,795</b>	<b>198</b>	<b>8,556</b>

Notes:

- (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 35 above.
- (ii) Resigned on December 20, 2021.
- (iii) Appointed on December 20, 2021.
- (iv) Resigned on April 28, 2022.
- (v) Appointed on April 28, 2022.
- (vi) Resigned on January 24, 2022.
- (vii) Appointed on January 24, 2022.

### **38 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)**

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 December 31, 2022 (2021: Nil). None of the Directors waived or agreed to waive their emoluments during the year ended December 31, 2022 (2021: 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 December 31, 2022 (2021: 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 (2021: None).

## 39 BUSINESS COMBINATION

### Summary of acquisition

On March 24, 2022, the Group completed the acquisition of 100% equity interest in the Macau Pass Group. The results of the Macau Pass Group have been consolidated into the Group since then. The Macau Pass Group is principally engaged in (i) the provision of 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 in Macau.

Acquisition-related costs amounting to approximately HK\$9,750,000 have been excluded from the consideration transferred and have been recognized directly as an expense in the year ended December 31, 2021 within the “other operating expenses” line item in the consolidated statement of profit or loss and other comprehensive income of the Group.

Considerations transferred and to be transferred:

	Note	HK\$'000
Cash consideration		
– Initial consideration paid		700,200
– Deferred consideration	30	77,800
Total consideration		778,000
Less: Downward adjustment on deferred consideration		(1,818)
Less: Imputed interest income on deferred consideration		(5,823)
Fair value of the consideration		770,359

### 39 BUSINESS COMBINATION (continued)

The assets and liabilities recognized as a result of the acquisition are as follows:

	HK\$'000
Property, plant and equipment	13,562
Right-of-use assets	2,598
Other intangible assets	32,986
Deferred income tax assets	932
Inventories	2,604
Trade and other receivables	70,063
Cash and cash equivalents	423,047
Restricted cash	19
Trade and other payables	(102,423)
Floats balance due to card or account holders	(371,608)
Contract liabilities	(7,172)
Card deposits due to cardholders	(15,329)
Lease liabilities	(2,666)
<b>Carrying amount of identifiable net assets of the Macau Pass Group</b>	<b>46,613</b>
<b>Goodwill arising on acquisition:</b>	
Fair value of the consideration	770,359
Less: Net identifiable assets acquired	
Carrying amount of identifiable net assets of the Macau Pass Group	(46,613)
Fair value adjustments on	
– Customer Relationship – Bus Companies	(106,623)
– Business Relationship – Acquiring Services	(7,477)
– Brand Name	(232,958)
Recognition of deferred tax liabilities arising from the fair value adjustments	41,647
<b>Goodwill</b>	<b>418,335</b>
<b>Net cash outflow arising on acquisition:</b>	
Consideration paid in cash	700,200
Less: cash and cash equivalents acquired	(423,047)
	<b>277,153</b>

### **39 BUSINESS COMBINATION (continued)**

The goodwill is attributable to the expected synergies to the Group's existing businesses, particularly for the mobile games and entertainment and supply of non-lottery hardware businesses, as well as broadening the revenue base of the Group through integrations along the value chain. None of the goodwill is expected to be deductible for tax purpose.

The acquired Macau Pass Group contributed revenue of approximately HK\$176,680,000 and loss of approximately HK\$26,007,000 to the Group for the period from March 24, 2022 to December 31, 2022.

If the acquisition had been effected on January 1, 2022, the consolidated pro-forma revenue and loss for the year ended December 31, 2022 would have been approximately HK\$420,913,000 and approximately HK\$147,351,000 respectively. The aforesaid pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2022, nor is it intended to be a projection of future results.



#### 40 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>		
Investments in subsidiaries	–	–
<b>Current assets</b>		
Amounts due from subsidiaries	3,199,759	3,224,655
Other receivables, deposits and prepayments	1,881	3,207
Cash and bank balances	6,867	18,043
	<b>3,208,507</b>	3,245,905
<b>Total assets</b>	<b>3,208,507</b>	3,245,905
<b>Current liabilities</b>		
Accruals and other payables	8,606	15,551
Amounts due to subsidiaries	23,931	25,005
	<b>32,537</b>	40,556
<b>Total liabilities</b>	<b>32,537</b>	40,556
<b>Net assets</b>	<b>3,175,970</b>	3,205,349
<b>Equity</b>		
Share capital	23,344	23,344
Reserves	3,152,626	3,182,005
<b>Total equity</b>	<b>3,175,970</b>	3,205,349

The financial statements were approved by the Board of Directors on March 22, 2023 and were signed on its behalf by:

**Sun Ho**  
Director

**Hu Taoye**  
Director

## 40 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

### Reserve movement

	Share premium HK\$'000	Shares held for share award scheme 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 January 1, 2021	3,395,298	(122,981)	39,979	47,191	(149)	(155,863)	3,203,475
Loss for the year	-	-	-	-	-	(12,503)	(12,503)
Recognition of equity settled share-based payments	-	-	9,059	-	-	-	9,059
Purchase of shares under share award scheme	-	(17,262)	-	-	-	-	(17,262)
Transfer of shares upon vesting of share awards under share award scheme	2,334	21,388	(23,722)	-	-	-	-
Transaction with shareholder							
– Employee share-based compensation	-	-	-	-	698	-	698
– Employee share-based compensation recharge	-	-	-	-	(1,462)	-	(1,462)
Balance at December 31, 2021	3,397,632	(118,855)	25,316	47,191	(913)	(168,366)	3,182,005
Loss for the year	-	-	-	-	-	(7,587)	(7,587)
Recognition of equity settled share-based payments	-	-	1,721	-	-	-	1,721
Purchase of shares under share award scheme	-	(23,602)	-	-	-	-	(23,602)
Transfer of shares upon vesting of share awards under share award scheme	369	10,806	(11,175)	-	-	-	-
Transaction with shareholder							
– Employee share-based compensation	-	-	-	-	210	-	210
– Employee share-based compensation recharge	-	-	-	-	(121)	-	(121)
Balance at December 31, 2022	3,398,001	(131,651)	15,862	47,191	(824)	(175,953)	3,152,626

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 41 PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at December 31, 2022 and 2021 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
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\$135.6 million	100% (held indirectly)	Research and development of sports lottery information technology, payment and marketing platforms
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	Paid-up capital of HK\$150 million	100% (held indirectly)	Provision of sports lottery management and marketing consultancy services and distribution through offline channels
Fortune Happy Investment Limited	Incorporated	Hong Kong, limited liability company	Hong Kong	Ordinary shares of HK\$10,000	100% (held indirectly)	Investment holding
Exequus Co. Ltd.	Incorporated	BVI, limited liability company	PRC	50,000 ordinary shares of US\$1 each	100% (held indirectly)	Investment holding
北京亞博科技有限公司 (Beijing AGTech Co., Ltd.*)	Wholly-foreign owned Enterprise	PRC, limited liability company	PRC	Paid-up capital of RMB150 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 sales 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 (i))	Domestic enterprise	PRC, limited liability company	PRC	Paid-up capital of RMB30 million	100% (held indirectly)	Provision for users with online information services
AGTech MPass Investment Limited	Incorporated	BVI, limited liability company	Macau	1 ordinary share of US\$1	100% (held indirectly)	Investment holding
AGTech MPass Services Limited	Incorporated	BVI, limited liability company	Macau	1 ordinary share of US\$1	100% (held indirectly)	Investment holding
Macau Pass Holding Ltd.	Incorporated	Macau, limited liability company	Macau	Paid-up capital of MOP200,000	100% (held indirectly)	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**41 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
Macau Pass S.A.	Incorporated	Macau, limited liability company	Macau	Paid-up capital of MOP100 million	100% (held indirectly)	provision of payment card services via "Macau Pass Cards" and ancillary card services, the provision of e-wallet services known as "MPay", provision of acquiring services for other payment service providers, and sales and leasing of payment terminals and equipment in Macau
Macau MPASS Digital Life Services Limited	Incorporated	Macau, limited liability company	Macau	Registered capital of MOP100,000	100% (held indirectly)	Provision of marketing platform
珠海橫琴中澳通電子支付技術有限公司 (Zhuhai Hengqin Zhongatong Electronic Payment Technology Co., Ltd. *)	Domestic enterprise	PRC, limited liability company	PRC	Paid-up capital of RMB300,000	100% (held indirectly)	Research and development

\* For identification purpose only

## 41 PRINCIPAL SUBSIDIARIES (continued)

Note:

- (i) 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 December 31, 2022 and 2021.