

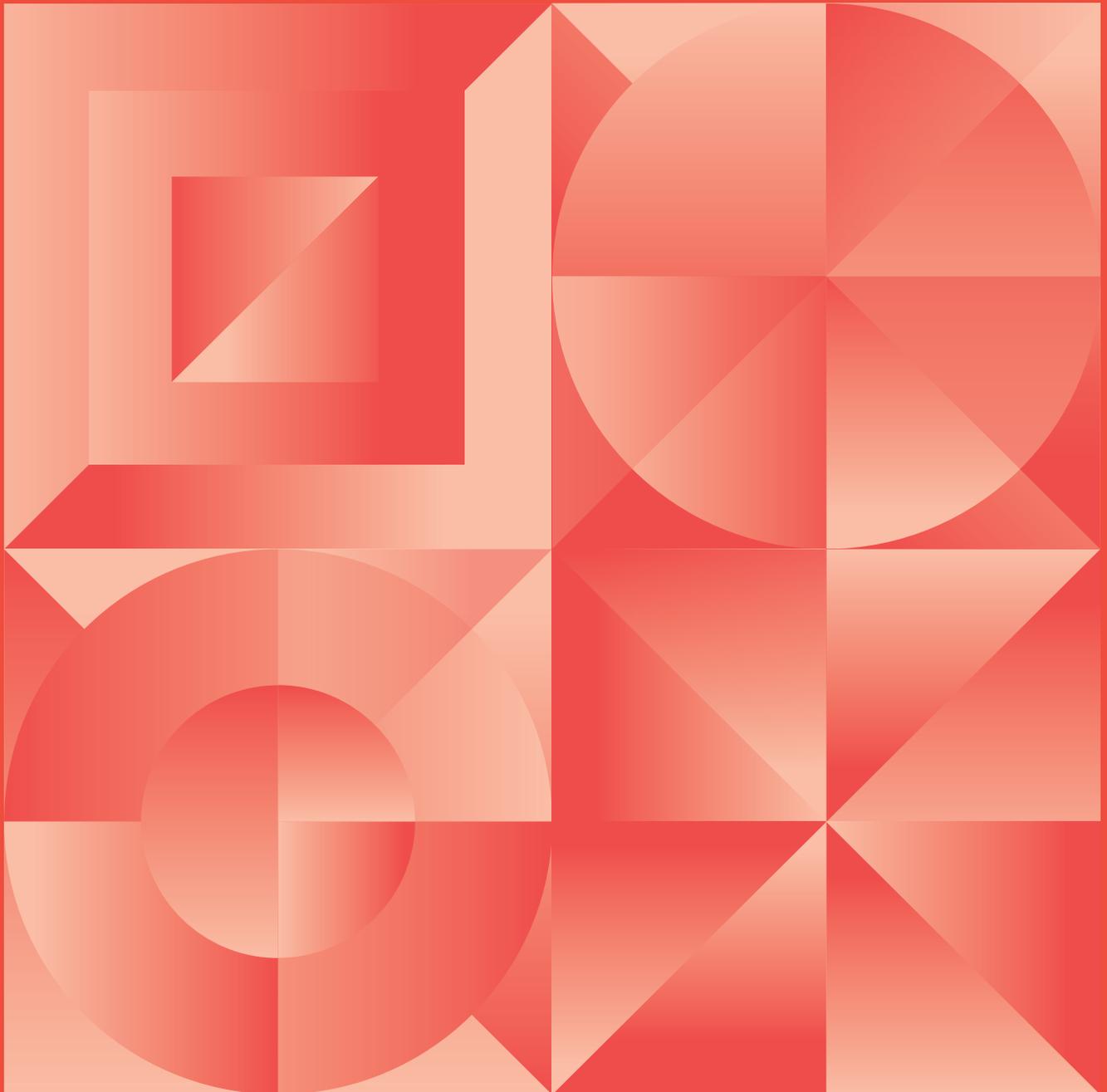


# 2021

**AGTech Holdings Limited**

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

## ANNUAL REPORT



Fortune · Happiness · Health · Luck · Responsibility

# CHARACTERISTICS OF GEM

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

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

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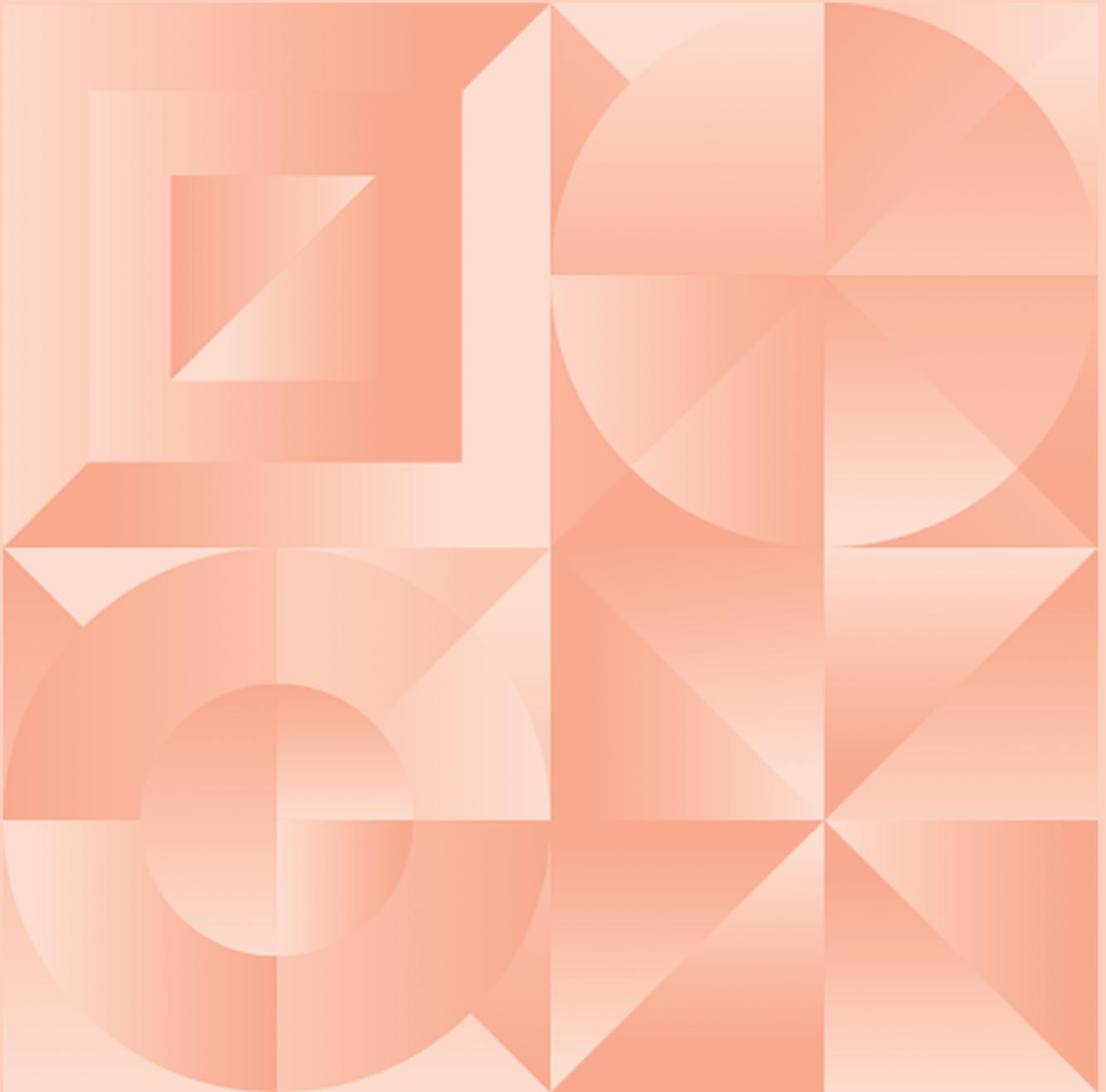
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We provide the PRC lottery market with fully integrated professional lottery hardware and services, with a view to boosting lottery sales and bringing fortune to lottery players.

# FORTUNE

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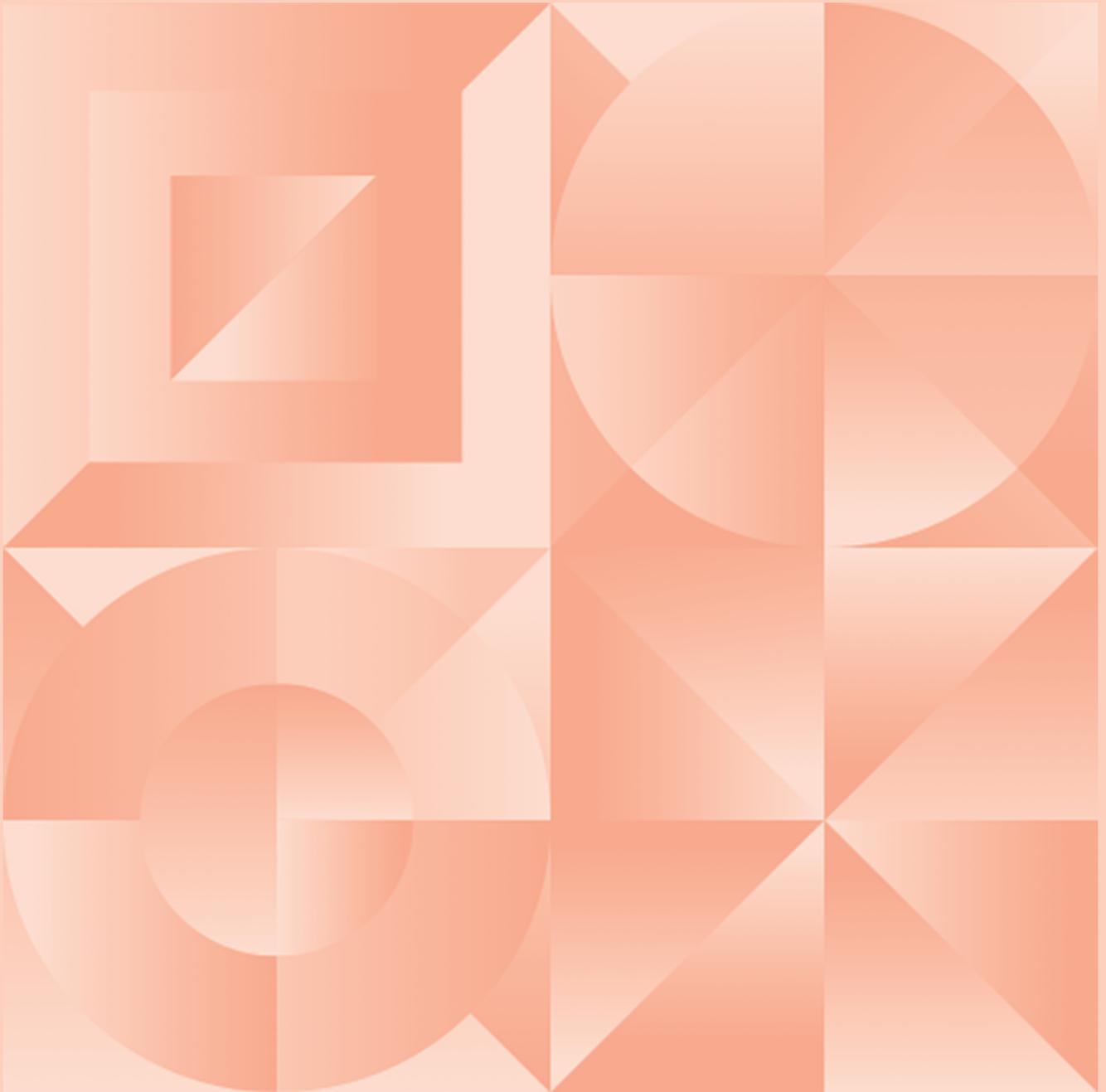




We strive to support a healthy PRC lottery industry, with a view to developing new forms of legal and regulated lottery channels in order to crack down on the illegal gambling market.

# HEALTH

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Sun Ho (*Chairman & CEO*)

Hu Taoye (*Chief Financial Officer*)

### Non-executive Directors

Yang Guang

Liu Zheng

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 Limited

China Merchants Bank

Bank of Ningbo

The Hongkong and Shanghai Banking

Corporation Limited

### 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

Level 54, Hopewell Centre

183 Queen's Road East

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 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 incorporated in the PRC and a direct wholly-owned subsidiary of Ant Holdco
<b>“Alipay Group”</b>	Alipay and its subsidiaries
<b>“AMCM”</b>	Autoridade Monetaria de Macau (Monetary Authority of Macao)
<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

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<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
<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

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<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>“Macau”</b>	the Macao Special Administrative Region of the PRC
<b>“MOF”</b>	the Ministry of Finance of China
<b>“PRC” or “China”</b>	the People’s Republic of China
<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

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<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
<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

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<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 rate of HK\$1.2049 to RMB1.00, INR1 to HK\$0.105 and INR1 to US\$0.013 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

## ABOUT THE GROUP

AGTech was incorporated in Bermuda and its Shares are listed on GEM (Stock Code: 8279). AGTech is an integrated technology and services company engaged in the lottery and mobile games and entertainment markets with a focus on China and selected international markets. Since 2021, the Group has also commenced to supply non-lottery hardware products (such as point-of-sale terminals) for use in the retail sector in the PRC. As a member of the Alibaba Group, AGTech is the exclusive lottery platform of Alibaba Group and Ant Group.

During the year ended December 31, 2021, the Group's businesses were broadly divided into three principal categories:

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

AGTech is a Gold Contributor of the World Lottery Association (WLA), an associate member of the Asia Pacific Lottery Association (APLA), and an official partner of the International Mind Sports Association (IMSA).

## Corporate Strategy and Objectives

AGTech is committed to evolving its business into a comprehensive lottery, mobile games and entertainment content and technology provider to customers around the world.

As the exclusive lottery platform of Alibaba Group and Ant Group, lottery technology and services will continue to be AGTech's domain expertise. The Group continues to leverage its lottery industry experience and innovation to provide services for lottery authorities in areas including product development, physical channel expansion, innovative hardware, marketing services and promotions, all in assisting to broaden the reach of lottery products in China and to advance the industry as a whole.



The Group will continue to develop differentiated games and entertainment platforms with the goal of integrating unique social games and sports entertainment content, ultimately to create an innovative business model to increase the Group's commercial value.

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

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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.

### 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.

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

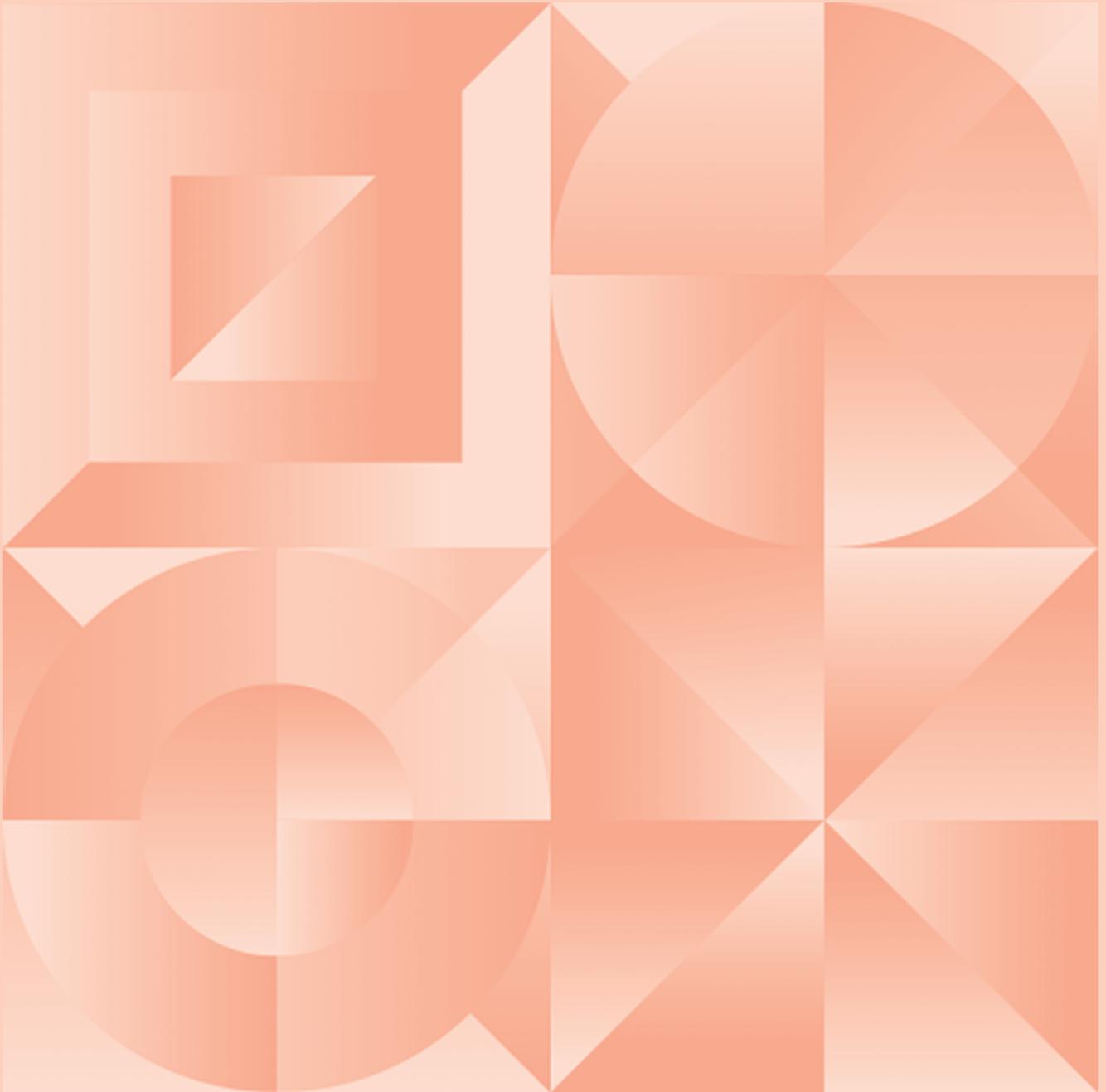




As a form of entertainment, lotteries and social or mind games are growing in popularity among the Chinese citizens, and we are privileged to bring lottery and social or mind games players happiness and an exciting experience.

# HAPPINESS

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# CHAIRMAN'S STATEMENT

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## Dear Shareholders,

I want to express my appreciation for your continued trust and support during these exceptional times. We went through an unprecedented year in 2021, and in addition to the complications of the pandemic, the overall macro environment has shifted and many of these changes were new to AGTech as well. We are fortunate and well positioned to face these challenges, as our vision remains to be focused on transforming adversity into opportunities. We firmly believe that diversification and transformation will be key to AGTech's future growth and success.

The PRC lottery sector has concluded the 2021 year on a positive note, witnessed by a strong rebound as overall lottery sales increased by 11.8% compared to 2020. Policy recommendations continue to provide guidance to the PRC lottery industry, and AGTech is committed to complying with regulatory recommendations. Having laid the necessary foundation on both technology and infrastructure in the past years with our lottery solutions, our vision to offer an integrated digital platform to enhance synergy and generate value to the lottery industry chain will continue to be our approach. Looking forward to 2022, it is our goal to further create value to all stakeholders as the exclusive lottery platform of Alibaba and Ant Group.

Through embracing technology and innovation, we will continue to grow our commitment and presence in the lottery hardware market in the PRC. Our hardware division continues to focus on the development of intelligent product, while efforts to facilitate our applications to consumer sectors outside of lottery will continue. We see this as an opportunity to diversify our hardware portfolio and further generate new avenues for growth.

AGTech's commitment to our strategic projects continues to be a priority to the group, as our diversification and globalization initiative is making solid progress. Paytm First Games, our mobile gaming joint venture in India, as well as Ant Bank (Macao) Limited, an indirect investment of the group, continues to serve as blueprint and provides a foundation to our diversification plans. With our recently announced acquisition of Macau Pass, we are excited and confident in our growth potential and value creation that will benefit our stakeholders in the long run.

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AGTech has entered 2022 with diversification and transformation in mind, and with good momentum I am encouraged and excited about the direction of the company. On behalf of my colleagues and the management team, thank you for your support throughout the past year, and many more years to come.

Yours faithfully,

**Sun Ho**

*Chairman & Chief Executive Officer*

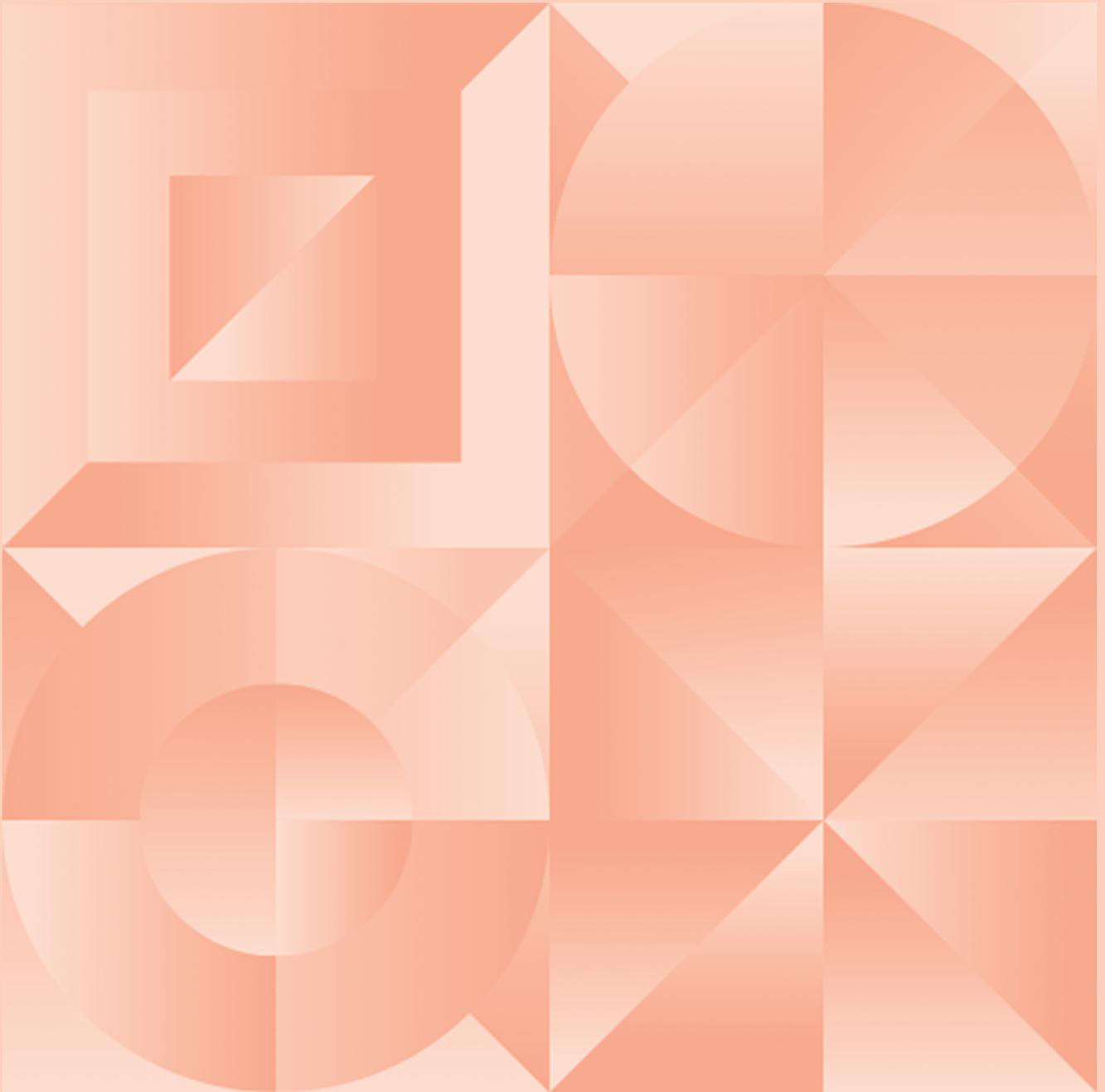
Hong Kong, March 18, 2022



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;

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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 (formerly A.2.1) of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The roles of chairman and CEO of the Company were performed by the executive Director, Mr. Sun Ho, during the year under review. The Company considered that the combination of the roles of chairman and CEO could effectively facilitate the formulation and implementation of the strategies of the Company. The Company considered that under the supervision of its Board and especially its independent non-executive Directors, a balancing mechanism existed so that the interests of the Shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement;

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- (b) under code provision B.2.2 (formerly A.4.2) of the Code, every Director should be subject to retirement by rotation at least once every three years. However, pursuant to the Bye-laws, the chairman of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. During the year under review, the chairman of the Board was not subject to retirement by rotation as the Board considered that the continuity of the office of the chairman provided the Group with strong and consistent leadership and was of great importance to the smooth operations of the Group. 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 (formerly A.2.7) of the Code, the chairman of the Board should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors. During the year under review, the chairman of the Board did not hold such kind of private meetings with the independent non-executive Directors. The chairman of the Board considered that it was unnecessary as it would be more transparent to let the independent non-executive Directors speak out their views to all other Directors in full Board meetings which would be held at least four times a year. Besides, the chairman of the Board, being an executive Director himself, always welcomes all independent non-executive Directors to directly communicate with him via his email or phone to discuss any matters of the Company from time to time;
- (d) under code provision C.1.5 (formerly A.6.6) of the Code, each Director should disclose to the Company, among other things, an indication of the time involved by him/her in his/her offices held in other public companies or organisations and other significant commitments. During the year under review, no such disclosure was made by the Directors to the Company. As the Board had adopted a corporate governance practice that each Director's contributions to the Group would be reviewed and discussed at the Board meeting annually (the "**Annual Contributions Review**"), the Board considered that assessing the time spent by each Director on his/her commitments outside the Group was not necessary for the purposes of the Annual Contributions Review and that the disclosure of the time spent by a Director in performing his/her duties did not necessarily indicate accurately the efficiency of such Director and the effectiveness of his/her work, and may therefore be misleading;

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- (e) under code provision E.1.2(c) (formerly B.1.2(c)) of the Code, the remuneration committee should review and recommend to the Board for approval of the specific remuneration packages of senior management. The remuneration committee of the Company had reviewed its scope of duties and considered that the delegated responsibility to review and recommend to the Board to approve the specific remuneration packages of senior management should be vested in the executive Directors who have a better understanding of the level of expertise, experience and performance expected of the senior management in the daily business operations. Notwithstanding the foregoing, the remuneration committee would continue to be primarily responsible for the review and recommendation of the remuneration packages of the Directors;
- (f) under code provision E.1.5 (formerly B.1.5) of the Code, the Company should disclose details of any remuneration payable to members of senior management by band in its annual report. The Company did not make such disclosure in its annual report as the Board considered that (i) the remuneration of any newly appointed “chief executive” (as defined under the GEM Listing Rules) would have already been disclosed in the announcement previously issued by the Company in respect of such appointment in accordance with GEM Listing Rule 17.50(2)(g); (ii) the five highest paid employees within the Group had already been disclosed in the notes to the consolidated financial statements of the Group in the annual report, and (iii) giving further details of remuneration for each and every senior management staff would result in particulars of excessive length and no additional value to the Shareholders, whilst at the same time may impair the flexibility of the Group in its negotiations of remuneration packages for senior management staff (especially those who are not Directors or chief executives of the Group and hence are not supposed to be subject to the aforesaid disclosure requirement under GEM Listing Rule 17.50(2)(g)) should it need to find replacement staff or recruit additional senior personnel in the future; and
- (g) under code provision F.1.1 (formerly E.1.5) of the Code, the Company should have a policy on payment of dividends and should disclose it in its annual report. The Company did not have such policy and did not make such disclosure in its annual report as the Board considered that it would be premature to decide on its dividend policy as the Company did not have any distributable reserves calculated under the laws of Bermuda, and even if the Company will have sufficient distributable reserves to pay its dividends in the future, the Board has yet to assess the funding requirements of the Group (for instance, its working capital needs and capital expenditure) at that time before the Company could decide on the amount of dividends or proportion of net profits that it would be in a position to distribute to the Shareholders.

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, 2020, and on pages 46 to 49 of the Company's interim report for the six months ended June 30, 2021.

## 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. Yang Guang Mr. Liu Zheng ( <i>appointed on December 20, 2021</i> ) Mr. Li Faguang ( <i>resigned on December 20, 2021</i> ) Mr. Ji Gang Mr. Zou Liang
Independent non-executive Directors:	Ms. Monica Maria Nunes ( <i>resigned on January 24, 2022</i> ) Mr. Feng Qing Dr. Gao Jack Qunyao Mr. Chow Siu Lui ( <i>appointed on January 24, 2022</i> )

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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, Mr. Liu Zheng and Mr. Li Faguang are employees of Alibaba Group and that Mr. Ji Gang and Mr. Zou Liang are employees of Ant Group. During the year under review, there were at least three independent non-executive Directors (representing not less than one-third of the total number of Directors) at all times and at least one of them (namely, Ms. Monica Maria Nunes) possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules.

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

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

During the year under review, all members of the Board 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 186 to 190.

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

Directors	Type of training received
<b>Executive Directors</b>	
SUN Ho	A, B
HU Taoye	A, B
<b>Non-executive Directors</b>	
YANG Guang	A
LIU Zheng (appointed on December 20, 2021)	A, B
LI Faguang (resigned on December 20, 2021)	A, B
JI Gang	A
ZOU Liang	A
<b>Independent Non-executive Directors</b>	
Monica Maria NUNES	A, B
FENG Qing	A
GAO Jack Qunyao	A, B

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

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## **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 Sustainability 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.

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

### NON-EXECUTIVE DIRECTORS

Each of Mr. Yang Guang, Mr. Li Faguang (resigned on December 20, 2021), Mr. Liu Zheng, 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 one-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, 2021, no recruitment of new INEDs was conducted. However, the INED, Mr. Feng Qing, was rotated for re-election at the annual general meeting of the Company held on May 18, 2021. The process used for nominating Mr. Feng for re-election as INED (which was in accordance with the recruitment process of the Group), the independence and time commitment of Mr. Feng, 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 March 31, 2021 sent to the Shareholders for their information and consideration.</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**

(b) Number of INEDs and their time contribution

**Findings of annual review by the Board**

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) 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:

- 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%

**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 announcements in relation to the reduction of loss of the Group, a very substantial acquisition, three cases of continuing connected transactions for the Company, grant of award Shares under the Share Award Scheme and change of 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. For instance, during the year under review and as disclosed in the circular of the Company dated October 29, 2021, an independent financial adviser was appointed to advise the independent board committee of the Company on certain possible continuing connected transactions for the Company as to whether the terms of the relevant agreement are fair and reasonable and on normal commercial terms or better and whether the entering into of such agreement and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. |

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, 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 chairperson of the remuneration committee was Ms. Monica Maria Nunes.

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

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.

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During the year under review, the remuneration committee held three meetings to consider and recommend to the Board the remuneration package for the Directors, Ms. Hu Taoye and Mr. Liu Zheng. The renewed service agreements of all the independent non-executive Directors were reviewed and recommended by the remuneration committee to the Board during the year under review.

**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, Ms. Monica Maria Nunes (resigned on January 24, 2022), Mr. Feng Qing and Dr. Gao Jack Qunyao were members of the nomination committee. The chairperson of the nomination committee was Ms. Monica Maria Nunes. 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, two 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 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. The nomination of the new Director, Mr. Liu Zheng, was also considered and recommended by the nomination committee to the Board for approval during the year under review.

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**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 87 of the Bye-laws).

**(d) Approval of appointment and re-election**

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

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

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**(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 (i) the Review of Issuers' Annual Report Disclosure – Report 2020 published by the Stock Exchange in January 2021; (ii) Review of Corporate Governance Code & Related Listing Rules, and Housekeeping Rule Amendments published by the Stock Exchange in December 2021; and (iii) the Consultation Conclusions Paper on Listing Regime for Overseas Issuers published by the Stock Exchange in November 2021.

#### 4. Audit committee

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

During the year under review, the three independent non-executive Directors, Ms. Monica Maria Nunes (resigned on January 24, 2022), Mr. Feng Qing and Dr. Gao Jack Qunyao, were members of the audit committee. The chairperson of the audit committee was Ms. Monica Maria Nunes. The committee is provided with sufficient resources and authorities enabling it to discharge its duties, including but not limited to obtaining advice and assistance from internal or external legal, accounting or other advisors (costs to be borne by the Company) if necessary.

The audit committee held five meetings for the financial year ended December 31, 2021. 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, 2020 and the audit strategy of the Group for the year ended December 31, 2021 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 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 outside suppliers/subcontractors; 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; 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.

During the year under review, the Company continued to strengthen its internal control by adding and improving over 10 IC policies, which build up to 40+ IC policies currently in place which cover every important aspect of our business operation and compliance control of the Company. All new and revised IC policies have been immediately communicated by email to all employees and uploaded to the IC system platform for them to check from time to time. Meanwhile, IC trainings on important IC policies have been provided to relevant employees where sharing and interacting sessions on IC policies have been actively organized within the Group.

**(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 initiated IA projects on the terminal hardware business segment, which covered operation aspects such as product research and development, testing, procurement and production. In addition, the IA team also conducted an internal audit on internal control such as the approval, pricing, monitoring and reporting of connected transactions in 2021. 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, 2021. 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, 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;

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- (v) an “Anti-corruption Policy” was adopted by the Group as disclosed in the paragraph headed “B7: Anti-corruption” in the Sustainability 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 arrangement as mentioned in (iii) 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.

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 have previously been tabled to the Board for approval together with the resolution seeking the approval for the establishment of the RMICC;
- the extent and frequency of the reporting duties of the RMICC to the Board via the audit committee;
- the RMICC has been empowered under its terms of reference to have access to adequate resources, enabling it to discharge its duties, including but not limited to obtaining advice and assistance from internal or external legal, accounting or other advisors (costs to be borne by the Company) if necessary;
- members of the RMICC have the necessary qualifications, experience and competence to carry out their duties;
- training is obtained by, or will be (upon request) made available to, members of the RMICC, and that new accounting staff will be provided with training by the IA senior manager of the Group;
- previous findings reported by the RMICC to the Board via the audit committee;
- the confirmation provided by the RMICC to the audit committee that the RM and IC systems (including the IA functions) of the Group were effective and adequate, and that the Group's processes for financial 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.

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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 (in relation to very substantial acquisition transaction) services amounted to HK\$1.8 million and HK\$2.5 million respectively for the year ended December 31, 2021.

### 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.

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**(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 had been achieved annually was reviewed and monitored by the nomination committee during the year ended December 31, 2021. Starting from January 1, 2022, such measurable objectives 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.

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

The implementation and effectiveness of the Diversity Policy were reviewed by the nomination committee during the year ended December 31, 2021. Starting from January 1, 2022, 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 nomination committee was of the view that the Board composition had achieved the measurable objectives and had complied with the Diversity Policy. The Board concurred with the view of the nomination committee.

Board composition of the Company (composed of nine Directors)					
		Number of Directors	%	Measurable objectives	Achieved
<b>Gender</b>	Male	8	88.9%	<b>Both genders present</b> to ensure different views from different genders are considered	✓
	Female	1	11.1%		
<b>Age (Years)</b>	40-49	5	55.6%	<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	4	44.4%		
<b>Nationality</b>	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%		
<b>Tenure (Number of years)</b>	1 – 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	✓
	above 3	6	66.7%		
<b>Directorship Designation</b>	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%		
<b>Other Public Company Directorship Experience (Number of companies)</b>	Nil	2	22.2%	<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	3	33.3%		
	Two or above	4	44.5%		

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 131 as at December 31, 2021, comprising:

- (i) Male 91 (i.e. approximately 69.47%) (of which 3 (i.e. approximately 3.30%) are senior management personnel as disclosed in the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" in this annual report); and
- (ii) Female 40 (i.e. approximately 30.53%) (of which Nil (i.e. approximately Nil%) 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.

## MEETING ATTENDANCE

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

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	RMICC	Annual General Meeting	Special General Meeting
<b>Executive Directors</b>								
SUN Ho	7/7	N/A*	N/A*	2/2	1/1	4/4	1/1	1/1
HU Taoye	7/7	N/A*	N/A*	N/A*	N/A*	4/4	1/1	1/1
<b>Non-executive Directors</b>								
YANG Guang	4/7	N/A*	N/A*	N/A*	N/A*	N/A*	1/1	0/1
LIU Zheng (appointed on December 20, 2021)(Note)	0/0	N/A*	N/A*	N/A*	N/A*	N/A*	0/0	0/0
LI Faguang (resigned on December 20, 2021)	6/7	N/A*	N/A*	N/A*	N/A*	N/A*	1/1	0/1
JI Gang	6/7	N/A*	N/A*	N/A*	N/A*	N/A*	1/1	0/1
ZOU Liang	6/7	N/A*	N/A*	N/A*	N/A*	N/A*	1/1	1/1
<b>Independent non-executive Directors</b>								
Monica Maria NUNES	7/7	5/5	3/3	2/2	N/A*	N/A*	1/1	1/1
FENG Qing	7/7	5/5	3/3	2/2	N/A*	N/A*	1/1	1/1
GAO Jack Qunyao	7/7	5/5	3/3	2/2	N/A*	N/A*	1/1	1/1

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

Note: No Board, annual or special general meetings were held following appointment of Mr. Liu Zheng as non-executive Director during the year under review .

## 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**") was appointed as the company secretary, an authorized representative under Rule 5.24 of the GEM Listing Rules, an authorized representative to accept on behalf of the Company the service of process and notice in Hong Kong under the Companies Ordinance (Cap 622 of the laws of Hong Kong) and a member of each of the corporate governance committee and RMICC of the Company. Ms. Lee has joined the Group since October 23, 2020.

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

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

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

## 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.

- (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)

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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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

## SHAREHOLDERS' RIGHTS

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

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

Under bye-law 59 of the Bye-laws, a special general meeting shall be called:

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

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

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

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

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

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

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

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

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

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

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

#### **Required information of the candidate(s) nominated by Shareholders**

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

- a) full name and age;
- b) positions to be held with the Company and its subsidiaries (if any);
- c) experience including (i) other directorships held in the past three years in public companies of which the securities are listed on any securities market in Hong Kong and overseas, and (ii) other major appointments and professional qualifications;

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

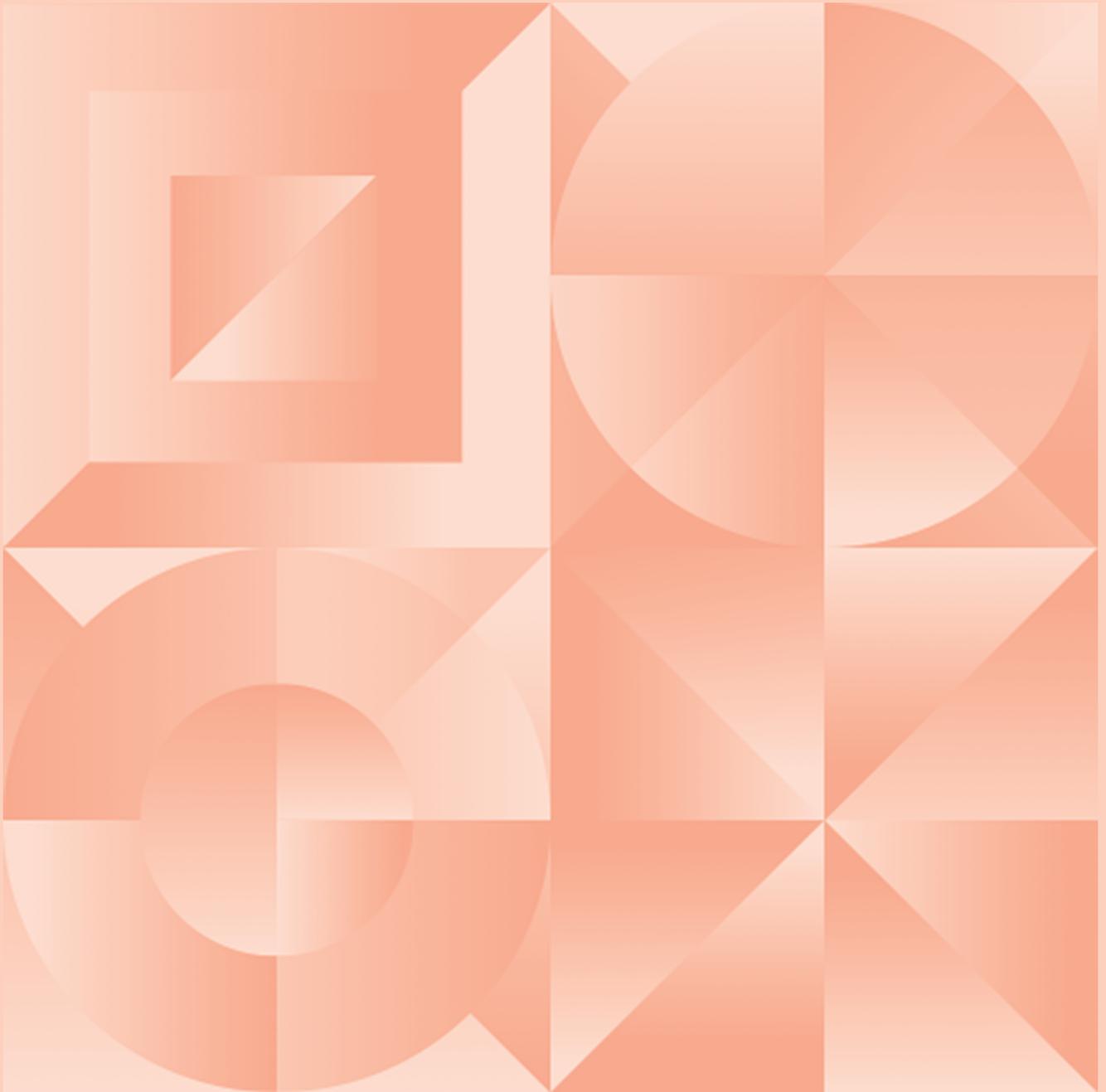
The Shareholder proposing the candidate(s) will be required to read out aloud the proposed resolution(s) at the general meeting of the Company.



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

# RESPONSIBILITY

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# SUSTAINABILITY 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 Sustainability Report has complied with all the “comply or explain” provisions set out in the ESG Reporting Guide.

This Sustainability Report is organized into two ESG subject areas: “Environmental” and “Social”. Corporate governance matters are addressed separately in the Corporate Governance Report on pages 24 to 67 of this annual report (“**CG Report**”).

## ABOUT OUR GROUP

The Group is an integrated technology and services company engaged in the lottery and mobile games and entertainment markets with a focus on China and selected international markets. Since 2021, the Group has also commenced to supply non-lottery hardware products (such as point-of-sale terminals) for use in the retail sector in the PRC. 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, 2021, the Group’s businesses were broadly divided into three principal categories:

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

The operations of all the above-mentioned business categories have been covered in this Sustainability Report.

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## SUSTAINABILITY MANAGEMENT

### **Objectives**

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

### **Stakeholder Engagement**

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

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

Stakeholders	Channels of communications	Areas of common concerns /common goals reached
<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> </ul>
<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>

Stakeholders	Channels of communications	Areas of common concerns /common goals reached
<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>responsible lottery gaming</li> <li>competitiveness in pricing</li> </ul>
<b>Customers (including but not limited to governmental lottery authorities or operators authorized by such authorities, and online consumers in respect of games and entertainment business)</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> </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> </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> </ul>	<ul style="list-style-type: none"> <li>donations for good causes</li> <li>promotion of health through sports</li> <li>job creation</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.

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### **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.

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### **Strategy and Material Areas of Focus**

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

**(i) Corporate social responsibilities:**

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

**(ii) Healthy market development:**

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

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

**(iii) Environmental protection management:**

As we do not run any factories but outsource the manufacturing functions to outside suppliers/subcontractors, we do not anticipate any material risks in our operations in respect of environmental protection concerns. The Group has made continuous effort to support low-carbon offices, in that employees are encouraged to observe our policies and business practices on energy savings. We encourage our employees to use recycled paper and promote a range of initiatives to achieve paperless office / reduce paper usage. They are also urged to increase the use of soft copies, as well as DingTalk and remote video conference to avoid unnecessary business travel. We advise our employees to complete their tasks within business hour to avoid overtime work and adopt a 5-day work week. We encourage the use of public transportations for errands, adopt office design which makes full use of natural light instead of electricity, and initiate a series of measures to promote environmental-friendly behaviors in our office.

**(iv) Employee and human resources development:**

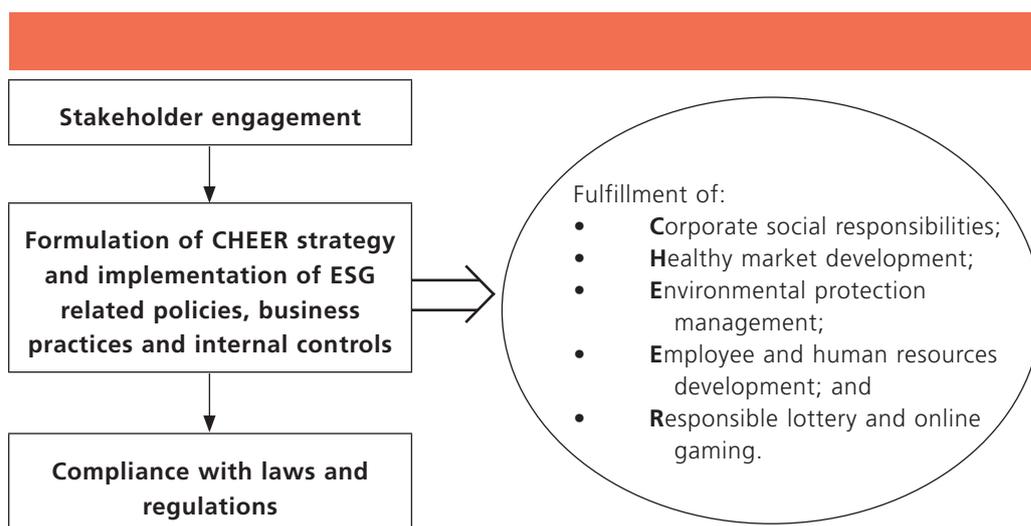
We have comprehensive employment policies in place for every aspect of employment, including recruitment, contract, promotion, bonus, working hour and holidays, which are formulated after taking full account of governmental labor law requirements. Meanwhile, we further provide our employees with parental leave, team travel fund, additional medical insurance on top of statutory medical insurance, and a range of other welfares to promote well-being among our employees. We also attach great importance to skills training for our employees. In addition to providing various types of internal training, we also encourage our employees to participate in external professional training and provide related support. We also strive to provide equal and legal employment opportunities and promote a diverse workforce to maintain the vitality of the Company.

**(v) Responsible lottery and online gaming:**

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

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

### Sustainability management flowchart:



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

## REPORTING PRINCIPLES

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

### (A) Materiality:

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

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

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**(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 KPIs A2.1 and A2.3 in the section headed “KEY PERFORMANCE INDICATORS (“KPIs”) FOR SPECIFIED ENVIRONMENTAL PROTECTION ASPECTS OF THE GROUP” below. The Board has delegated the Human Resources and Administration Department to review the achievement of such targets at least on an annual basis, and the Human Resources and Administration Department should report the findings to the Board via the audit committee of the Company accordingly.

**(C) Consistency:**

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

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

## SUMMARY OF INFORMATION ON ENVIRONMENTAL AND SOCIAL MATTERS OF THE GROUP

	Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
<b>A. Environmental</b>			
A1: Emissions	<p>Policy relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste:</p> <p>As we do not run any factories but outsource the manufacturing functions to outside suppliers/subcontractors, we do not anticipate any material risks in our operations in respect of environmental protection concerns such as air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p>	N/A (As we do not run any factories but outsource the manufacturing functions to outside suppliers/subcontractors, the environmental protection related law and regulations in China do not apply to our operations.)	N/A
A2: Use of resources	<p>Policies on the efficient use of resources, including energy, water and other raw materials:</p> <p>As mentioned above, we do not run any manufacturing factories ourselves and therefore material risks of wastage of water or raw materials are not applicable to our operations.</p> <p>As our continuous effort to support low-carbon offices, the Group also has policies and business practices on energy and resource savings, such as:</p> <p><b>(i) Electricity savings:</b> Computers should be turned off completely when employees leave office or when not in use, and power-consuming devices such as lights and air-conditioners should be switched off in unoccupied space. Employee can claim rewards after they report their energy-saving behaviors through intranet.</p> <p><b>(ii) Paper savings:</b> A range of initiatives had been implemented to reduce paper usage/achieve paperless office. For example, all business travel fee and accommodation fee of our employees are now starting to be settled directly with the suppliers and employees no longer have to submit invoices for offline reimbursement. Over the course of 2021, these two initiatives have reduced paper usage by approximately 95% and 72%, respectively, as compared to the conventional reimbursement process. Meanwhile, the Company also maximize the use of online payments to reduce paper usage, with 99.8% of payments made online during 2021. In addition, we purchase recycled paper as well as encourage employees to print on both sides, by doing so employees can claim corresponding energy-saving rewards through the intranet.</p>	N/A	N/A

	Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
	<p><b>(iii) Promote online office initiatives:</b> We provide a range of online office tools to encourage online communication, such as Arirang (阿里郎) video/voice conference, DingTalk video/voice conference. Employees are encouraged to use e-mail and DingTalk on a daily basis to reduce unnecessary business travel and thus further reduce energy consumption.</p> <p><b>(iv) Green office initiatives:</b> We adopt office waste sorting and encourage recycling as well as other green actions. Employees can claim rewards for their green behaviors through the intranet.</p> <p><b>(v) 5-day work week:</b> Employees in Hong Kong are in general required to work 5 days a week only in order to save them on time and costs to commute between their homes and the workplace on Saturdays, and also help save electricity in the office on Saturdays as well as improve the air pollution condition in the city by reducing traffic. We believe that employees can still satisfactorily fulfill their job duties within a 5-day work week if they work efficiently and with proper time management. On the other hand, employees in the PRC are already not required to work on Saturdays by PRC law.</p> <p><b>(vi) Use of public transportations:</b> We encourage employees to use public transportations (subways and buses rather than taxi) for errands.</p> <p><b>(vii) Office design that makes full use of natural light:</b> Scientific design of the office has been adopted so that natural light could be made full use of, rather than electricity.</p>		
A3: Environment and natural resources	Policies on minimizing the Group's significant impacts on the environment and natural resources: same policies as disclosed above in item A2: "Use of resources".	N/A	N/A
A4: Climate Change	<p>Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the Group:</p> <p>As we do not run any factories but outsource the manufacturing functions to outside suppliers/subcontractors, we do not anticipate any material risks in our operations in respect of environmental protection concerns such as climate-related issues.</p>	N/A	N/A

Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
<b>B. Social Employment and Labour Practices</b>		
<p>B1: Employment Policy, business practices and/or internal controls relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity and anti-discrimination, diversity, and other benefits and welfare:</p> <p><b>(i) Compensation, other benefits and welfare:</b> The Group's remuneration policies are formulated on the basis of performance and experience of individual employees and are in line with local market practices. In addition to salary, the Group also offers to its employees other fringe benefits and welfare including year-end bonus, discretionary bonus, share options under the Share Option Schemes, Share Award Scheme, contributory provident fund, social security fund, medical benefits and training.</p> <p><b>(ii) Dismissal:</b> 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.</p>	<p>Employment Ordinance of Hong Kong (Chapter 57 of the Laws of Hong Kong); Labour Law of the PRC (中華人民共和國勞動法); The Labour Contract Law of the PRC (中華人民共和國勞動合同法); Implementing Regulations of the Labor Contract Law of the People's Republic of China(中華人民共和國勞動合同法實施條例); and Regulations of Paid Annual Leave of Employees (職工帶薪年休假條例)</p>	<p>✓</p>

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

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

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

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

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

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

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

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

Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
<b>Operating Practices</b>		
<p>B6: Product responsibility (responsible lottery and online gaming practices)</p> <p>Policies and/or business practices relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress:</p> <p>Unlike companies which supply consumer goods, food or beverages, our Group is principally engaged in (i) lottery hardware sales; (ii) lottery distribution through physical channels and ancillary services; (iii) non-lottery games and entertainment business; and (iv) non-lottery hardware sales. Accordingly, we do not anticipate any material risks of health and safety to the public arising from our products and services.</p> <p>Generally, the lottery authorities in the PRC (being our customers) will conduct the advertising or “branding” of the lottery products to promote their sales. However, where we are engaged by our customers to provide marketing consultancy services for 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.</p> <p>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.</p> <p>As regards the Group’s games and entertainment business, anti-addiction measures are also implemented as appropriate and as required.</p>	<p>In respect of the Group’s lottery business: ✓</p> <p>Lottery Management Regulations (彩票管理條例) ; The Detailed Rules for the Implementation of Lottery Management Regulations (彩票管理條例實施細則) ; Measures for Lottery Issuance and Sales Management (彩票發行銷售管理辦法) ; The Interim Measures for the Administration of Internet Sales of Lottery (互聯網銷售彩票管理暫行辦法) ; The Interim Measures for the Administration of Telephone Sales of Lottery (電話銷售彩票管理暫行辦法)</p> <p>In respect of the Group’s non-lottery business:</p> <p>Interim Provisions on the Administration of Internet Culture (互聯網文化管理暫行規定)</p>	

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

	Relevant policies, business practices or internal controls of the Group	Relevant laws and regulations that have a significant impact on the Group	Complied with relevant laws and regulations?
<b>Community</b>			
B8: Community investment	<p>Policies or business practices on community engagement to understand the needs of the communities where the Group operates and to ensure its activities take into consideration the communities' interests:</p> <p>(i) We collaborate closely with government bodies, charitable institutions and sports associations, and sponsor sports development and charity events organized by these parties. The Group has participated in a wide range of charity and sports development events such as Helping the Poor Children in Yunnan Province, Sponsoring Shanghai Youth Girls Soccer Team, AGTech Cup Olympic Photography Competition, Sponsoring Anhui Huangshan Martial Arts Competition Tournament, AGTech 15th He Long Cup Golf Celebrity Invitation, 2013 Shenzhen Charity Exhibition, 2015 Social Responsibility of China Lottery Forum as well as being the strategic partner of the Tennis Association for Central Government Agencies and sponsoring various tennis tournaments and tennis promotional campaign. Amid the COVID-19 pandemic, 33,000 masks were donated to the sports authorities and Sports Lottery Administration Centres in Jiangsu Province, Hunan Province, Hubei Province and Tianjin City to assist lottery outlet owners to fight against the pandemic and resume their operation during the year under review.</p> <p>(ii) We continue to work closely with lottery authorities and endeavour to help the government evaluate new forms of legal and regulated avenues, with a view to fighting illegal gambling and raising funds for sports and welfare projects.</p> <p>(iii) Recognizing that employees are assets of the Group, we continued to employ around 131 employees and sustained job opportunities in the community where the Group operates.</p>	N/A	N/A

**Notes:**

- N/A : Not applicable  
✓ : Yes

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

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

KPIs	Details of KPIs/Remarks
<b>b) Aspect A2: Use of Resources</b>	
KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	<p>As mentioned above, the Group does not run any manufacturing factories and therefore material risks of wastage of resources such as electricity, water or raw materials are not applicable to its operations. Nevertheless, the Group continues to support low-carbon office and encourages its staff to save on the use of electricity and paper. For the year ended December 31, 2021:</p> <ul style="list-style-type: none"> <li>• Total electricity consumption of the Group: approximately 178,418 ('000 kilowatt hours) (i.e. approximately 16.0% decrease over approximately 212,502 ('000 kilowatt hours) in 2020);</li> <li>• Total electricity expenses of the Group: approximately HK\$212,771 (i.e. approximately 17.4% decrease over approximately HK\$257,576 in 2020); and</li> <li>• Total expenses on paper consumption of the Group: approximately HK\$8,206 (i.e. approximately 105.3% increase over approximately HK\$3,998 in 2020)</li> </ul>

KPIs	Details of KPIs/Remarks
	<p>The above year-on-year decrease in total electricity consumption reflects the continuous efforts of carbon reduction among employees of the Group. The year-on-year increase in paper consumption by approximately 105.3% was due to the lower consumption in 2020 as a result of work from home arrangement under the impacts of COVID-19, whereas the decrease in total electricity expenses in 2021 was due to a range of power-saving initiatives promoted by the Group to save energy and increase efficiency, adapt to new economic norms and reduce corporate costs; a decrease in staff number in 2021; and the policy for electricity price reduction promulgated by the National Development and Reform Commission in the PRC.</p> <p>The Group had set a target for each of paper consumption and electricity consumption at not more than 10% increase year-on-year or the percentage increase in total revenue of the Group year-on-year (whichever is higher). Based on the percentage decrease in electricity consumption stated above, the aforesaid target of the Group for electricity consumption was met for the year under review. The target set by the Group on paper consumption was not met for the year under review was due to the lower consumption in 2020 as a result of work from home arrangement under the impacts of COVID-19.</p>

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	KPIs	Details of KPIs/Remarks
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	N/A ((i) The Group does not run any factories, (ii) office rental paid by the Group already covers water consumed by the Group and there are no separate billings of water usage by landlords (and hence records of water consumption) to various offices of the Group, and (iii) certain water facilities are provided in common areas of the office buildings and shared with other tenants located on the same floors of our various offices in China and Hong Kong, and therefore no data of water consumption can be available for individual tenants including the Group)

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KPIs	Details of KPIs/Remarks
<p>KPI A2.3</p> <p>Description of energy use efficiency target(s) set and steps taken to achieve them.</p>	<p>As mentioned in A2 above regarding the Group's policies on the use of resources, the energy use efficiency initiatives undertaken by the Group include:</p> <ul style="list-style-type: none"> <li>• employees can claim internal green rewards if they turn off power-consuming devices, such as computers, lights and air-conditioners, when they leave office and report their efforts;</li> <li>• implementation of a range of initiatives to achieve paperless office / reduce paper usage, such as online settlement of bill with suppliers (travel and accommodation fee and others), increase the use of online payment, encourage double-sided printing and the use of recycled paper, etc;</li> <li>• implementation of online office initiatives, promotion of remote video conference and the use of DingTalk and other communication methods to reduce unnecessary business travel;</li> <li>• adoption of a 5-day work week for the Group;</li> <li>• use of public transportations for errands;</li> <li>• scientific design of the office has been adopted so that natural light could be made full use of, rather than electricity; and</li> <li>• promotion of green office initiatives, where environmental-friendly behaviors such as waste sorting and recycling efforts will be internally rewarded.</li> </ul>

KPIs	Details of KPIs/Remarks
	<p>During the year under review, the effects of the aforementioned energy use efficiency initiatives remained to be satisfactory.</p> <p>As mentioned in KPI A2.1 above, the year-on-year increase in paper consumption by approximately 105.3% was due to the lower consumption in 2020 as a result of work from home arrangement under the impacts of COVID-19; whereas the decrease in total electricity expenses in 2021 was due to a range of power-saving initiatives promoted by the Group to save energy and increase efficiency, adapt to new economic norms and reduce corporate costs; a decrease in staff number in 2021; and the policy for electricity price reduction promulgated by the National Development and Reform Commission in the PRC. In addition, the continuous effort of the Group's employees to reduce total energy consumption was found to be satisfactory.</p> <p>As mentioned in KPI A2.1 above, the target set by the Group on electricity consumption also apply to KPI A2.3, and such target was met for the year under review. The target set by the Group on paper consumption was not met for the year under review was due to to the lower consumption in 2020 as a result of work from home arrangement under the impacts of COVID-19.</p>

KPIs	Details of KPIs/Remarks
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. N/A (Note 1)
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. N/A (Note 1)
<b>c) Aspect A3: The Environment and Natural Resources</b>	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. N/A (Note 1)
<b>d) Aspect A4: Climate Change</b>	
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the Group, and the actions taken to manage them. N/A (Note 1) (Besides, approximately 74.5% and approximately 8.5% of the Group's total revenue were derived from the sales of lottery and non-lottery hardware products to its customers and from the online games and entertainment business respectively for the year under review and were not linked to the actual lottery sales volume of the customers. As such, even in the event that lottery sales of the Group's customers may be adversely affected by climate change (e.g. rainstorms and flooding) at certain times, it is expected that the Group's revenue may not be adversely and materially affected to the same extent.)

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

## KPIs FOR SPECIFIED SOCIAL ASPECTS OF THE GROUP:

KPIs	Details of KPIs/Remarks																				
<b>a) Aspect B1: Employment</b>																					
KPI B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	<p>Total number of employees of the Group: 131 (as at December 31, 2021)</p> <p><i>By gender:</i></p> <table border="0"> <tr> <td>Male</td> <td>91</td> </tr> <tr> <td>Female</td> <td>40</td> </tr> </table> <p><i>By employment type:</i></p> <table border="0"> <tr> <td>Full-time</td> <td>131</td> </tr> <tr> <td>Part-time</td> <td>0</td> </tr> </table> <p><i>By age group:</i></p> <table border="0"> <tr> <td>30 or below</td> <td>23</td> </tr> <tr> <td>31-45</td> <td>91</td> </tr> <tr> <td>46-60</td> <td>17</td> </tr> <tr> <td>61 or above</td> <td>0</td> </tr> </table> <p><i>By geographical region:</i></p> <table border="0"> <tr> <td>PRC (excluding Hong Kong)</td> <td>124</td> </tr> <tr> <td>Hong Kong</td> <td>7</td> </tr> </table>	Male	91	Female	40	Full-time	131	Part-time	0	30 or below	23	31-45	91	46-60	17	61 or above	0	PRC (excluding Hong Kong)	124	Hong Kong	7
Male	91																				
Female	40																				
Full-time	131																				
Part-time	0																				
30 or below	23																				
31-45	91																				
46-60	17																				
61 or above	0																				
PRC (excluding Hong Kong)	124																				
Hong Kong	7																				
	<p>The Group maintained a healthy mix and diversity of employees in terms of their gender, employment type and age. Employees are stationed in geographical locations where the operations of the Group require them.</p>																				
	<p>No target-setting is considered necessary for this KPI as the Group does not wish to be bound by such target in the determination of the size of its workforce, which should be based on the actual business needs and economic environment from time to time.</p>																				

KPIs	Details of KPIs/Remarks																
<p>KPI B1.2</p> <p>Employee turnover rate by gender, age group and geographical region.</p>	<p>Employee turnover rate of the Group (as compared to total number of employees as at January 1, 2021 and December 31, 2021):</p> <p><i>By gender:</i></p> <table border="0"> <tr> <td>Male</td> <td>85.71%</td> </tr> <tr> <td>Female</td> <td>66.67%</td> </tr> </table> <p><i>By age group:</i></p> <table border="0"> <tr> <td>30 or below</td> <td>83.33%</td> </tr> <tr> <td>31-45</td> <td>83.85%</td> </tr> <tr> <td>46-60</td> <td>45.71%</td> </tr> <tr> <td>61 or above</td> <td>N/A</td> </tr> </table> <p><i>By geographical region:</i></p> <table border="0"> <tr> <td>PRC (excluding Hong Kong)</td> <td>82.84%</td> </tr> <tr> <td>Hong Kong</td> <td>14.29%</td> </tr> </table> <p>Employee turnover rate of the Group stood at not more than 85.71% by gender (for the female gender which represented only approximately 30.53% of total number of employees as at December 31, 2021), 83.85% by age group (for the age group of 30 or below which represented only approximately 17.56% of total number of employees as at December 31, 2021) and 82.84% by geographical region, and was considered acceptable and normal, and a result of the Group's cost control measure over its operating costs and expenses.</p> <p>No target-setting is considered necessary for this KPI as employee turnover is mostly driven by the employees, which is something beyond the control of the Group.</p>	Male	85.71%	Female	66.67%	30 or below	83.33%	31-45	83.85%	46-60	45.71%	61 or above	N/A	PRC (excluding Hong Kong)	82.84%	Hong Kong	14.29%
Male	85.71%																
Female	66.67%																
30 or below	83.33%																
31-45	83.85%																
46-60	45.71%																
61 or above	N/A																
PRC (excluding Hong Kong)	82.84%																
Hong Kong	14.29%																

KPIs		Details of KPIs/Remarks						
<b>b) Aspect B2: Health and Safety</b>								
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	<p>Number and rate of work-related fatalities (as compared to total number of employees as at the respective year end dates) for the year ended December 31,:</p> <table border="1"> <tr> <td>2021</td> <td>0 (0%)</td> </tr> <tr> <td>2020</td> <td>0 (0%)</td> </tr> <tr> <td>2019</td> <td>0 (0%)</td> </tr> </table> <p>No work-related fatalities of the Group occurred in each of the past three years including the year under review. Safe working environment was provided by the Group to protect its employees from occupational hazards.</p> <p>No target-setting is considered necessary for this KPI as it is inappropriate to set a target for accidents such as work-related fatalities.</p>	2021	0 (0%)	2020	0 (0%)	2019	0 (0%)
2021	0 (0%)							
2020	0 (0%)							
2019	0 (0%)							
KPI B2.2	Lost days due to work injury.	<p>Lost days due to work injury for the year ended December 31, 2021: Nil (2020: Nil)</p> <p>There was no work injury for the employees of the Group during the year under review.</p> <p>No target-setting is considered necessary for this KPI as it is inappropriate to set a target for accidents such as work injuries.</p>						
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	<p>Occupational health and safety measures of the Group are disclosed in the paragraph headed "B2: Health and safety" above, and are implemented and monitored on an ongoing basis by the Human Resources and Administration Departments of the Group in the PRC.</p> <p>No target-setting is considered necessary for this KPI as it refers to measures which are not quantitative.</p>						

KPIs	Details of KPIs/Remarks
<b>c) Aspect B3: Development and Training</b>	
<p>KPI B3.1      The percentage of employees trained by gender and employee category (e.g. senior management, middle management).</p>	<p>As disclosed in the paragraph headed “B3: Development and Training” above, a wide range of in-house and external training seminars had been offered by the Group to its employees.</p> <p>As vocational training is provided to all employees as a good gesture on the part of the Group without differentiating between the employees on the basis of their gender, seniority or employee category within the Group, both target setting and categorized training attendance record are not considered necessary for the KPIs related to development and training. Instead, the Group aims to continue to provide new training on different topics of interest to its employees each year. During the year under review, the following new training activities were provided to the Group’s employees:</p> <ul style="list-style-type: none"> <li>– training on insider information and guidelines for securities trading</li> <li>– training on contract management</li> <li>– training on seal management system</li> <li>– training on license management system</li> <li>– training on management guidelines for information loss</li> <li>– training on content operation and data security</li> </ul>
<p>KPI B3.2      The average training hours completed per employee by gender and employee category.</p>	<p>As explained for KPI B3.1 above, both target setting and categorized training attendance record are not considered necessary for KPIs related to development and training.</p>

KPIs		Details of KPIs/Remarks				
<b>d) Aspect B4: Labour Standards</b>						
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	<p>As disclosed in the paragraph headed "B4: Labour standards" above, the Group has policies and measures relating to preventing child and forced labour.</p> <p>No target-setting is considered necessary for this KPI as it refers to measures which are not quantitative.</p>				
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	N/A (With the Group's policies and measures relating to preventing child and forced labour in place as disclosed in the paragraph headed "B4: Labour standards" above, it is unlikely that child and forced labour will occur in the Group.)				
<b>e) Aspect B5: Supply Chain Management</b>						
KPI B5.1	Number of suppliers by geographical region.	<p>Number of top 10 suppliers of the Group by geographical region for the year under review:</p> <table border="1"> <tbody> <tr> <td>PRC</td> <td>10 (2020: 9)</td> </tr> <tr> <td>United Kingdom</td> <td>Nil (2020: 1)</td> </tr> </tbody> </table> <p>The Group considered that disclosure of all the suppliers by geographical region would result in particulars of excessive length and no additional value to the Shareholders.</p> <p>Accordingly, only the top 10 suppliers of the Group by geographical region would be disclosed for this KPI for the sake of simplicity.</p> <p>No target-setting is considered necessary for this KPI as it is inappropriate for the Group to set a target for the number of its suppliers.</p>	PRC	10 (2020: 9)	United Kingdom	Nil (2020: 1)
PRC	10 (2020: 9)					
United Kingdom	Nil (2020: 1)					

KPIs	Details of KPIs/Remarks
<p>KPI B5.2</p> <p>Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.</p>	<p>The Group's policies on managing environmental and social risks of the supply chain are disclosed in the paragraph headed "B5: Supply chain management" above.</p> <p>Number of suppliers where the aforesaid policies are being implemented for the year under review: 3 (2020: 5).</p> <p>The Group pays regular visit on an annual basis to at least the top 3 suppliers to monitor whether such suppliers continue to meet the Group's supplier selection criteria.</p> <p>No target-setting is considered necessary for this KPI as it refers to practices that are not quantitative.</p>
<p>KPI B5.3</p> <p>Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.</p>	<p>Same as disclosed in KPI B5.2 above.</p>
<p>KPI B5.4</p> <p>Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.</p>	<p>N/A (The Group principally provides highly regulated hardware products and services for the lottery sector in the PRC and online games and entertainment contents. "Environmentally preferable" products and services are not applicable to the Group.)</p>

KPIs	Details of KPIs/Remarks
<b>f) Aspect B6: Product Responsibility (responsible lottery and online gaming practices)</b>	
KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A (The Group principally provides highly regulated hardware products and services for the lottery and retail sectors in the PRC and online games and entertainment contents. Accordingly, it is not expected that the Group's products will be subject to recalls for safety and health reasons.)
KPI B6.2 Number of products and service related complaints received and how they are dealt with.	<p>Number of products and service related material complaints received by the Group for the year under review: nil (2020: Nil)</p> <p>Such complaints (if any) are dealt with by the business department of the Group, usually by means of providing the customers with replacement products, further customisation and/or follow-up after sales or maintenance services.</p> <p>No target-setting is considered necessary for this KPI as it is inappropriate for the Group to set a target on the number of complaints to be received.</p>
KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.	<p>In order to observe and protect intellectual property rights:</p> <p>(i) the Group shall enter into legal documentation such as joint venture agreement(s), business co-operation agreement(s) and/or licence deed(s) when it comes to licensing or granting the use of intellectual property rights to/by third party suppliers or business partners. Typically, such legal documentation shall stipulate whether the intellectual property rights are licensed to the licensee on an exclusive basis, the specified products or business scope that such intellectual property rights are applicable to, the treatment of ownership of any derivative intellectual property rights arising from further customisation or modification (for example, due to customers' requests or specifications) based on the original intellectual property rights licensed, the indemnity provision against any possible claims made by customers arising from the use of the intellectual property rights, the duration of such licence and whether there is any licence fee involved; and</p>

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

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

KPIs	Details of KPIs/Remarks
<p><b>g) Aspect B7: Anti- corruption</b></p>	
<p>KPI B7.1      Number of concluded legal cases regarding corrupt practices brought against the Group or its employees during the reporting period and the outcomes of the cases.</p>	<p>During the year under review, no concluded legal cases regarding corrupt practices were brought against the Group or its employees (2020: Nil).</p> <p>No target-setting is considered necessary for this KPI as it is inappropriate for the Group to set a target on the number of legal cases brought against it or its employees.</p>
<p>KPI B7.2      Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.</p>	<p>Policies and/or internal controls relating to anti-corruption are disclosed in the paragraph headed “B7: Anti-corruption” above.</p> <p>The offering of gifts, entertainment, hospitality, free travel and accommodation to government officials or business partners has to be endorsed by the senior management of the Group who shall observe specific policies in place governing these matters. The accounting department of the Group will also check payments and receipts of money and require valid supporting documents and proper records in order to identify and prevent possible bribery, extortion, fraud and money laundering activities engaged by any employee or member of the Group.</p> <p>A whistle-blowing arrangement by way of a designated email account is also implemented to give all staff of the Group an opportunity to raise in confidence concerns about, among other things, any possible corruption activities to the Group’s internal audit department and the audit committee for further investigation, if required.</p> <p>No target-setting is considered necessary for this KPI as it refers to measures and procedures that are not quantitative.</p>

KPIs	Details of KPIs/Remarks
KPI B7.3	<p>Description of anti-corruption training provided to directors and staff.</p> <p>The Group actively provides anti-corruption related training to its Directors and staff, which covers the purposes behind our anti-corruption policy, the regulatory requirements, the requirements of the Group's anti-corruption policy and related processes, the whistle-blowing channels for reporting corruption and the protection policy for whistle-blowers.</p> <p>As explained in KPI B3.1 above, no target-setting is considered necessary for the KPIs related to training.</p>
<b>h) Aspect B8: Community Investment</b>	
KPI B8.1	<p>Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).</p> <p>The Group strives to actively contribute to the development of a responsible lottery gaming industry which will raise important public funds for charity, welfare and sports development projects in the PRC. The Group was actively involved in sports development and charity events, and had been the sponsor of a wide range of sports events. Details are disclosed in the paragraph headed "B8: Community investment (i)" above.</p> <p>The Group also strives to support a healthy PRC lottery market for the community, with a view to developing new forms of legal and regulated lottery distribution channels in order to crack down on the illegal gambling market in China.</p> <p>The footprint of the Group's business spans across the PRC and selected overseas markets. For the year under review, it employed around 131 (2020: 292) employees and helped sustain job opportunities in the communities where it operated.</p> <p>No target-setting is considered necessary for this KPI as contributions to the community are just gestures of goodwill extended by the Group as part of its corporate social responsibilities.</p>
KPI B8.2	<p>Resources contributed (e.g. money or time) to the focus area.</p> <p>Same as disclosed for KPI B8.1 above. (Besides, during the year under review, the Group made donations amounted to Nil (2020: HK\$197,000) for charitable purposes.)</p>

## 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 the lottery and mobile games and entertainment market with a focus on China and selected international markets. Since 2021, the Group has also commenced to supply non-lottery hardware products (such as point-of-sale terminals) for use in the retail sector in the PRC. As a member of the Alibaba Group, AGTech is the exclusive lottery platform of Alibaba Group and Ant Group.

During the year ended December 31, 2021, the Group's businesses were broadly divided into three principal categories:

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

AGTech is a Gold Contributor of the World Lottery Association (WLA), an associate member of the Asia Pacific Lottery Association (APLA), and an official partner of the International Mind Sports Association (IMSA).

### CORPORATE STRATEGY AND OBJECTIVES

AGTech is committed to evolving its business into a comprehensive lottery, mobile games and entertainment content and technology provider to customers around the world.

As the exclusive lottery platform of Alibaba Group and Ant Group, lottery technology and services will continue to be AGTech's domain expertise. The Group continues to leverage its lottery industry experience and innovation to provide services for lottery authorities in areas including product development, physical channel expansion, innovative hardware, marketing services and promotions, all in assisting to broaden the reach of lottery products in China and to advance the industry as a whole.

The Group will continue to develop differentiated games and entertainment platforms with the goal of integrating unique social games and sports entertainment content, ultimately to create an innovative business model to increase the Group's commercial value.

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

## INDUSTRY OVERVIEW

### Lottery

There are two legal lottery operators in the PRC: the national welfare lottery (Welfare Lottery) and the national sports lottery (Sports Lottery).

According to MOF figures\*, PRC annual lottery sales in 2021 amounted to approximately RMB373.2 billion, representing an increase of approximately 11.8% over 2020. Of this, Welfare Lottery amounted to approximately RMB142.2 billion, representing a decrease of approximately 1.5% compared to 2020. Sports Lottery achieved sales of approximately RMB231.0 billion, representing an increase of approximately 21.9% compared to 2020.

At the beginning of 2019, Chinese lottery authorities advised on a series of operating and governing recommendations with an aim to improve on risk management supervision and to promote responsible lottery. Market supervision will be strengthened to ensure the healthy development of the lottery industry.

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

\*Source: Ministry of Finance of the PRC

### **Games and Entertainment**

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

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

### **Retail Market Point-of-sale ("POS") Hardware**

According to the National Bureau of Statistics, China's total retail sales of consumer goods reached approximately RMB44 trillion in 2021, an increase of 12.5% year on year, with a two-year average growth rate of 3.9%. With the continuous technology and innovation driven transformation of the retail market, payment related hardware is in a stage of integration with the retail industry to create new demands. In the first three quarters of 2021, China's mobile payment transaction scale has maintained a high growth rate of 19% year-on-year with room for improvement.

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

\* Source: "Overall performance of the payment system in the third quarter of 2021 (December 2021) by The People's Bank of China"

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

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 has increased from 65.49 million in 2020 to 193 million in 2021, representing a year-over-year increase of 194%; the total transaction value from MOP6.32 billion in 2020 to MOP18.52 billion in 2021, representing a year-over-year increase of 192%.

In 2021, the Government of Macau further facilitated the promotion of electronic payment by launching the "Simple Pay" service, 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. As of November 2021, over 80% of merchants in Macau have upgraded to the Simple Pay system.

Furthermore, in order to alleviate the economic burden of citizens, the Government of Macau has also launched an "Electronic Consumption Benefits Plan" that allows qualified Macau citizens to receive government subsidies through the form of either "mobile payment" or "consumption card" under the plan. 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

## BUSINESS REVIEW

### Hardware

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

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

During the year under review, the Group won twenty-seven lottery hardware tenders to supply lottery terminals to the Sports Lottery Administration Centres in Guangxi Zhuang Autonomous Region, Fujian province, Jiangsu province, Hubei province, Sichuan province, Shandong province, Henan province, Hebei Province, Zhejiang province, Jilin province, Hunan province, Shanxi province, Inner Mongolia Autonomous Region, Guangdong province, Gansu province, Shanghai Municipality and Tianjin Municipality of the PRC. These successful tenders further strengthened the Group's top-tier position in China's lottery hardware market and demonstrated the continued competitiveness of the Group's lottery terminals. The Group will continue to pursue tenders to supply to the lottery and other hardware markets.

### Supply of non-lottery hardware and equipment

In addition to lottery hardware supplies, expansion to other consumer sectors has 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. During 2021, the Group commenced the supply of non-lottery hardware (such as POS terminals) for use in the PRC retail sector.

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## **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 2021, the Group generated revenue from the distribution of lottery through retail sales outlets, representing an increase of approximately 87% over 2020. Such increase was mainly attributable to the increase in average lottery sales volume per sales outlet as a result of the rebound from the COVID-19 pandemic impact and the Group's continuous efforts in expanding its network of collaborating retail sales outlets for lottery distribution with an increase of approximately 40% in the number of such outlets over 2020.

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

The Group has successfully launched its dedicated lottery resources channel on Taobao and Alipay. While this lottery resources channel has not conducted any internet lottery sales, it serves as a one-stop platform for many lottery-related services and resources, providing lottery players and online users in China an easy access to information and resources that address various lottery needs.

The content on the lottery resources channel include displaying of certain historical and current lottery products results. Further, the channel compiles the locations of nearby lottery retail channels, paving the way for further integration of online and offline resources in the future. With the addition of subscription based sports events content, we will continue to customize and commercialize our range of tools and products according to market demands and users' needs. With personalized suggestions of sports events information provided based on users' purchase habits, a surge of number of active users was recorded. Through this channel, we hope to build on our online presence and maximize the value of our business partnership with Alibaba Group and Ant Group, in addition to preparation for any potential policy approval and authorization of online distribution of lottery products in the future.

## **Games and Entertainment**

### ***Online non-lottery games and entertainment content***

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

## International Market

### *Strategic expansion in selected overseas markets*

#### (i) **Paytm First Games Private Limited in India:**

A joint venture company of the Group with One97 Communications Limited (“**One97**”), namely, Paytm First Games Private Limited (the “**JV**”), developed and operated its mobile games and entertainment platform, namely “Paytm First Games”, in India during 2021. One97 is the owner of Paytm, which is a leading mobile payment platform in India. Paytm First Games offers players a unique online experience with popular games content such as rummy and fantasy sports games. While the COVID-19 pandemic affected operations of many industries on a global basis, the online gaming industry in India witnessed a significant growth in the past year with more players staying home and playing online games to pass their time.

As brand influence of the platform continues to grow, and in addition to the momentum building off a successful Indian Premier League (IPL) cricket tournament in 2020, the most popular and locally followed professional cricket league in India, Paytm First Games will strive to continue to grow its user base, further monetizing this unique platform and capitalizing on the significant potential of the fast-growing mobile games and entertainment market in India. In 2020, IPL cricket tournament was held from September to November, which led to an increase in revenue since then. The latest 2021 IPL cricket tournament commenced in April 2021. However, due to the COVID-19 pandemic, the tournament had been suspended temporarily but resumed in September 2021. During 2021, the Group generated revenue of approximately HK\$18.1 million (For the year ended December 31, 2020: approximately HK\$17.1 million) from the provision of online game contents to Paytm First Games. The Group's technical team completed the preliminary development of fantasy sports game products for the JV and the JV successfully established its research and development center in Beijing, the PRC. The Group no longer provides the JV with technical and operation support for its fantasy sports games, and hence the JV and the Group have agreed to terminate the revenue sharing between them with effect from August 2021.

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

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

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

In September 2019, the Ant Bank officially launched the Alipay (Macao) e-wallet payment service in Macau. Macau users of the Alipay (Macao) e-wallet can enjoy convenient Taobao online shopping experience by paying in Macanese patacas (MOP), via topping up their accounts in convenience stores offline, or binding them with bank accounts of mainstream banks in Macau online. Furthermore, the Ant Bank continues to expand its online and offline payment scenarios, as well as opening and expanding offline merchant service network through cooperation with local acquirers. The Alipay (Macao) e-wallet has been selected as one of the eight locally-registered mobile payment platforms to participate in the electronic consumption benefits plan (電子消費優惠計劃) launched by the Government of Macau which has started to run from June 1 to December 31, 2021, as well as in the "Simple Pay" (聚易用) system launched by the AMCM in the first quarter of 2021 which is an integrated payment system that combines different mobile payment platforms (including, among others, Alipay (Macao)) in one payment machine.

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

## BUSINESS OUTLOOK

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

Our continuing efforts to partner with additional provincial lottery authorities of China in areas such as technology and business innovation, channel expansion and distribution, smart hardware terminals, data services, and other value added ancillary services are all part of our lottery initiatives. Transformation towards digitalization will continue, as our lottery solutions will enhance synergy and create value to 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, we will continue to closely monitor policy developments.

The Group continues to operate the lottery resources channel on Taobao and Alipay to serve as a one-stop platform on lottery related information for existing and potential customers. With the addition of a wider variety of sports events and interactive entertainment to our lottery resources channel, we will continue to customize features to improve on user experience and engagement, with an eye towards the upcoming FIFA World Cup in 2022. 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. We believe that the integration of lottery services and products through physical retail distribution channel and networks will continue to create synergy and opportunities in the future.

Transition to other consumer sectors presents an opportunity for the further development of the Group's hardware business. The hardware supplied for the retail market share similar technology and components that underlie the lottery hardware products supplied by the Group throughout the years. We believe our hardware division continues to be well positioned to take advantage of such opportunities should they arise.

The Group will continue to prioritize our strategic projects, namely our joint venture investment, Paytm First Games, as well as our indirect investment, the Ant Bank. With the recent announcement on the acquisition of Macau Pass Holding Ltd, the Group will continue to dedicate our commitment and support to grow our business to further capitalize on diversification opportunities.

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

## REVIEW OF OPERATING RESULTS

### Revenue and Profitability

Revenue of the Group for the year under review amounted to approximately HK\$253.2 million (2020: approximately HK\$161.6 million), representing an increase of approximately 56.7% over 2020. For the year under review, revenue contributions were mainly derived from lottery hardware sales, provision of lottery distribution and ancillary services, non-lottery hardware sales in the PRC, and games and entertainment business in India. The increase in revenue for the year was caused by the increase in sales of lottery hardware of approximately HK\$94.8 million, increase of approximately HK\$18.4 million in revenue from the provision of lottery distribution and ancillary services, increase in sales of non-lottery hardware of approximately HK\$20.6 million and increase in revenue from games and entertainment business of approximately HK\$4.1 million, partially offset by the decrease in revenue of approximately HK\$46.2 million from the lottery games and systems business. Such increases in revenue from lottery hardware and provision of lottery distribution and ancillary services were mainly due to the continuous rebound of the Group's lottery business from the impact of the COVID-19 pandemic since the second half of 2020 and throughout 2021. In particular, the increase in revenue from the provision of lottery distribution services was due to the increase in average lottery sales volume per sales outlet as a result of the rebound from the COVID-19 pandemic impact and the continuous efforts of the Group in expanding its network of collaborating retail sales outlets for lottery distribution. In addition, the Group has commenced supplying non-lottery hardware (including point-of-sale terminals) during the year, further broadening its source of revenue. The increase in revenue from games and entertainment business was mainly caused by an increase in content provision revenue from the Paytm First Games platform in India and increase of advertising income from online non-lottery contents. The decrease in revenue from lottery games and system was due to the cessation of the sales of two virtual sports lottery games supplied by the Group, namely, "e-Ball Lottery" and "Lucky Racing", from November 1, 2020 and February 9, 2021 respectively.

As a result of the aforesaid mentioned increase in revenue of lottery hardware and non-lottery hardware, there was a corresponding increase in purchases of and changes in inventories by approximately HK\$74.7 million to approximately HK\$119.8 million for the year under review (2020: approximately HK\$45.0 million).

Other operating expenses for the year were approximately HK\$91.2 million (2020: approximately HK\$67.3 million). The increase was mainly due to the provision of warranties of approximately HK\$14.5 million (2020: reversal of provision for warranties of approximately HK\$5.9 million).

Operating loss for the year was approximately HK\$65.8 million (2020: approximately HK\$131.1 million). Such decrease 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) a decrease in employee benefits expenses by approximately 34.7% to approximately HK\$116.8 million for the year as a result of the Group's continuous measures to strengthen cost controls over operating costs and expenses to enhance the Group's competitive position (2020: approximately HK\$178.9 million); and (iii) increase in other income by approximately HK\$5.1 million as compared to 2020.

The loss for the year was approximately HK\$63.1 million (2020: approximately HK\$109.5 million), representing a decrease of approximately 42.4% over 2020. Besides the above reduction in operating loss, such decrease in loss was mainly due to the combined effect of the following factors: (i) the amount of investments accounted for using equity method was HK\$Nil as of December 31, 2020 in respect of the JV, and since then no share of results of the investments accounted for using equity method was recognized for the year (2020: Share of results of investments accounted for using equity method amounted to a loss of approximately HK\$83.2 million); (ii) the Group provided convertible term loan facilities in the aggregate amount of INR985.5 million (or approximately HK\$103.3 million) to the JV during the year, which facilities had been fully utilized by the JV. A fair value loss on such financial assets of approximately HK\$18.6 million was recognized for the year (2020: Nil). For details, please refer to the paragraph headed "Significant changes to financial position" in this section of this annual report; (iii) the drop in interest income earned from the Group's deposits at banks by approximately HK\$27.4 million for the year as a result of the decrease in deposit interest rates in the market; and (iv) there were no outstanding contingent consideration payables as at December 31, 2020 and since then no more fair value change was recognized for the year under review. For the year ended December 31, 2020, contingent consideration payables of approximately HK\$69.6 million were written back to profit or loss.

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

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

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However, as the pandemic gradually became under control in the PRC in the second quarter of 2020, we saw a steady recovery in the PRC lottery market since then as lottery related activities resumed.

Thanks to the speedy recovery of the PRC lottery market and the revenue growth recorded in four business lines of the Group (namely, lottery hardware sales, provision of lottery distribution and ancillary services, non-lottery hardware sales and games and entertainment) in 2021, total revenue of the Group for the year under review increased by approximately 56.7% as compared to 2020.

The Group continued to maintain a healthy financial position as at December 31, 2021. Net cash (defined as total cash and cash equivalents less total debts, which include trade payables, accruals and other payables, contract liabilities and lease liabilities) as at December 31, 2021 amounted to approximately HK\$936.7 million. Fixed deposits held at bank with original maturity over three months amounted to approximately HK\$538.1 million as at December 31, 2021. 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, 2021 stood at approximately 12.2, which continuously reflected the adequacy of financial resources of the Group.

Despite the aforesaid healthy financial position of the Group, in order to improve the efficiency of the use of the remaining net proceeds from the Subscription and to cope with the challenging business environment ahead, the Company announced various re-allocations of such net proceeds together with their reasons in the Company's first quarterly results announcement for the three months ended March 31, 2020, and such re-allocations had been implemented since then. In addition, as announced in the Company's third quarterly results announcement for the nine months ended September 30, 2020, in view of the highly uncertain and difficult global and PRC business environment caused by the COVID-19 pandemic, and the fact that the pandemic remains severe in many countries and is expected to persist in the year ahead, the Board was of the view that it would be prudent for the Group to slow down the pace of its expenditure and overseas expansion (unless the territory in which the target companies operate is less affected by the COVID-19 pandemic, such as the leading payment service provider in Macau to be acquired by the Group as described in the paragraph headed "VERY SUBSTANTIAL ACQUISITION ("VSA") AND POSSIBLE CONTINUING CONNECTED TRANSACTIONS ("CTS") FOR THE COMPANY" on page 127 of this annual report). Accordingly, the expected deadline for the use of such remaining net proceeds was postponed from December 31, 2020 to December 31, 2022.

The maximum consideration for the above-mentioned acquisition in Macau amounts to HK\$778 million (subject to downward adjustments) in cash. It is anticipated that, following settlement of such consideration, the Group will still maintain a healthy financial position due to its strong cash position as stated above.

### **Liquidity and financial resources**

Net cash (defined as total cash and cash equivalents less total debts, which include trade payables, accruals and other payables, contract liabilities and lease liabilities) as at December 31, 2021 were approximately HK\$936.7 million (2020: approximately HK\$68.6 million). The increase in net cash was primarily due to the decrease in fixed deposits held at bank with original maturity over three months by approximately HK\$927.1 million. The total assets and net current assets of the Group as at December 31, 2021 were approximately HK\$3,081.7 million and approximately HK\$1,625.8 million respectively (2020: approximately HK\$3,148.4 million and approximately HK\$1,767.2 million respectively). Current liabilities of the Group as at December 31, 2021 were approximately HK\$145.1 million (2020: approximately HK\$141.0 million). As at December 31, 2021, the Group had no available banking facilities. There were no bank borrowings of the Group as at December 31, 2021 (2020: Nil). The liquidity ratio (defined as current assets divided by current liabilities) of the Group as at December 31, 2021 was approximately 12.2 (2020: 13.5) which continuously reflected adequacy of financial resources of the Group.

### **Capital structure and foreign exchange risk**

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

As at December 31, 2021, there were no bank borrowings of the Group (2020: Nil). The gearing ratio (defined as bank borrowings divided by equity) of the Group as at December 31, 2021 was therefore not applicable (2020: Not applicable).

As at December 31, 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% (2020: 0.001% to 3.6%) and 0.49% (2020: 1.05%) respectively.

As at December 31, 2021, majority of the Group's bank deposits were denominated in US\$, HK\$ and RMB. As at December 31, 2021, the Group's entity with functional currency of Hong Kong dollar had net monetary assets denominated in Indian Rupee of HK\$84.7 million (2020: HK\$ Nil) which the related foreign exchange risk has not been hedged. Apart from this, since HK\$ is pegged to US\$, the Group faced minimal foreign exchange risk during the year under review. The Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during the year under review.

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

Save as disclosed in the paragraph headed "VERY SUBSTANTIAL ACQUISITION ("VSA") AND POSSIBLE CONTINUING CONNECTED TRANSACTIONS ("CCTS") FOR THE COMPANY" on page 127 of this annual report, as at December 31, 2021, 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 as disclosed in the paragraph headed "VERY SUBSTANTIAL ACQUISITION ("VSA") AND POSSIBLE CONTINUING CONNECTED TRANSACTIONS ("CCTS") FOR THE COMPANY" on page 127 of this annual report, 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, 2021, the Group had 131 (2020: 292) employees in Hong Kong and the PRC. Total staff costs (excluding Directors' emoluments) for the year ended December 31, 2021 amounted to approximately HK\$108.2 million (2020: approximately HK\$168.4 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, 2021, no bank deposits (as at December 31, 2020: approximately HK\$0.3 million) were held in designated bank accounts to secure letters of guarantee granted to the Group.

As at December 31, 2021, a sum of approximately HK\$11.6 million (as at December 31, 2020: approximately HK\$5.4 million) was held by trustees of the Company for purchases of award Shares under the Share Award Scheme. Such sum was not available for general use by the Group.

Save as disclosed above, as at December 31, 2021, there was no charge on the assets of the Group.

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

Save as disclosed in the paragraph headed "VERY SUBSTANTIAL ACQUISITION ("VSA") AND POSSIBLE CONTINUING CONNECTED TRANSACTIONS ("CCTS") FOR THE COMPANY" on page 127 of this annual report, as at December 31, 2021, there was no specific plan for material investments and acquisition of capital assets that is required to be disclosed pursuant to Rule 17.10 of the GEM Listing Rules and the inside information provisions under Part XIVA of the SFO.

### Significant changes to financial position

Inventories of the Group amounted to approximately HK\$22.4 million as at December 31, 2021 (as at December 31, 2020: approximately HK\$22.7 million), with inventory turnover period decreased from 141 days in 2020 to 69 days in 2021. Trade receivables of the Group amounted to approximately HK\$12.4 million as at December 31, 2021 (as at December 31, 2020: approximately HK\$11.1 million), with debtor turnover period decreased from 43 days in 2020 to 17 days in 2021. Debtor turnover period and inventory turnover days improved in 2021.

Goodwill of the Group increased to approximately HK\$1,134.5 million as at December 31, 2021 (as at December 31, 2020: approximately HK\$1,112.2 million), primarily due to the currency translation difference of approximately HK\$22.3 million in 2021 when translating the goodwill denominated in RMB into HK\$.

There were no outstanding contingent consideration payables as at December 31, 2021 (as at December 31, 2020: HK\$Nil). No contingent consideration payables (2020: approximately HK\$69.6 million) were written back to profit or loss during the year under review.

Investments accounted for using equity method decreased to HK\$Nil as at December 31, 2021 (as at December 31, 2020: HK\$Nil) and since December 31, 2020 no share of results of the investments accounted for using equity method was recognized during the year under review.

Financial assets at fair value through profit or loss in the sum of approximately HK\$84.7 million as at December 31, 2021 (2020: Nil) represents the convertible term loan facilities<sup>#</sup> in the maximum amount of INR985.5 million (or approximately HK\$103.3 million) which had been provided by the Group to and fully utilized by the JV, less loss on fair value changes of such financial assets of approximately HK\$18.6 million (2020: Nil). As the convertible term loans are accounted for 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, no interests on the convertible term loans will be accrued or recognized by the Group during their tenure of 60 months from the respective dates of their utilization (the “**Final Repayment Dates**”). However, in the event that the Group does not elect to exercise its right to convert all or any part of the convertible term loans into shares of the JV on or before the Final Repayment Dates, the JV shall repay the unpaid interests (calculated at the rate of 8% per annum) and the outstanding principal amounts of the convertible term loans on the respective Final Repayment Dates. For details, please refer to Note 30 to the consolidated financial statements contained in this annual report.

# The convertible term loans are repayable on the date falling after 60 months from the date of their utilization and may be converted into fully paid up shares of the JV either at the option of the Group (upon the occurrence of an event of default by the JV under the facilities) or otherwise by mutual agreement among the JV, One97 and the Group. The conversion price per share of the JV shall be equal to or higher than the fair market value per share of the JV subject to applicable law and to be determined by a qualified merchant banker, chartered accountant or practicing cost accountant mutually appointed by the JV and the Group in accordance with internationally acceptable pricing methodology for valuation on arm's length basis. The amount of the convertible term loan facilities is determined based on the working capital needs of the JV for product launches and other operating expenses. The terms of the convertible term loans were determined after arm's length negotiations with reference to prevailing market practices. The convertible term loans are fully utilised by the JV as general working capital to further develop and operate its mobile games and entertainment platform. The convertible feature of the convertible term loans allows the Group to maintain its proportionate equity interests in the JV. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the JV and One97 are third parties independent of and not connected with the Company.

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The current portion of other receivables, deposits and prepayments decreased from approximately HK\$166.2 million as at December 31, 2020 to approximately HK\$98.0 million as at December 31, 2021, primarily due to the loan repayment received from the JV of approximately HK\$71.8 million in 2021.

### **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 173 to 177 of this annual report.

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

Save as disclosed in the paragraph headed "VERY SUBSTANTIAL ACQUISITION ("VSA") AND POSSIBLE CONTINUING CONNECTED TRANSACTIONS ("CCTS") FOR THE COMPANY" below, as of the date hereof, there was no significant event affecting the Group after December 31, 2021.

### **VERY SUBSTANTIAL ACQUISITION ("VSA") AND POSSIBLE CONTINUING CONNECTED TRANSACTIONS ("CCTS") FOR THE COMPANY**

#### ***The VSA***

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

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

The Group is an integrated technology and services company engaged in the lottery and mobile games and entertainment market with a focus on the PRC and selected international markets. Since the first half of 2021, the Group has also commenced to supply non-lottery hardware products (such as point-of-sale terminals) for use in the retail sector in the PRC. The Directors are of the view that the Acquisition would create tremendous synergies to the Group's existing business, 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.

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

**Possible CCTs**

Macau Pass provides acquiring services to merchants enabling them to accept different payment methods of other payment service providers such as the "Alipay" e-wallet, the "AlipayHK" e-wallet and Ant Bank's "Alipay (Macao)" e-wallet (collectively, the "**Alipay E-Wallets**") operated by Alipay, Alipay Singapore Holding Pte. Ltd. ("**Alipay Singapore**") and Ant Bank (collectively, the "**Alipay Entities**") and/or their affiliate(s), such that their customers may choose their preferred payment platforms at checkout. Macau Pass receives commission income from the merchants for processing payment of the transactions and pays a portion of such commission as service fees to the other payment service providers such as the Alipay Entities.

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 connected persons of the Company under the GEM Listing Rules. As Macau Pass will become an indirect wholly-owned subsidiary of the Company following Closing, the aforesaid payment of service fees by Macau Pass to the Alipay Entities in respect of its acquiring services will constitute possible CCTs for the Company under Chapter 20 of the GEM Listing Rules following Closing. On September 10, 2021, the Company entered into a framework agreement (the "**Framework Agreement**") with the Alipay Entities to set out the terms and conditions of the future business cooperation (in respect of Macau Pass' acquiring services) between Macau Pass and the Alipay Entities subject to and with effect from Closing.

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 Framework Agreement enables the Group (including the Target Group) to continue its business relationships with the Alipay Entities in compliance with the GEM Listing Rules following Closing.

The Framework Agreement is for a term commencing on the date of Closing and ending on December 31, 2023, and is subject to the maximum amounts of annual service fees payable by Macau Pass to the Alipay Entities thereunder (the "**Annual Caps**") of HK\$95,000,000 for the year ending December 31, 2022 and HK\$100,000,000 for the year ending December 31, 2023 respectively. The 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 past 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 (a) the resumption of tourists activities in Macau as the COVID-19 pandemic has been kept under control in the city; (b) the expansion of its network of merchants by Macau Pass in Macau; (c) the increase in per capita consumption of mainland Chinese tourists in Macau; and (d) the competition of acquiring services provided by other acquirers and banks in Macau.

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### ***GEM Listing Rules Implications***

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

As the Alipay Entities are connected persons of the Company, the Framework Agreement and the transactions contemplated thereunder will constitute possible CCTs for the Company under Chapter 20 of the GEM Listing Rules. As the Annual Caps exceed 5% of the relevant applicable percentage ratios and HK\$10 million per annum, the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Agreement, the Framework Agreement and the transactions contemplated thereunder respectively (including the Annual Caps) were duly approved by the Shareholders and independent Shareholders respectively at the special general meeting of the Company held on November 18, 2021.

Further details of the VSA and the possible CCTs are set out in the circular of the Company dated October 29, 2021. As disclosed in the announcement of the Company dated March 15, 2022, the Target Group has received all relevant regulatory consents and approvals as are necessary in connection with the proposed change in shareholding of the Target Group (including Macau Pass having received the written approval of AMCM for implementation of the Acquisition and the proposed change in shareholding or control of Macau Pass), the receipt of which is one of the Closing conditions. Closing will take place after fulfillment or waiver of all the other Closing conditions and upon the parties to the Agreement having completed a series of Closing matters in accordance with the terms of the Agreement. Further announcement(s) will be made by the Company as and when appropriate to keep the Shareholders posted of the progress of the VSA.

### **NEW CCTS WITH EFFECT FROM JANUARY 1, 2022**

On December 17, 2021, CLM and ZCLM, each being an indirect wholly-owned subsidiary of the Company, entered into a cooperation agreement (the "**New 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.

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The service fees payable by CLM and/or ZCLM to Alibaba China under the New Cooperation Agreement will 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) will 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 will 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) will 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 New 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.

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 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 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 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 new CCTs are set out in the announcement of the Company dated December 17, 2021.

## USE OF PROCEEDS FROM THE SUBSCRIPTION

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

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

During the year ended December 31, 2021, approximately HK\$441.9 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\$222.2 million remained as at December 31, 2021, which were placed in the bank accounts of the Group.

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2020	Amount of Net Proceeds actually used during the year ended December 31, 2021	Amount of Net Proceeds remained to be used as at December 31, 2021	Actual application of Net Proceeds during the year ended December 31, 2021 (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\$79.5 million</b> (or approximately 12.0% of total remaining as at December 31, 2020)	<b>approximately HK\$26.8 million</b>	<b>approximately HK\$52.7 million</b>	The Net Proceeds were used in items (i)(a) to (i)(c).
(a) <i>development, operation and promotion of the Chinese card game, GuanDan, and Two-on-One Poker</i>				No material difference from intended usage noted following the 2020 Re-allocations.
(b) <i>development, operation and promotion of the mind sports, leisure games and entertainment</i>				The Net Proceeds allocated to "Games and Entertainment" are expected to be used on or before December 31, 2022.
(c) <i>research and development ("R&amp;D") of games and entertainment content that are not subject to the applicable lottery laws and regulations in the PRC or other overseas markets</i>				
(d) <i>expansion and development of the Group's R&amp;D capability in technology development for games and systems</i>				
(e) <i>payment of marketing fees to merchants to promote and boost online activities by online users</i>				

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2020	Amount of Net Proceeds actually used during the year ended December 31, 2021	Amount of Net Proceeds remained to be used as at December 31, 2021	Actual application of Net Proceeds during the year ended December 31, 2021 (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
<b>(ii) Hardware, Lottery Games &amp; Systems:</b>	<b>approximately HK\$166.7 million</b> (or approximately 25.1% of total remaining as at December 31, 2020)	<b>approximately HK\$157.3 million</b>	<b>approximately HK\$9.4 million</b>	The Net Proceeds were used in items (ii)(a), (ii)(b) and (ii)(e).
(a) operation and development of lottery hardware and terminal production				No material difference from intended usage noted following the 2020 Re-allocations.
(b) operation and development of lottery software systems				The Net Proceeds allocated to "Hardware, Lottery Games & Systems" are expected to be used on or before December 31, 2022.
(c) development of ancillary parts for lottery hardware and terminal production				
(d) investment for lottery games				
(e) sourcing, manufacturing, operation and development of smart hardware and ancillary equipment and provision of related after-sales maintenance services				
<b>(iii) Lottery Distribution:</b>	<b>approximately HK\$160.1 million</b> (or approximately 24.1% of total remaining as at December 31, 2020)	<b>approximately HK\$65.0 million</b>	<b>approximately HK\$95.1 million</b>	The Net Proceeds were used in items (iii)(b) and (iii)(c).
(a) sales, marketing and distribution of virtual lottery games				No material difference from intended usage noted following the 2020 Re-allocations.
(b) sales, marketing and distribution of instant scratch lottery games				The Net Proceeds allocated to "Lottery Distribution" are expected to be used on or before December 31, 2022.
(c) sales, marketing and distribution of other categories of lottery games				
(d) online sales, marketing and distribution of lottery products (including but not limited to the future cooperation with Taobao and Alipay)				

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2020	Amount of Net Proceeds actually used during the year ended December 31, 2021	Amount of Net Proceeds remained to be used as at December 31, 2021	Actual application of Net Proceeds during the year ended December 31, 2021 (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
<b>(iv) Investment project(s) and acquisition(s):</b>	<b>approximately HK\$104.2 million</b> (or approximately 15.7% of total remaining as at December 31, 2020)	<b>approximately HK\$103.3 million</b>	<b>approximately HK\$0.9 million</b>	The Net Proceeds were used in item (iv)(d).
(a) <i>potential investment project(s) in overseas markets in areas of lottery business and games and entertainment business</i>				No material difference from intended usage noted following the 2020 Re-allocations.
(b) <i>potential acquisition(s) of businesses engaged in lottery business and games and entertainment business</i>				The Net Proceeds allocated to "Investment project(s) and acquisition(s)" are expected to be used on or before December 31, 2022.
(c) <i>capital investments in the Group's joint venture company established with One97 Communications Limited in India</i>				
(d) <i>funding provided by the Group to support business expansion and ongoing operation in overseas markets</i>				
<b>(v) General corporate purposes:</b>	<b>approximately HK\$153.6 million</b> (or approximately 23.1% of total remaining as at December 31, 2020)	<b>approximately HK\$89.5 million</b>	<b>approximately HK\$64.1 million</b>	The Net Proceeds were used in items (v)(a) and (v)(b).
(a) <i>staff costs and other administrative expenses of the Group (including the costs relating to the Share Award Scheme)</i>				No material difference from intended usage noted following the 2020 Re-allocations.
(b) <i>general working capital of the Group</i>				The Net Proceeds allocated to "General corporate purposes" are expected to be used on or before December 31, 2022.
<b>Grand total:</b>	<b>approximately HK\$664.1 million</b>	<b>approximately HK\$441.9 million</b>	<b>approximately HK\$222.2 million</b>	

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS

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

Mr. Sun, aged 53, took over the Company in 2006 and gradually transformed the Group into an integrated technology and services group engaged in the lottery and mobile games and entertainment businesses. Mr. Sun serves as the Company's Executive Director, Chairman and CEO, 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 RMICC of the Company. Mr. Sun is also a director of Ant Bank (Macao) Limited, and serves as a director of various subsidiaries of the Company. Through his extensive experience in the China lottery and related industries, Mr. Sun continues to uphold the highest responsible business standards and ethics while striving for excellence and innovation as a leader in the regulated lottery and other markets.

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

Prior to 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 42, 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. Yang Guang – Non-executive Director**

Mr. Yang, aged 44, has been a non-executive Director since August 10, 2016. He joined Alibaba Group in September 2007. He is currently the vice president of Tmall Business Segment of Alibaba Group and is responsible for the operation of Tmall merchants and industries.

Mr. Yang has extensive experience in the internet industry and the lottery industry. Before the current position in Alibaba Group, Mr. Yang led the operation team of consumer electronics product in Taobao.com. Mr. Yang was one of the core members of the team responsible for the establishment of Tmall.com and Taobao Travel. From 2012 to 2015, Mr. Yang was responsible for Taobao.com's innovative business including Taobao Lottery. He graduated from Jilin University, China, majoring in biological pharmacy. During the period from May 2018 to December 2020, Mr. Yang was a non-executive director of Haier Electronics Group Co., Ltd.

(stock code: 1169, of which shares have been delisted from the Hong Kong Stock Exchange since December 23, 2020). During the period from March 2017 to July 2021, Mr. Yang was a director of Suning.com Co., Ltd. (蘇寧易購集團股份有限公司) (stock code: 002024) which is listed in the PRC.

**Mr. Liu Zheng – Non-executive Director**

Mr. Liu, aged 43, 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. Ji Gang – Non-executive Director**

Mr. Ji, aged 47, 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. Mr. Ji is also a director of Ant Bank (Macao) Limited. Before joining Ant Holdco, he served as a Vice President of Alibaba Group and was responsible for strategic investment. He is currently a director of Phoenix Tree Holdings Limited (the American depository shares ("ADSs") of which are listed on the New York Stock Exchange (Stock Symbol: DNK). He holds a bachelor's degree in international business management from University of International Business and Economics, China.

**Mr. Zou Liang – Non-executive Director**

Mr. Zou, aged 49, 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 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 68, 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 Qing is the chairman of Beijing Yi Xin Tech Corporation. Mr. Feng was the author of the marketing economics book titled “Practical Market Theory (實用市場理論)” which was well received by the market, and became an instrumental reading in learning western economics. In 1983, Mr. Feng commenced study of macroeconomics in Switzerland.

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

**Dr. Gao Jack Qunyao – Independent Non-executive Director**

Dr. Gao, aged 63, 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 IT, media and entertainment, and venture capital. He is currently the adjunct professor of the Business School of The Chinese University of Hong Kong, the founding partner and CEO of Beijing Times Digiwork Films Technology Co., Ltd. (Smart Cinema), and the independent non-executive director of AsiaInfo Technologies Limited (a company listed on the Stock Exchange under Stock Code: 1675). During 2015-2017, Dr. Gao was the Group Senior Vice President and CEO of International Investments and Business Operation Department of 北京萬達文化產業集團有限公司 (Beijing Wanda Culture Industry Group Co., Ltd.\*) and in 2017, Interim CEO of Legendary Entertainment LLC; a director of several Wanda Group companies including Legendary Entertainment LLC, AMC Entertainment Holdings, Inc. (listed on the New York Stock Exchange, stock symbol: AMC) and Sunseeker International Limited, and the director for the EuropaCity (巴黎歐洲城) project. Dr. Gao was previously the founder and president of Gao Entertainment LLC; an independent director of AirMedia Group Inc. (the ADSs) of which are listed on NASDAQ under the symbol: AMCN); and an independent director of 萬通投資控股股份有限公司 (Vantone Holdings Co., Ltd.\*); a director of Infront Sports & Media AG, Bona Film Group Limited (the ADSs of which are listed on NASDAQ under the symbol: BONA); and an alternate director of Phoenix Media Investment (Holdings) Limited (formerly known as Phoenix Satellite Television Holdings Limited) (a company listed on the Stock Exchange under Stock Code: 2008).

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

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

Mr. Chow, aged 61, 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 Institute of Chartered Secretaries (“HKICS”) (currently known as the Hong Kong Chartered Governance Institute) 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), Shanghai Dazhong Public Utilities (Group) Co., Ltd.\* (SEHK: 1635), 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.

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 HKICS both in October 2009, and HKICPA in December 1993.

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

## SENIOR MANAGEMENT (OTHER THAN EXECUTIVE DIRECTORS)

### **Mr. Bai Jinmin – Chief Strategy Officer and General Counsel**

Mr. Bai, aged 55, is the Chief Strategy Officer and General Counsel of the Group. He is presently responsible for the execution of the development initiatives of the Group's lottery business, supervision over the relevant operations and the management of corporate legal and compliance matters. Mr. Bai joined the Group in September 2007.

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

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

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**Mr. Zhang Yan – Vice President**

Mr. Zhang, aged 38, 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.

**Mr. Wong Gilbert Chun Chin – Vice President**

Mr. Wong, aged 44, is a Vice President of the Company, presently responsible for investment projects, corporate planning, public relations and investor relations for the Group. Mr. Wong has been serving in the gaming and lottery industry for over 15 years, in addition to consultancy collaborations with major operators and regulators throughout Asia. Prior to joining the Group in 2018, he was with the Hong Kong Jockey Club, and has extensive experience in trading operations and risk management, commercial development and project management. Mr. Wong graduated from the University of Toronto, Canada.

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

# DIRECTORS' REPORT

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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, 2021.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

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

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 191.

The Board does not recommend the payment of a final dividend for the year under review (2020: 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, 2021 are set out in Note 32 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

The Company had no distributable reserves calculated under the laws of Bermuda as at December 31, 2021.

## 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, 2021 is set out on page 184.

## DIRECTORS

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

### Executive Directors:

Mr. Sun Ho  
Ms. Hu Taoye

### Non-executive Directors:

Mr. Yang Guang  
Mr. Liu Zheng (appointed on December 20, 2021)  
Mr. Li Faguang (resigned on December 20, 2021)  
Mr. Ji Gang  
Mr. Zou Liang

### Independent non-executive Directors:

Ms. Monica Maria Nunes (resigned on January 24, 2022)  
Mr. Feng Qing  
Dr. Gao Jack Qunyao  
Mr. Chow Siu Lui (appointed on January 24, 2022)

In accordance with bye-law 87 of the Bye-laws, three Directors (namely, Ms. Hu Taoye, Mr. Ji Gang and Dr. Gao Jack Qunyao) will retire by rotation, but being eligible, shall offer themselves for re-election, at the forthcoming annual general meeting of the Company (the "2022 AGM").

Besides, in accordance with bye-law 86(2) of the Bye-laws, Mr. Liu Zheng and Mr. Chow Siu Lui who have been newly appointed as Directors, shall hold office until the next following meeting of the Company (i.e. the 2022 AGM) and shall then be eligible for re-election at that meeting.

## 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 10, 2020, unless terminated earlier by the Company for cause.

Ms. Hu Taoye was appointed as an executive Director and the chief financial officer of the Company under a service agreement with effect from 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, 2022.

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

Each of Ms. Monica Maria Nunes (resigned on January 24, 2022), 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 one year commencing from May 12, 2021, May 4, 2021 and May 6, 2021 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).

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

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

Ms. Hu Taoye, Mr. Li Faguang (resigned on December 20, 2021) and Mr. Yang Guang are employees of Alibaba Group, and each of these Directors was deemed or may be perceived to have a material interest in the transactions between the Group and Alibaba Group. Accordingly, they abstained from voting on the resolutions passed by the Board in relation to such transactions. Mr. Liu Zheng is also an employee of Alibaba Group who was appointed as non-executive Director only on December 20, 2021 and did not participate in any Board meeting for approval of any CCTs with Alibaba Group.

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

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

## **PERMITTED INDEMNITY PROVISIONS**

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

## CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2021, 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

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

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

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

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

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- (ii) On December 20, 2019, Beijing AGTech Co., Ltd.\* (“**Beijing AGTech**”), being a wholly-owned subsidiary of the Company, entered into a technology services framework agreement (the “**2020 Technology Services Framework Agreement**”) with Alibaba Cloud Computing Ltd. (“**Alibaba Cloud**”). Pursuant to the 2020 Technology Services Framework Agreement, Beijing AGTech will and will procure the Group to, where applicable, enter into specific agreements with Alibaba Cloud for the provision of technology services and resources, including authorisation for the use of cloud computing technologies and e-commerce technologies, and the provision of other technology services and support based on the business needs and operational requirements of the Group, including the provision of information technology infrastructure and hardware such as servers and data rooms, by Alibaba Cloud to the Group. The 2020 Technology Services Framework Agreement shall be for a term commencing on 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 ending 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 (a) 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 (b) the then expected transaction amounts relating to such technology services for the one-month period in December 2020; while the annual caps for the years ended and ending 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 currently published by Alibaba Cloud on its official website(s), and the discount rates historically offered by Alibaba Cloud to third parties.

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

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

- (iii) On December 13, 2019, CLM and ZCLM, each being an indirect wholly-owned subsidiary of the Company, entered into a cooperation agreement (the "**Cooperation Agreement**") with Alibaba China, pursuant to which CLM and/or ZCLM shall cooperate with Alibaba China in relation to the sale of welfare and/or sports 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, 2020 to December 31, 2021. CLM and ZCLM shall be responsible for entering into agreements separately with various provincial China Welfare Lottery Issuance and Administration Centers and/or China Sports Lottery 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/ZCLM which acts as selling agents, for the sale of welfare and/or sports 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.

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

- (a) Where CLM/ZCLM acts as a selling agent and receives sales commission from a Lottery Center, service fees payable to Alibaba China = (sales commission receivable by CLM/ZCLM from a Lottery Center for the sale of lottery products (exclusive of taxes) – service fees payable to the Sales Outlets or labour costs of selling personnel and related taxes – other costs and expenses) x 50%.

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The service fees payable to the Sales Outlets (which are not controlled or owned by the Alibaba Group) will 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 welfare and/or sports lottery products to be sold and the specific scope of services to be provided by the Sales Outlets to CLM/ZCLM.

(b) Where a Sales Outlet acts as a selling agent and CLM/ZCLM receives service fees from a Lottery Center, service fees payable to Alibaba China = (service fees receivable by CLM/ZCLM from a Lottery Center (exclusive of taxes) – other costs and expenses) x 50%.

The above-mentioned net revenue sharing ratios on a 50:50 basis in calculating the service fees payable by CLM and ZCLM to Alibaba China under the 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.

At the time of signing the Cooperation Agreement, the Company expected that the maximum aggregate service fees payable by the Group to Alibaba China under the Cooperation Agreement would not be more than HK\$3 million for each of the years ended December 31, 2020 and 2021 (the “**Existing Annual Caps**”).

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 continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. At the time of signing the Cooperation Agreement, as all the applicable percentage ratios with respect to the transactions on an annual basis were less than 5% and the maximum aggregate annual service fees payable by the Group to Alibaba China was less than HK\$3 million, the transactions constituted de minimis transactions and were fully exempt from independent shareholders' approval, annual review and all disclosure requirements under Chapter 20.74(1)(c) of the GEM Listing Rules.

However, due to a recent increase in the revenue from the distribution of lottery products through the Sales Outlets under the Cooperation Agreement, it was expected that the maximum aggregate service fees payable by the Group to Alibaba China under the Cooperation Agreement for the full year ended December 31, 2021 would exceed HK\$3 million. Hence, the Board had resolved to increase the maximum limit of such aggregate service fees payable by the Group under the Cooperation Agreement for the year ended December 31, 2021 to HK\$3.5 million (i.e. the "**Revised 2021 Annual Cap**"). As one or more applicable percentage ratios with respect to the Revised 2021 Annual Cap for the transactions are more than 0.1% but all of them are less than 5%, the transactions for the year ended December 31, 2021 have become subject to the reporting, announcement and annual review requirements but are still exempt from the circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Existing Annual Caps and the Revised 2021 Annual Cap are determined with reference to the following factors:

- (1) (for the Existing Annual Caps) the Group's expected demand for the selling services of the Sales Outlets during the term of the Cooperation Agreement;
- (2) (for the Revised 2021 Annual Cap) the historical amounts of the transactions under the Cooperation Agreement for the year ended December 31, 2020 and the ten months ended October 31, 2021, being approximately HK\$2.0 million and approximately HK\$2.6 million, respectively; and
- (3) (for the Revised 2021 Annual Cap) the expected amount of the transactions under the Cooperation Agreement for the remaining two-month period ended December 31, 2021.

Further details of these CCTs are set out in the announcement of the Company dated November 16, 2021.

During the year ended December 31, 2021, the actual transaction amounts in respect of the CCTs with Alibaba Group described above were as follows:

CCTs with Alibaba Group	Total amount (HK\$'000)
<b>(i) In respect of the Alibaba Cooperation Framework Agreement:</b>	1,434 <sup>Note a</sup>
<b>(ii) In respect of the 2020 Technology Services Framework Agreement:</b>	2,151 <sup>Note b</sup>
<b>(iii) In respect of the Cooperation Agreement:</b>	3,273 <sup>Note c</sup>

Notes:

- a. *The aggregate amount of these transactions amounted to HK\$1,434,000 for the year ended December 31, 2021, which fell below the annual cap amount of HK\$70,000,000 for such year.*
- b. *The aggregate amount of these transactions amounted to approximately HK\$2,151,000 for the year ended December 31, 2021, which fell below the annual cap amount of HK\$4,000,000 for such year.*
- c. *The aggregate amount of these transactions amounted to approximately HK\$3,273,000 for the year ended December 31, 2021, which fell below the annual cap amount of HK\$3,500,000 for such year.*

### Annual review of CCTs

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

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

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

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

During the year ended December 31, 2021, the Company reviewed its related party transactions and confirmed that, save as disclosed above, there was no connected transaction or continuing connected transaction of the Company which was required to be disclosed pursuant to Chapter 20 of the GEM Listing Rules. Save as disclosed above, none of the related party transactions set out in Note 36 to the consolidated financial statements were such transactions required to be disclosed pursuant to Chapter 20 of the GEM Listing Rules.

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

As at December 31, 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director	Number of Shares/restricted share units held			Approximate percentage held (Note 1)
	Personal interest	Corporate interest	Total	
Mr. Sun Ho	46,158,000 (Note 2)	2,006,250,000 (Note 3)	2,052,408,000	17.584%
Ms. Hu Taoye	384,000 (Note 4)	–	384,000	0.003%
Mr. Yang Guang	–	–	–	0%
Mr. Liu Zheng	–	–	–	0%
Mr. Ji Gang	–	–	–	0%
Mr. Zou Liang	–	–	–	0%
Ms. Monica Maria Nunes (resigned on January 24, 2022)	1,750,000	–	1,750,000	0.015%
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:

- Based on a total of 11,672,342,235 Shares in issue as at December 31, 2021.
- It represents 41,388,000 Shares and 4,770,000 restricted share units (granted under the Share Award Scheme) beneficially held by Mr. Sun Ho.
- These 2,006,250,000 Shares were held in the name of Maxprofit Global Inc. As Maxprofit Global Inc is beneficially and wholly-owned by Mr. Sun Ho, the chairman, executive Director & CEO of the Company, he was deemed to be interested in such Shares under the SFO.
- It represents 96,000 Shares and 288,000 restricted Share units (granted under the Share Award Scheme) beneficially held by Ms. Hu Taoye.

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

Name of Director	Capacity	Number of shares/underlying shares held (in the number of American Depository Shares ("ADS(s)") of Alibaba Holding)			Approximate percentage of issued shares of Alibaba Holding (Note 2)
		(Note 1)	(in the number of ordinary shares of Alibaba Holding) (Note 1)	(Note 1)	
Ms. Hu Taoye	(Note 3)	16,920	135,360	0.001%	
Mr. Yang Guang	(Note 4)	61,043	488,344	0.002%	
Mr. Liu Zheng	(Note 5)	17,710	141,680	0.001%	
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 21,528,618,024 ordinary shares of Alibaba Holding in issue as at December 31, 2021.
3. The interest comprised 13,670 ADSs of Alibaba Holding and 3,250 RSUs of Alibaba Holding beneficially held by Ms. Hu Taoye.
4. The interest comprised 7,918 ADSs of Alibaba Holding and 53,125 RSUs of Alibaba Holding beneficially held by Mr. Yang Guang.
5. The interest comprised 10,210 ADSs of Alibaba Holding and 7,500 RSUs of Alibaba Holding beneficially held by Mr. Liu Zheng.
6. The interest comprised 5,050 ADSs of Alibaba Holding and 5,185 RSUs of Alibaba Holding beneficially held by Mr. Ji Gang.
7. The interest comprised 840 ADSs of Alibaba Holding and 1,700 RSUs of Alibaba Holding beneficially held by Mr. Zou Liang.

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

Name of Director	Capacity	Number of shares of Ali Pictures held	Approximate Percentage to Total Issued Share Capital of Ali Pictures (Note 1)
Mr. Zou Liang	Note 2	90,000	negligible

Notes:

1. Based on a total of 26,836,786,410 ordinary shares of Ali Pictures in issue as at December 31, 2021.
2. The interest comprised 90,000 ordinary shares of Ali Pictures beneficially held by Mr. Zou Liang.

**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 to Total Issued Share Capital of Cainiao (Note)
		(class A ordinary shares)	(class B ordinary shares)	
Mr. Liu Zheng	Beneficial Owner	5,460,000	5,900,000	0.07%

Note: As at December 31, 2021, the issued share capital of Cainiao was made up of 15,212,555,296 ordinary shares, 438,421,666 class A ordinary shares and 77,576,548 class B ordinary shares; Mr. Liu Zheng was interested in 5,460,000 class A ordinary shares and 5,900,000 class B ordinary shares, representing approximately 1.25% and 7.61% of the relevant class of shares in issue of Cainiao respectively, and was not interested in any ordinary share in issue of Cainiao.

Save as disclosed above, as at December 31, 2021, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares (in respect of share options of the Company which were regarded as unlisted physically settled equity derivatives) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

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

As at December 31, 2021, so far as was known to the Directors or chief executive of the Company, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly interested in 5% or more of the issued voting shares of any other member of the Group or held any option in respect of such shares and recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company (Note 1)
Ali Fortune (Note 2)	Beneficial owner	6,502,723,993 (Note 8)	55.71%
Alibaba Investment Limited (Note 2)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
API Holdings Limited (Note 2)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
Alibaba Holding (Note 3)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
API (Hong Kong) Investment Limited (Note 4)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
Shanghai Yunju Venture Capital Investment Co., Ltd. (formerly known as Shanghai Yunju Investment Management Co., Ltd.) (Note 5)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
Ant Holdco (Note 6)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
Hangzhou Yunbo Investment Consultancy Co., Ltd. (Note 7)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
Mr. Ma Yun (Note 7)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
Mr. Jing Eric Xiandong (Note 7)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
Mr. Jiang Fang (Note 7)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
Mr. Hu Simon Xiaoming (Note 7)	Interest of controlled corporation	6,502,723,993 (Note 8)	55.71%
Maxprofit Global Inc (Note 9)	Beneficial owner	2,006,250,000	17.19%
Mr. Cheung Lup Kwan Vitor	Interest of controlled corporation	584,515,224	5.01%
Rainwood Resources Limited	Beneficial owner	584,515,224	5.01%

## Notes:

1. Based on a total of 11,672,342,235 Shares in issue as at December 31, 2021.
2. Alibaba Investment Limited ("**AIL**") and API Holdings Limited ("**API Holdings**") hold 60% and 40% of the issued share capital of Ali Fortune, respectively.
3. Alibaba Holding holds 100% of the issued share capital of AIL.
4. API (Hong Kong) Investment Limited holds 100% of the issued share capital of API Holdings.
5. Shanghai Yunju Venture Capital Investment Co., Ltd. (formerly known as Shanghai Yunju Investment Management Co., Ltd.) ("**Shanghai Yunju**") holds 100% of the issued share capital of API (Hong Kong) Investment Limited.
6. Ant Holdco holds 100% of the equity interests in Shanghai Yunju. Hangzhou Junhan Equity Investment Partnership (Limited Partnership) ("**Junhan**") and Hangzhou Junao Equity Investment Partnership (Limited Partnership) ("**Junao**") hold approximately 29.86% and 20.66% of the equity interests in Ant Holdco, respectively.
7. Hangzhou Yunbo Investment Consultancy Co., Ltd. ("**Yunbo**") is the general partner of both Junhan and Junao, and is owned as to 34%, 22%, 22% and 22% by Mr. Ma Yun, Mr. Jing Eric Xiandong, Ms. Jiang Fang, and Mr. Hu Simon Xiaoming respectively. Pursuant to an agreement (the "**Concert Party Agreement**") dated August 21, 2020 and entered into between Mr. Ma Yun, Mr. Jing Eric Xiandong, Ms. Jiang Fang, and Mr. Hu Simon Xiaoming, they have agreed on certain arrangements pertaining to their shareholdings in Yunbo. Pursuant to the SFO, since each of Mr. Ma Yun, Mr. Jing Eric Xiandong, Ms. Jiang Fang, and Mr. Hu Simon Xiaoming is a party to the Concert Party Agreement, each of them is deemed to be interested in the Shares in which the other parties to the Concert Party Agreement are interested.
8. Each of AIL, Alibaba Holding, API Holdings, API (Hong Kong) Investment Limited, Shanghai Yunju, Ant Holdco, Junhan, Junao, Yunbo, Mr. Ma Yun, Mr. Jing Eric Xiandong, Ms. Jiang Fang, and Mr. Hu Simon Xiaoming are taken to be interested in an aggregate of 6,502,723,993 Shares by virtue of Part XV of the SFO.
9. As disclosed in the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above, Mr. Sun Ho was deemed to be interested in these 2,006,250,000 Shares by virtue of his interest in Maxprofit Global Inc.

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Save as disclosed above, as at December 31, 2021, 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, 2021, 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 34 to the consolidated financial statements.

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

During the year ended December 31, 2021, 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, 2021. As at the date of this report, the total number of Shares still available for issue in respect of the share options granted under the 2014 Scheme (excluding, for the purpose of calculating the “scheme mandate limit”, any options granted under the 2014 Scheme but forfeited or expired in accordance with the terms of such scheme) shall be 313,309,485 Shares, representing approximately 2.7% of the Company’s issued share capital as at that date.

As at January 1, 2021 and December 31, 2021, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Schemes was Nil (2020: Nil), representing Nil% (2020: 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 has adopted the Share Award Scheme on March 17, 2017 (the "**Adoption Date**") which will allow the Company to grant award Shares to selected participants as incentives and/or rewards for their contribution to the Group.

On December 17, 2021, the Board granted a total of 8,500,000 award Shares to 18 eligible persons who are employees and independent of the Company and its connected persons under the Share Award Scheme. The 8,500,000 award Shares granted represent approximately 0.07% 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 65,732,000 Shares on the Stock Exchange at a total consideration of approximately HK\$17.3 million to satisfy award Shares granted under the Share Award Scheme.

During the year under review, 8,500,000 award Shares were granted by the Company pursuant to the Share Award Scheme, 35,658,500 award Shares were vested in the grantees and 34,900,000 award Shares were forfeited.

All of the 8,500,000 award Shares were granted by way of acquisition of existing Shares through on-market transactions by the Trustee. The Board shall cause to pay the Trustee the purchase price and the related expenses from the Company's cash resources. The Trustee shall purchase from the market the relevant number of award Shares and shall hold the award Shares on trust for the relevant selected participants until they are vested in such selected participants and delivered in accordance with the terms of the Share Award Scheme. There is no condition, performance target or lock up restriction attached to the award Shares.

In the event that the Board elects to issue new Shares to satisfy any award Shares to be granted under the Share Award Scheme in the future, the maximum number of new Shares so issued shall be limited to 3% of the total issued Shares as at the Adoption Date (i.e. 315,426,263 Shares). The total number of issued Shares as at the Adoption Date was 10,514,208,770.

### EQUITY-LINKED AGREEMENT

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:

	2021	2020
– the largest customer	<b>15.5%</b>	34.2%
– five largest customers combined	<b>52.1%</b>	74.1%

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

	2021	2020
– the largest supplier	<b>22.1%</b>	16.0%
– five largest suppliers combined	<b>66.5%</b>	43.8%

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.

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### **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. The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. During the year, the Group made contributions to the MPF Scheme amounted to approximately HK\$0.5 million (2020: approximately HK\$0.5 million). As at December 31, 2021, there are available forfeited contributions of approximately HK\$0.3 million and no forfeited contributions had been used by employer to reduce the existing level of contributions.

## LOAN TO AN OFFICER

A loan granted to an officer of the Company for an original period of 2 years was expired on 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.

## DONATIONS

During the year under review, the Group did not make any donations (2020: HK\$197,000) 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, 2021) and Mr. Wang Jian (who held a 5% equity interest in Silvercreek as at December 31, 2021).

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, 2021, net assets totalling approximately HK\$8.50 million and revenue totalling approximately HK\$0.14 million 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;

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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, 2021, 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, 2021, net liabilities totalling approximately HK\$2.2 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 company's general meeting and signing relevant resolutions, meeting minutes and

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

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

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

CLMC previously entered into the Caixiaoer Control Agreements with Ms. Han Yi (韓憶) and Mr. Luo Shihui (羅仕輝) on March 19, 2020, who were previously Caixiaoer Nominee Shareholders and respectively held 90% and 10% equity interest in Caixiaoer. After the termination of the previous Caixiaoer Control Agreements on August 5, 2021 and the entering into of the new Caixiaoer Control Agreements with Ms. Wang Liying and Ms. Hu Taoye on August 5, 2021, Ms. Wang Liying and Ms. Hu Taoye become the new Caixiaoer Nominee Shareholders. During the year under review, save as disclosed herein, 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 three independent non-executive Directors, namely, Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qunyao. Ms. Monica Maria Nunes was the chairperson of the Audit Committee. With effect from January 24, 2022, Ms. Monica Maria Nunes resigned, and Mr. Chow Siu Lui was appointed, as independent non-executive Director and Mr. Chow Siu Lui has become the new chairman of the Audit Committee. The consolidated financial statements of the Group for the year ended December 31, 2021 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, 2021 have been audited by PwC.

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

Save as disclosed in the paragraph headed "VERY SUBSTANTIAL ACQUISITION ("VSA") AND POSSIBLE CONTINUING CONNECTED TRANSACTIONS ("CCTS") FOR THE COMPANY" on page 127 of this annual report, 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, 2021.

## 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, 2021 are set out in the "Discussion and Analysis of the Group's Results and Business" section on pages 112 to 127 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.

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- The Group acts as a technology supplier to our customers and receives service fees on and subject to the terms and conditions of the relevant technical service agreements between the Group and the customers. Accordingly, the terms and conditions of such technical service agreements are critical to the Group. The terms of the technical service agreements that the Group may enter in the future in respect of lottery games that have been developed by the Group or that have been submitted to the MOF for approval may not be as favourable as the terms that the Group is expecting. There is also no assurance that such service agreements can be entered into by the Group at all.
- (ii) Uncertainties for the Group resulting from the PRC regulatory regime**
- Under the current PRC regulatory regime, lottery products offered by provincial lottery administration 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.
  - 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.

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- It is one of the Group's corporate objectives to pursue overseas opportunities and globalize its business. However, geopolitical tensions, protectionist or national security policies in certain countries could, among other things, hinder the Group's ability to fulfill such objective or adversely affect the Group's investment in certain jurisdictions. For example, in 2020, India banned numerous Chinese mobile apps as tensions subsisted along its disputed border with the PRC. While the Group maintains only a minority equity interest in its investment in India with the majority stake thereof being held by a local partner in India, and such investment has not been adversely affected despite the geopolitical tensions between India and the PRC, there is no assurance that India will not further tighten its foreign investment regulation(s) in the future and the Group's investment in India may be adversely affected as a result.
  - During the course of 2018 and 2019, it was noted that certain PRC government's directives were issued to closely regulate the administration of the online game industry and the PRC government had paid attention to the internet industry. In addition, the "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)), which took effect from June 1, 2021, clearly stipulates that online game service providers are not allowed to provide online game services to minors from 10 p.m. to 8 a.m. of the next day, and minors are required to register with their real names. Furthermore, the National Press and Publication Administration (國家新聞出版署) of the PRC issued a "Notice on Further Strict Management to Effectively Prevent Minors from Indulging in Online Games" (關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知), which took effect from September 1, 2021, to stipulate that online gamers under the age of 18 are allowed to play online games for only one hour on Fridays, weekends and statutory holidays. These regulations may cause uncertainties to China's overall games industry and hence the pace of the development of the Group's games and entertainment business in the PRC.

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

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

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

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

During the year under review, the Group has been complying with the lottery related laws and regulations in the PRC (including but not limited to Lottery Management Regulations (彩票管理條例); The Detailed Rules for the Implementation of Lottery Management Regulations (彩票管理條例實施細則); Measures for Lottery Issuance and Sales Management (彩票發行銷售管理辦法); The Interim Measures for the Administration of Internet Sales of Lottery (互聯網銷售彩票管理暫行辦法); The Interim Measures for the Administration of Telephone Sales of Lottery (電話銷售彩票管理暫行辦法); Interim Provisions on the Administration of Internet Culture (互聯網文化管理暫行規定)), and 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

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人民共和國勞動法), The Labour Contract Law of the PRC (中華人民共和國勞動合同法); Regulations of Paid Annual Leave of Employees (職工帶薪年休假條例); PRC Criminal Law (中華人民共和國刑法); PRC Anti-Unfair Competition Law (中華人民共和國反不正當競爭法); PRC Interim Provisions on Prohibiting Commercial Bribery (禁止商業賄賂行為的暫行規定); The Company Law of the PRC(中華人民共和國公司法); Hong Kong Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong)) that has come to the knowledge of the Directors.

**(d) Significant event after the reporting period:**

Save as disclosed in the paragraph headed "Significant event after the reporting period" on page 127 of this annual report, as of the date hereof, there was no significant event affecting the Group after December 31, 2021.

**(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 120 and 121 of this annual report.

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

KPIs	Reasons for selection as KPIs	Financial Year 2021 (HK\$'000)	Financial Year 2020 (HK\$'000)	Variance
Revenue	To assess the sales performance and volume of transactions of the Group.	253,242	161,649	↑ 56.7%
Operating loss	To assess the Group's operating performance and cost management.	65,785	131,087	↓ 49.8%
Loss for the year attributable to owners of the Company	To assess the Group's profitability (after expenses).	63,633	121,372	↓ 47.6%

**(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 effort to support low-carbon offices, in that employees are encouraged to observe our policies and business practices on energy and resource savings, such as the following:

- employees can claim internal green rewards if they turn off power-consuming devices, such as computers, lights and air-conditioners, when they leave office and report their efforts;
- implementation of a range of initiatives to achieve paperless office/reduce paper usage, such as online settlement of bill with suppliers (travel and accommodation fee and others), increase the use of online payment, encourage double-sided printing and the use of recycled paper, etc;

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- implementation of online office initiatives, promotion of remote video conference and the use of DingTalk and other communication methods to reduce unnecessary business travel;
  - adoption of a 5-day work week for the Group;
  - use of public transportations for errands;
  - scientific design of the office has been adopted so that natural light could be made full use of, rather than electricity; and
  - promotion of green office initiatives, where environmental-friendly behaviors such as waste sorting and recycling efforts will be internally rewarded.

**(h) Relationships with our stakeholders:**

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

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

Stakeholders of the Group	Relationships with the Group
Shareholders	<p>The Group strives to not only maximize the Shareholders' return through continuous business development, but also to maintain a high level of transparency and accountability to the Shareholders in various ways, such as:</p> <ul style="list-style-type: none"> <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>

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

## Business partners

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.

## Employees

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

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

## (i) On-the-job training:

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

## (ii) Other training activities:

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

Stakeholders of the Group	Relationships with the Group
Suppliers/subcontractors	<p>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.</p>
<p>Customers (including but not limited to governmental lottery authorities or operators authorized by such authorities, and online consumers in respect of games and entertainment business)</p>	<p>During the year under review, the largest customer and the five largest customers (combined) of the Group accounted for approximately 15.5% and approximately 52.1% 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.</p> <p>The Group works closely with its customers in respect of its lottery business to implement responsible lottery measures and prevent problem gaming in various ways.</p> <p>As regards the Group's non-lottery games and entertainment business, anti-addiction measures are also implemented as appropriate and as required.</p>

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

## Community

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

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

The footprint of our business spans across China and selected overseas markets. We employ around 131 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 18, 2022

## FINANCIAL SUMMARY

### RESULTS

	For the year ended December 31,				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	<b>253,242</b>	161,649	175,077	168,573	302,210
Operating loss	<b>65,785</b>	131,087	194,931	261,979	242,584
(Loss)/Profit for the year attributable to owners of the Company	<b>(63,633)</b>	(121,372)	(123,883)	315,157	(365,664)

### ASSETS AND LIABILITIES

	As at December 31,				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Total assets	<b>3,081,673</b>	3,148,432	3,254,718	3,721,541	3,988,869
Total liabilities	<b>(195,533)</b>	(205,118)	(239,496)	(688,810)	(1,283,305)
Net assets	<b>2,886,140</b>	2,943,314	3,015,222	3,032,731	2,705,564
Equity attributable to owners of the Company	<b>2,836,609</b>	2,895,740	2,982,224	2,983,982	2,658,374
Non-controlling interests	<b>49,531</b>	47,574	32,998	48,749	47,190
	<b>2,886,140</b>	2,943,314	3,015,222	3,032,731	2,705,564

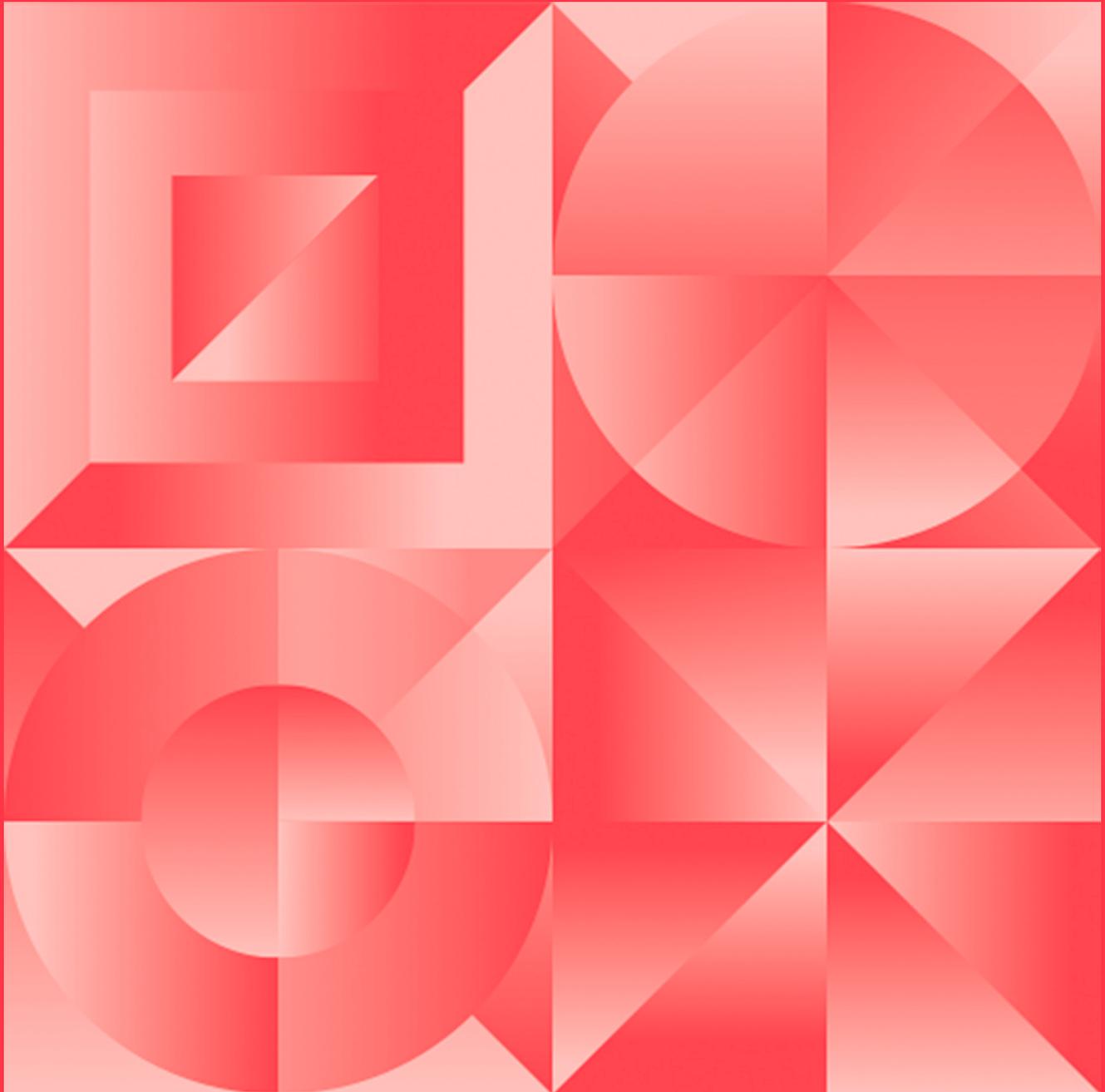


# 2021

**AGTech Holdings Limited**

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

## 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 191 to 278, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

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

#### Independence

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

## KEY AUDIT MATTERS

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Revenue recognition</b></p> <p>Refer to notes 2.22 and 5 to the consolidated financial statements.</p> <p>The Group recognized revenue of HK\$253,242,000 (2020: HK\$161,649,000) from lottery and non-lottery hardware sales, lottery distribution through physical channels and ancillary services, lottery games and systems, games and entertainment during the year ended 31 December 2021.</p> <p>Lottery and non-lottery hardware sales are recognized when a group entity has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. For lottery distribution through physical channels and ancillary services, lottery games and systems and games and entertainment, revenue is recognized when the services are rendered according to the terms of service agreements.</p> <p>We focused on this area due to the magnitude and the volume of revenue transactions of the Group.</p>	<p>In response to this key audit matter, our audit work included controls testing and substantive procedures as follows:</p> <ul style="list-style-type: none"> <li>• evaluated and tested the design and operating effectiveness of controls over the capture and measurement of revenue transactions;</li> <li>• evaluated the appropriateness of accounting policies on revenue recognition for the existing business models and the appropriateness of related accounting estimates and judgments made;</li> <li>• performed substantive testing on the accuracy and occurrence of revenue using sampling techniques by examining contracts or service agreements, invoices and customer receipts and obtaining confirmations from customers; and</li> <li>• performed cut-off testing on certain revenue transactions before and after year end to assess whether the transactions were recognized in the proper period by tracing to contracts or service agreements, invoices, customer receipts and contract liabilities calculation.</li> </ul> <p>Based on the procedures performed, the revenue recognized was supported by the audit evidence that we obtained and in accordance with the accounting policies of the Group.</p>

## **OTHER INFORMATION**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 18 March 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	5	253,242	161,649
Other income	7	15,961	10,859
Net other gains	8	13,331	11,426
Employee benefits expenses	9	(116,784)	(178,928)
Purchase of and changes in inventories		(119,772)	(45,041)
Depreciation expenses	15, 16	(20,557)	(23,754)
Other operating expenses	10	(91,206)	(67,298)
<b>Operating loss</b>		<b>(65,785)</b>	(131,087)
Loss on fair value changes of financial assets at fair value through profit or loss	30	(18,564)	–
Gain on derecognition of contingent consideration payables	29	–	69,589
Net finance income	11	17,117	44,063
Share of results of investments accounted for using equity method	21	–	(83,205)
<b>Loss before income tax</b>		<b>(67,232)</b>	(100,640)
Income tax credit/(expenses)	12	4,182	(8,814)
<b>Loss for the year</b>	13	<b>(63,050)</b>	(109,454)
<b>Other comprehensive income:</b> <i>Item that will not be reclassified subsequently to profit or loss</i>			
Currency translation differences		14,843	33,611
Other comprehensive income for the year, net of tax		14,843	33,611
<b>Total comprehensive income for the year</b>		<b>(48,207)</b>	(75,843)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
For the year ended December 31, 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>(Loss)/profit attributable to:</b>			
Owners of the Company		<b>(63,633)</b>	(121,372)
Non-controlling interests		<b>583</b>	11,918
		<b>(63,050)</b>	(109,454)
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>(50,164)</b>	(90,419)
Non-controlling interests		<b>1,957</b>	14,576
		<b>(48,207)</b>	(75,843)
<b>Loss per share</b>			
Basic	14	<b>(HK0.55 cent)</b>	(HK1.05 cents)
Diluted	14	<b>(HK0.55 cent)</b>	(HK1.05 cents)

The notes on pages 200 to 278 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	4,293	7,288
Right-of-use assets	16	28,135	54,197
Investment properties	17	36,696	43,941
Goodwill	18	1,134,494	1,112,230
Other intangible assets	19	1,742	1,742
Deferred income tax assets	20	5,791	4,522
Investments accounted for using equity method	21	–	–
Financial assets at fair value through profit or loss	30	84,698	–
Other receivables, deposits and prepayments	22	14,895	16,389
		<b>1,310,744</b>	1,240,309
<b>Current assets</b>			
Inventories	23	22,380	22,659
Trade receivables	24	12,403	11,067
Other receivables, deposits and prepayments	22	98,003	166,193
Cash and bank balances	25	1,638,143	1,708,204
		<b>1,770,929</b>	1,908,123
<b>Total assets</b>		<b>3,081,673</b>	3,148,432
<b>Current liabilities</b>			
Trade payables	27	25,540	10,358
Accruals and other payables	28	95,476	100,441
Contract liabilities	26	9,056	10,644
Current income tax liabilities		268	261
Lease liabilities	16	14,792	19,250
		<b>145,132</b>	140,954

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
As at December 31, 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>Non-current liabilities</b>			
Deferred income tax liabilities	20	4,907	5,889
Provision for warranties	31	29,775	21,938
Accruals and other payables	28	323	143
Lease liabilities	16	15,396	36,194
		<b>50,401</b>	64,164
<b>Total liabilities</b>		<b>195,533</b>	205,118
<b>Net assets</b>		<b>2,886,140</b>	2,943,314
<b>Equity</b>			
Share capital	32	23,344	23,344
Reserves attributable to owners of the Company		2,813,265	2,872,396
		<b>2,836,609</b>	2,895,740
Non-controlling interests		49,531	47,574
<b>Total equity</b>		<b>2,886,140</b>	2,943,314

The consolidated financial statements on pages 191 to 278 were approved by the Board of Directors on March 18, 2022 and were signed on its behalf by:

**Sun Ho**  
Director

**Hu Taoye**  
Director

The notes on pages 200 to 278 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

	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 32)	HK\$'000	HK\$'000 (Note (a))	HK\$'000	HK\$'000 (Note (b))	HK\$'000	HK\$'000 (Note (c))	HK\$'000 (Note (d))	HK\$'000 (Note (e))	HK\$'000	HK\$'000	HK\$'000	
Balance at January 1, 2021	23,344	3,395,298	(122,981)	39,979	26,756	108,924	47,191	14,402	45,081	(682,254)	2,895,740	47,574	2,943,314
Loss for the 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 recharge	-	-	-	-	-	-	-	-	(1,462)	-	(1,462)	-	(1,462)
Transfer from accumulated losses	-	-	-	-	1,077	-	-	-	-	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the year ended December 31, 2021

	Attributable to owners of the Company												Attributable to non-controlling interests	Total
	Share capital	Share premium	Shares held for share award scheme	Share options reserve	Share awards reserve	Statutory reserve	Exchange reserve	Contributed surplus	Property revaluation reserve	Other reserve	Accumulated losses	Subtotal		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
	(Note 32)		(Note (a))			(Note (b))		(Note (c))	(Note (d))	(Note (e) and (f))	(Note (f))			
Balance at January 1, 2020	23,344	3,389,886	(131,811)	47,547	50,366	24,253	77,971	47,191	14,402	75,406	(636,331)	2,982,224	32,998	3,015,222
Loss for the year	-	-	-	-	-	-	-	-	-	-	(121,372)	(121,372)	11,918	(109,454)
Other comprehensive income for the year	-	-	-	-	-	-	30,953	-	-	-	-	30,953	2,658	33,611
Total comprehensive income for the year	-	-	-	-	-	-	30,953	-	-	-	(121,372)	(90,419)	14,576	(75,843)
Recognition of equity settled share-based payments	-	-	-	-	25,875	-	-	-	-	-	-	25,875	-	25,875
Lapse of share options	-	-	-	(47,547)	-	-	-	-	-	-	47,547	-	-	-
Purchase of shares under share award scheme	-	-	(22,020)	-	-	-	-	-	-	-	-	(22,020)	-	(22,020)
Transfer of shares upon vesting of share awards under share award scheme	-	5,412	30,850	-	(36,262)	-	-	-	-	-	-	-	-	-
Transaction with shareholder	-	-	-	-	-	-	-	-	-	1,343	-	1,343	-	1,343
- Employee share-based compensation	-	-	-	-	-	-	-	-	-	1,343	-	1,343	-	1,343
- Employee share-based compensation recharge	-	-	-	-	-	-	-	-	-	(1,263)	-	(1,263)	-	(1,263)
Transfer to accumulated losses for derecognition of equity portion of contingent considerations (Note (f))	-	-	-	-	-	-	-	-	-	(30,405)	30,405	-	-	-
Transfer from accumulated losses	-	-	-	-	-	2,503	-	-	-	-	(2,503)	-	-	-
Balance at December 31, 2020	23,344	3,395,298	(122,981)	-	39,979	26,756	108,924	47,191	14,402	45,081	(682,254)	2,895,740	47,574	2,943,314

Notes:

- Shares held for share award scheme represents shares of the Company that are held by the trustee for the purpose of granting award shares under the share award scheme (see Note 34 for further information). Shares vested to selected participants are recognized on a weighted average basis. As at December 31, 2021, 201,194,400 shares were held for share award scheme (2020: 171,120,900).
- In accordance with the statutory requirements in the PRC, subsidiaries of the Company registered in the PRC are required to transfer a certain percentage of their annual net income from retained earnings to statutory reserve. Statutory reserve is not distributable.
- Contributed surplus represents the transfer from the share premium account in prior years.
- Property revaluation reserve represents cumulative gains arising from the revaluation of property, plant and equipment that have been transferred to investment properties. Items included in the property revaluation reserve will not be reclassified subsequently to profit or loss.
- Other reserve represents the equity portion of contingent considerations related to the acquisition of a subsidiary, transactions with a shareholder and transactions with non-controlling interests.
- As at December 31, 2020, the conditions of obtaining the game approval (the "Game Approval Pre-condition") by the mutually agreed extended deadline of December 31, 2020 and commencing first round game sales after obtaining such approval had not yet been fulfilled as at December 31, 2020, and the Company decided not to further extend the deadline for fulfilling the Game Approval Pre-condition. Accordingly, the equity portion of contingent considerations of approximately HK\$30,405,000 was re-classified from other reserve into accumulated losses as at December 31, 2020.

The notes on pages 200 to 278 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

	2021 HK\$'000	2020 HK\$'000
<b>Cash flows from operating activities</b>		
Loss before income tax	<b>(67,232)</b>	(100,640)
Adjustments for:		
Share-based payments	<b>9,757</b>	27,218
Depreciation expenses	<b>20,557</b>	23,754
Provision for warranties/(reversal of provision for warranties)	<b>14,476</b>	(5,879)
Gain on disposals of property, plant and equipment	<b>(866)</b>	(25)
Loss on fair value changes of investment properties	<b>8,434</b>	6,748
Loss on fair value changes of financial assets at fair value through profit or loss	<b>18,564</b>	–
Gain on derecognition of contingent consideration payables	–	(69,589)
Reversal of loss allowance on loan to a joint venture	<b>(263)</b>	–
Loss allowance on loan to		
– a joint venture	–	263
– an associate	–	64
Loss allowance on amount due from a joint venture	<b>1,282</b>	–
Net finance income	<b>(17,117)</b>	(44,063)
Share of results of investments accounted for using equity method	–	83,205
	<b>(12,408)</b>	(78,944)
<b>Changes in working capital</b>		
Inventories	<b>944</b>	(9,445)
Trade receivables	<b>(989)</b>	16,369
Other receivables, deposits and prepayments	<b>3,051</b>	(70)
Amounts due from/to fellow subsidiaries	<b>(6,231)</b>	11,792
Amount due from/to a joint venture	<b>(4,713)</b>	(11,638)
Amount due to non-controlling interests	–	(504)
Trade payables	<b>14,657</b>	582
Contract liabilities	<b>(1,878)</b>	2,735
Accruals and other payables	<b>(12,982)</b>	(7,374)
Provision for warranties	<b>(7,034)</b>	(6,255)
Cash used in operations	<b>(27,583)</b>	(82,752)
Income taxes refund/(paid)	<b>1,444</b>	(11,028)
Net cash used in operating activities	<b>(26,139)</b>	(93,780)

CONSOLIDATED STATEMENT OF CASH FLOWS  
For the year ended December 31, 2021

	2021 HK\$'000	2020 HK\$'000
<b>Cash flows from investing activities</b>		
Purchases for property, plant and equipment	(2,525)	(4,805)
Proceeds from disposal of property, plant and equipment	3,010	25
Investment in a joint venture	–	(41,874)
Issue of convertible term loans to a joint venture	(103,262)	–
Proceeds from repayment of loan by a joint venture	71,825	–
Loan to a joint venture	–	(69,771)
Decrease/(increase) in fixed deposits held at bank with original maturity over three months	932,904	(690,302)
Decrease in pledged bank deposits	293	2,249
Interest received	20,187	49,810
Net cash generated from/(used in) investing activities	922,432	(754,668)
<b>Cash flows from financing activities</b>		
Payments to trustees for purchase of shares under share award scheme	(23,529)	(10,918)
Interest element of lease rentals paid	(2,996)	(1,815)
Payment of principal portion of lease liabilities	(16,020)	(19,787)
Net cash used in financing activities	(42,545)	(32,520)
<b>Net increase/(decrease) in cash and cash equivalents</b>	853,748	(880,968)
Cash and cash equivalents at beginning of year	237,380	1,123,876
Exchange losses on cash and cash equivalents	(2,678)	(5,528)
<b>Cash and cash equivalents at end of year</b>	1,088,450	237,380

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

(a) Reconciliation of liabilities arising from financing activities:

	Lease liabilities HK\$'000
Balance as at January 1, 2020	21,680
Acquisition of leases	50,785
Interest expense	1,815
Cash flows	(21,602)
Currency translation difference	2,766
Balance as at December 31, 2020 and January 1, 2021	<b>55,444</b>
Termination of leases	<b>(1,880)</b>
Modification of leases	<b>(8,446)</b>
Interest expense	<b>2,996</b>
Cash flows	<b>(19,016)</b>
Currency translation difference	<b>1,090</b>
Balance as at December 31, 2021	<b>30,188</b>

The notes on pages 200 to 278 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 lottery, games and entertainment businesses in the People’s Republic of China (“PRC”) and selected international markets.

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, contingent consideration payables and 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, 2021:

Amendments to HKFRS 16	COVID-19 – Related Rent Concession
Amendments to HKAS 39, HKFRS 7, HKFRS 9, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform

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

#### New standards and amendments not yet adopted

The following new standards and amendments to existing standards are effective for annual periods beginning on or after January 1, 2022 and have not been applied in preparing these consolidated financial statements:

		Effective for accounting periods beginning on or after
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
Amendments to HKAS 37	Onerous Contracts – Costs of Fulfilling a Contract	January 1, 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	January 1, 2022
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020	January 1, 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
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 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.

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## 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'.

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

#### (c) Group companies

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.6 Property, plant and equipment

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

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

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.7 Investment properties

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

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

### 2.8 Goodwill and intangible assets

#### (a) Goodwill

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.8 Goodwill and intangible assets (continued)

#### (b) Intangible assets acquired separately

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

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

### 2.9 Impairment of non-financial assets

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

### 2.10 Financial assets

#### (a) Classification

The Group classifies its financial assets 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.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.10 Financial assets (continued)

#### (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.

#### (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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.10 Financial assets (continued)

#### (c) Measurement (continued)

##### (i) Debt instruments (continued)

- 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.

##### (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.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.11 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at 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.

### 2.13 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.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.15 Share capital

Ordinary shares are classified as equity.

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

### 2.16 Shares held for share award scheme

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

### 2.17 Trade and other payables

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

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

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.18 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)

### 2.18 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.

### 2.19 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)

### 2.20 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'.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.21 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.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.22 Revenue recognition

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

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

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

#### (a) Sales of goods

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 2.21 and 31).

#### (b) Provision of services

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

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.23 Rental income

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

### 2.24 Interest income

Interest income is recognized using the effective interest method.

### 2.25 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)

### 2.25 Leases (continued)

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

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

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

At December 31, 2021, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in Indian Rupee of HK\$84,698,000 (2020: HK\$Nil) 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 profit for the year would have been HK\$4,235,000 (2020: HK\$Nil) lower/higher 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 30. 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 identified impairment loss was immaterial.

For other receivables and deposits, the balances mainly comprise of loan to a joint venture, loan to an associate, amounts due from fellow subsidiaries, amount due from a joint venture, other tax recoverable and rental and utilities deposits. For amounts due from fellow subsidiaries, 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. Other tax recoverable from the tax authority of the PRC government is considered to be of low credit risk. Management considers rental and utilities deposits do not have significant credit risk since the deposits are refundable from landlords and counterparties upon end of lease term or recoverable by the Group through using the leased property and the utilities. For remaining balances, the Group carries out regular review on these balances and follow up action on any overdue amounts to minimise exposures to credit risk. During the year, loss allowance of HK\$1,282,000 (2020: HK\$327,000) were recognized and HK\$263,000 (2020: HK\$Nil) were reversed in profit or loss in relation to other receivables and deposits.

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Financial risk factors (continued)

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

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

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, 2021, the Group is subject to concentration of credit risk as 35% (2020: 43%) of the Group's trade receivables were due from the Group's largest customer. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 24.

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

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

##### (c) Liquidity risk

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

At December 31, 2021, the Group has no available unutilized banking facilities (2020: HK\$Nil).

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

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Financial risk factors (continued)

##### (c) Liquidity risk (continued)

	On demand or within 1 year HK\$'000	More than 1 year but not more than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
<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
	<b>129,735</b>	<b>23,499</b>	<b>153,234</b>	<b>142,696</b>
<b>At December 31, 2020</b>				
Trade payables	10,358	–	10,358	10,358
Accruals and other payables	92,232	143	92,375	92,375
Lease liabilities	23,667	40,948	64,615	55,444
	<b>126,257</b>	<b>41,091</b>	<b>167,348</b>	<b>158,177</b>

### 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 2020.

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

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

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

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

	2021 HK\$'000	2020 HK\$'000
Debt	<b>151,752</b>	168,821
Less: cash and cash equivalents	<b>(1,088,450)</b>	(237,380)
Net cash	<b>936,698</b>	68,559
Equity attributable to owners of the Company	<b>2,836,609</b>	2,895,740
Net debt-to-equity ratio	<b>N/A</b>	N/A

As at December 31, 2021, 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, 2021 by level of the inputs to valuation techniques used to measure fair value. No financial instruments of the Group was carried at fair value as at December 31, 2020. 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
<b>Financial assets at fair value through profit or loss</b>				
Convertible term loans	–	–	84,698	84,698

See Notes 17 and 30 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, 2021 and 2020 have been arrived at on the basis of valuation carried out on the respective dates by AVISTA Valuation Advisory Limited ("AVISTA") and Asset Appraisal Limited ("AAL"). The fair values of the convertible term loans as at December 31, 2021 have been arrived at on the basis of valuation carried out by GW Financial Advisory Services Limited ("GWFASL"). See Notes 17 and 30 for disclosures of the basis of valuation of investment properties and convertible term loans that are measured at fair value. AAL, 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.

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.3 Fair value estimation (continued)

##### Valuation processes of the Group (continued)

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

At each financial year end, the finance team:

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

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

#### (a) Fair value of investment properties

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

#### (b) Impairment assessment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8. Significant judgements were required to determine the cash generating unit or group of cash generating units where the impairment assessment is performed, and to determine the appropriate recoverable amount being higher amount of the fair value less costs of disposal and value in use. If the share price of the Company as at December 31, 2021 had increased/decreased by 50%, the fair value less costs of disposal of the Group would have increased/decreased by approximately HK\$1,663,309,000. Details of the judgement and assumptions have been disclosed in Note 18.

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## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### (c) Recognition of deferred income tax assets

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

### (d) Withholding taxes arising from the distributions of dividends

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

### (e) 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 judgment and assumptions have been disclosed in Note 30.

### (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.

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

##### (h) Share-based payments

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

#### 5 REVENUE

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

	2021 HK\$'000	2020 HK\$'000
Lottery		
(i) Lottery hardware sales	<b>168,154</b>	73,387
(ii) Lottery distribution through physical channels and ancillary services	<b>42,883</b>	24,455
(iii) Lottery games and systems	<b>67</b>	46,303
Games and entertainment	<b>21,566</b>	17,504
Non-lottery hardware sales	<b>20,572</b>	–
	<b>253,242</b>	161,649

## 6 SEGMENT INFORMATION

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

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

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

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

### Geographical information

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

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

	Revenue from external customers		Non-current assets*	
	2021	2020	2021	2020
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
PRC	<b>235,131</b>	144,559	<b>1,213,689</b>	1,229,050
Hong Kong	–	–	<b>6,566</b>	6,738
Others	<b>18,111</b>	17,090	–	–
	<b>253,242</b>	161,649	<b>1,220,255</b>	1,235,788

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

## 6 SEGMENT INFORMATION (continued)

### Information about major customers

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

	2021 HK\$'000	2020 HK\$'000
Customer A	N/A*	55,229
Customer B	39,284	N/A*
Customer C	32,133	N/A*
Customer D	25,330	27,209
Customer E	N/A*	17,013
	<b>96,747</b>	99,451

\* The corresponding customer did not contribute over 10% to the Group's revenue in 2020 or 2021.

## 7 OTHER INCOME

	2021 HK\$'000	2020 HK\$'000
Rental income from investment properties	3,586	3,314
Recharge for technical services to a joint venture	212	1,330
Recharge for rental services to a joint venture	3,090	1,782
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	–
Others	219	4,433
	<b>15,961</b>	10,859

## 8 NET OTHER GAINS

	2021 HK\$'000	2020 HK\$'000
Loss on fair value changes of investment properties (Note 17)	(8,434)	(6,748)
Foreign exchange gain	21,918	18,476
Reversal of loss allowance/(loss allowance) on		
– loan to a joint venture	263	(263)
– loan to an associate	–	(64)
– amount due from a joint venture	(1,282)	–
Gain on disposals of property, plant and equipment	866	25
	<b>13,331</b>	11,426

## 9 EMPLOYEE BENEFITS EXPENSES

	2021 HK\$'000	2020 HK\$'000
Fees, salaries, discretionary bonuses and other benefits	<b>87,497</b>	132,614
Share-based payments	<b>9,757</b>	27,218
Defined contributions plans	<b>19,530</b>	19,096
Total employee benefits expenses	<b>116,784</b>	178,928

### (a) Defined contribution plans

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

Contributions totalling approximately HK\$638,000 (2020: HK\$686,000) were payable to the fund at the year-end.

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2020: one) Director whose emolument is reflected in the analysis shown in Note 37. The emoluments payable to the remaining four (2020: four) individuals during the year are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and other benefits	<b>6,064</b>	5,904
Defined contributions plans	<b>500</b>	237
Discretionary bonus	<b>478</b>	456
Share-based payments	<b>2,683</b>	10,200
	<b>9,725</b>	16,797

## 9 EMPLOYEE BENEFITS EXPENSES (continued)

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

Their emoluments fell within the following bands:

	2021 Number of individuals	2020 Number of individuals
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	1	–
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	–	1
HK\$5,500,001 to HK\$6,000,000	–	1
	<b>4</b>	<b>4</b>

No emoluments were paid by the Group to any of the above four (2020: four) individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 10 OTHER OPERATING EXPENSES

	2021 HK\$'000	2020 HK\$'000
Marketing and distribution expenses	<b>28,763</b>	18,506
Technology service fees	<b>4,564</b>	12,543
Legal and professional fees	<b>13,421</b>	11,053
Provision for warranties/(reversal of provision for warranties)	<b>14,476</b>	(5,879)
Management and administrative service fees to fellow subsidiaries	<b>7,390</b>	7,951
Rent, rates and property management fees	<b>3,477</b>	3,799
Office expenses	<b>2,701</b>	2,982
Travel and transportation expenses	<b>4,183</b>	3,732
Research and development costs	<b>507</b>	2,001
Auditor's remuneration	<b>4,300</b>	1,500
Others	<b>7,424</b>	9,110
	<b>91,206</b>	67,298

**11 NET FINANCE INCOME**

	2021 HK\$'000	2020 HK\$'000
Interest income on bank deposits	16,933	44,293
Interest income on loan to an associate	1,397	1,400
Interest income on loan to a joint venture	1,783	185
Interest expense on lease liabilities	(2,996)	(1,815)
	<b>17,117</b>	44,063

**12 INCOME TAX CREDIT/(EXPENSES)**

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

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

北京亞博科技有限公司 (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. 深圳中林瑞德科技有限公司 (Shenzhen Zoom Read Tech Co., Ltd.\*) (“Shenzhen Subsidiary”) is subject to PRC EIT at 25% and 15% for the years ended December 31, 2021 and 2020 respectively, as it is recognized as a High and New Technology Enterprise under the PRC EIT Law for the year ended December 31, 2020. Other PRC subsidiaries of the Group are subject to PRC EIT at 25% for both years.

\* For identification purpose only

	2021 HK\$'000	2020 HK\$'000
Current tax:		
– PRC EIT on assessable profit for the year	176	7,412
– Adjustments in respect of prior years	(1,977)	594
Deferred tax (Note 20):		
– Origination and reversal of temporary differences	(2,381)	808
Income tax (credit)/expense	<b>(4,182)</b>	8,814

## 12 INCOME TAX CREDIT/(EXPENSES) (continued)

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

	2021 HK\$'000	2020 HK\$'000
Loss before income tax	<b>(67,232)</b>	(100,640)
Tax calculated at domestic income tax rates	<b>(13,802)</b>	(17,822)
Income not subject to tax	<b>(24,229)</b>	(40,328)
Expenses not deductible for tax purposes	<b>20,270</b>	26,285
Utilisation of previously unrecognized tax losses	<b>(5,023)</b>	(197)
Tax losses and other temporary differences for which no deferred income tax asset was recognized	<b>20,579</b>	40,282
Adjustments in respect of prior years	<b>(1,977)</b>	594
Income tax (credit)/expenses	<b>(4,182)</b>	8,814

## 13 LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2021 HK\$'000	2020 HK\$'000
Share-based payments		
– Directors and eligible employees (Note 9)	<b>9,757</b>	27,218
Auditor's remuneration		
– Audit services	<b>1,800</b>	1,500
– Audit-related services	<b>2,500</b>	–

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## 14 LOSS PER SHARE

### (a) Basic

Basic loss or earning per share is calculated by dividing the loss attributable to owners of the Company for the year ended December 31, 2021 of approximately HK\$63,633,000 (2020: loss of approximately HK\$121,372,000) by the weighted average number of ordinary shares outstanding during the year of approximately 11,672,342,000 (2020: approximately 11,672,342,000) shares and excluding the weighted average number of shares held for share award scheme of approximately 155,184,000 (2020: approximately 167,787,000) shares.

### (b) Diluted

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

For the years ended December 31, 2021 and 2020, contingent considerations and share options are excluded from the computation of the diluted loss per share as there were no outstanding contingent considerations and share options as at December 31, 2021 and 2020. For the years ended December 31, 2021 and 2020, the computation of the diluted loss per share does not assume the vesting of the outstanding share awards, as they would decrease the diluted loss per share.

## 15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>						
Balance at January 1, 2020	824	8,579	4,175	1,977	5,564	21,119
Additions	-	-	360	4,445	-	4,805
Disposals	-	-	(105)	(13)	-	(118)
Currency translation differences	53	518	228	714	191	1,704
Balance at December 31, 2020 and 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	903	8,838	3,113	7,392	5,850	26,096
<b>Accumulated depreciation and impairment</b>						
Balance at January 1, 2020	474	7,314	3,060	865	3,721	15,434
Depreciation charge	41	951	993	1,304	340	3,629
Disposals	-	-	(105)	(13)	-	(118)
Currency translation differences	33	479	206	371	188	1,277
Balance at December 31, 2020 and 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	609	8,838	3,007	4,690	4,659	21,803
<b>Net book amount</b>						
Balance at December 31, 2021	294	-	106	2,702	1,191	4,293
Balance at December 31, 2020	329	353	504	4,596	1,506	7,288

## 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, 2021 HK\$'000	December 31, 2020 HK\$'000
<b>Right-of-use assets</b>		
Buildings	<b>28,135</b>	54,197
	<b>28,135</b>	54,197
<b>Lease liabilities</b>		
Current	<b>14,792</b>	19,250
Non-current	<b>15,396</b>	36,194
	<b>30,188</b>	55,444

Additions to the right-of-use assets during the year ended December 31, 2021 was HK\$Nil (2020: HK\$50,785,000).

## 16 LEASES (continued)

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

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

	2021 HK\$'000	2020 HK\$'000
<b>Depreciation charge of right-of-use assets</b>		
Buildings	<b>17,027</b>	20,125
	<b>17,027</b>	20,125
Interest expense (included in net finance income)	<b>2,996</b>	1,815
Expense relating to short-term leases (included in other operating expenses)	<b>438</b>	154

The total cash outflow for leases in the year ended December 31, 2021 was HK\$19,454,000 (2020: HK\$21,756,000).

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

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

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

- (iv) Extension and termination options

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

**17 INVESTMENT PROPERTIES**

	2021 HK\$'000	2020 HK\$'000
<b>At fair value</b>		
Balance at beginning of year	43,941	47,997
Loss on fair value changes	(8,434)	(6,748)
Currency translation differences	1,189	2,692
Balance at end of year	36,696	43,941
<b>Amounts recognized in profit or loss</b>		
Rental income	3,586	3,314
Direct operating expenses from properties that generated rental income	(982)	(965)
	2,604	2,349

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, 2021, no investment properties of the Group (2020: 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, 2021 and 2020 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 PRC</b>				
December 31, 2021	–	36,696	–	36,696
December 31, 2020	–	43,941	–	43,941

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**

	2021 HK\$'000	2020 HK\$'000
<b>Cost</b>		
Balance at beginning of year	1,115,087	1,070,433
Currency translation differences	22,264	44,654
Balance at end of year	1,137,351	1,115,087
<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	1,134,494	1,112,230

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

As at December 31, 2021 and 2020, the recoverable amount of the Group was determined based on fair value less costs of disposal, which was estimated by management with reference to the transaction price of the Company's listed shares on GEM of The Stock Exchange of Hong Kong Limited. Management considered the recoverable amount of the Group was higher than its carrying amount as at December 31, 2021 and 2020.

During the year ended December 31, 2021 and 2020, the management determined that there was no impairment of goodwill based on the fair value less costs of disposal model.

**19 OTHER INTANGIBLE ASSET**

	2021 HK\$'000	2020 HK\$'000
<b>Cost</b>		
Balance at beginning and end of year	1,742	1,742
<b>Accumulated impairment</b>		
Balance at beginning and end of year	–	–
<b>Net book amount</b>		
Balance at end of year	1,742	1,742

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

**20 DEFERRED INCOME TAX**

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

	2021 HK\$'000	2020 HK\$'000
<b>Deferred tax assets:</b>		
Deferred tax assets to be recovered after more than 12 months	4,466	3,291
Deferred tax assets to be recovered within 12 months	1,325	1,231
	5,791	4,522
<b>Deferred tax liabilities:</b>		
Deferred tax liabilities to be recovered after more than 12 months	4,907	5,889
	4,907	5,889

## 20 DEFERRED INCOME TAX (continued)

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

### Deferred tax assets

	Provision for warranties	
	2021 HK\$'000	2020 HK\$'000
Balance at beginning of year	4,522	6,057
Currency translation differences	153	285
Credited/(charged) to profit or loss	1,116	(1,820)
Balance at end of year	5,791	4,522

### Deferred tax liabilities

	Investment properties	
	2021 HK\$'000	2020 HK\$'000
Balance at beginning of year	5,889	6,425
Currency translation differences	283	476
Charged to profit or loss	(1,265)	(1,012)
Balance at end of year	4,907	5,889

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, 2021, no withholding tax had been provided for the earnings of approximately HK\$214,456,000 (2020: HK\$171,324,000) 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\$1,293,516,000 (2020: HK\$1,190,978,000) 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\$945,994,000 (2020: HK\$852,422,000) 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\$347,522,000 (2020: HK\$338,556,000) 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:

	2021 HK\$'000	2020 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:

	2021 HK\$'000	2020 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\$5,491,000 (2020: HK\$4,699,000).

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
			2021	2020		
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:

	2021 HK\$'000	2020 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:

	2021 HK\$'000	2020 HK\$'000
The Group's share of:		
Loss from continuing operation	–	(83,205)
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	–	–
	–	(83,205)

The amount of unrecognized share of loss of a joint venture for the current year was approximately HK\$83,966,000 (2020: HK\$2,098,000).

## 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 relevant joint venture and not the Group's share of those amounts.

	2021 HK\$'000	2020 HK\$'000
<b>Current assets</b>		
Cash and cash equivalents	44,807	96,039
Other current assets	65,222	26,374
	<b>110,029</b>	122,413
<b>Non-current assets</b>	<b>58,526</b>	59,493
<b>Current liabilities</b>		
Financial liabilities (excluding trade and other payables and provisions)	2,600	87,489
Other current liabilities	117,743	98,200
	<b>120,343</b>	185,689
<b>Non-current liabilities</b>	<b>194,672</b>	880
<b>Net liabilities</b>	<b>(146,460)</b>	(4,663)

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

	2021 HK\$'000	2020 HK\$'000
Revenue	348,290	116,476
Interest income	1,440	2,296
Marketing expense	(227,767)	(153,881)
Depreciation and amortisation	(2,986)	(2,800)
Interest expense	(15,067)	(532)
Income tax credit/(expense)	11,579	(1,500)
Loss from continuing operations	(186,538)	(191,660)
Loss for the period	(186,538)	(191,660)
Other comprehensive income	(53)	(111)
Total comprehensive income	(186,591)	(191,711)
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
		2021	2020		
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

	2021 HK\$'000	2020 HK\$'000
Other receivables, net of loss allowance	71,472	140,993
Interest receivables	1,066	4,200
Rental, utility and other deposits	28,934	25,221
Prepayments	11,426	12,168
	<b>112,898</b>	182,582
Less non-current portion	<b>(14,895)</b>	(16,389)
	<b>98,003</b>	166,193

At December 31, 2021, other receivables included amounts due from fellow subsidiaries of approximately HK\$1,941,000 (2020: HK\$1,878,000), amount due from a joint venture less loss allowance of approximately HK\$24,272,000 (2020: HK\$19,561,000), loan to an associate together with accrued interest thereon less loss allowance of approximately HK\$32,595,000 (2020: HK\$31,192,000) and loan to a joint venture together with accrued interest thereon less loss allowance of approximately HK\$Nil (2020: HK\$69,693,000).

As at December 31, 2020, loan to a joint venture of approximately HK\$69,771,000 was unsecured, carried interest of 5.25% per annum and repayable within one year from the reporting date. Provision for loss allowance of HK\$263,000 was made on this loan. The loan was fully repaid during the year ended December 31, 2021.

Loan to an associate of approximately HK\$29,103,000 (2020: HK\$29,097,000) was unsecured, carried interest of 4.8% (2020: 4.8%) per annum and repayable on demand. Provision for loss allowance of HK\$64,000 (2020: 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, US\$ and HK\$.

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

**23 INVENTORIES**

	2021 HK\$'000	2020 HK\$'000
Raw materials	6,553	15,176
Work in progress	–	619
Finished goods	15,827	6,864
	<b>22,380</b>	22,659

The cost of inventories recognized as expense and included in 'purchase of and changes in inventories' amounted to approximately HK\$119,772,000 (2020: HK\$45,041,000). The amount of inventory write-downs for the year ended December 31, 2021 was approximately HK\$1,105,000 (2020: HK\$Nil).

**24 TRADE RECEIVABLES**

	2021 HK\$'000	2020 HK\$'000
Trade receivables	12,403	11,067

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

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

	2021 HK\$'000	2020 HK\$'000
0 to 30 days	11,122	9,731
31 to 60 days	1,056	219
61 to 90 days	145	48
91 to 120 days	–	–
121 to 365 days	39	1,069
Over 365 days	41	–
	<b>12,403</b>	11,067

At December 31, 2021, trade receivables of approximately HK\$11,122,000 (2020: HK\$9,731,000) were full performing.

## 24 TRADE RECEIVABLES (continued)

At December 31, 2021, trade receivables of approximately HK\$1,281,000 (2020: HK\$1,336,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

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

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

## 25 CASH AND BANK BALANCES

	2021 HK\$'000	2020 HK\$'000
Cash and cash equivalents	1,088,450	237,380
Fixed deposits held at bank with original maturity over three months	538,076	1,465,185
Pledged bank deposits	–	289
Restricted cash	11,617	5,350
	<b>1,638,143</b>	1,708,204

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 3.6% (2020: 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 (2020: 1.05%).

Pledged bank deposits represented deposits pledged with banks to secure letters of guarantee granted to the Group carrying effective interest at Nil (2020: Nil) per annum. The pledged bank deposits were released upon expiry of the relevant letters of guarantee during the year ended December 31, 2021.

Cash and bank balance above included approximately HK\$11,617,000 (2020: approximately HK\$5,350,000) which are held by trustees of the Company for purchases of shares under share award scheme. These deposits are not available for general use by the Group.

**25 CASH AND BANK BALANCES (continued)**

As at December 31, 2021 and 2020, cash and bank balances were denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
HK\$	15,671	11,123
RMB	224,718	218,902
United States dollars	1,397,548	1,477,861
Others	206	318
	<b>1,638,143</b>	1,708,204

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**

	2021 HK\$'000	2020 HK\$'000
Contract liabilities in relation to lottery hardware	8,610	9,027
Contract liabilities in relation to provision of lottery distribution and ancillary services	446	743
Contract liabilities in relation to games and entertainment	-	874
Total current contract liabilities	<b>9,056</b>	10,644

## 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.

	2021 HK\$'000	2020 HK\$'000
<b>Revenue recognized that was included in the contract liability balance at the beginning of year</b>		
Lottery hardware	6,101	5,013
Provision of lottery distribution and ancillary services	743	1,292
	<b>6,844</b>	<b>6,305</b>

## 27 TRADE PAYABLES

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

	2021 HK\$'000	2020 HK\$'000
0 to 30 days	24,544	7,909
31 to 60 days	61	47
61 to 90 days	–	11
91 to 120 days	175	10
121 to 365 days	–	–
Over 365 days	760	2,381
	<b>25,540</b>	<b>10,358</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.

**28 ACCRUALS AND OTHER PAYABLES**

	2021 HK\$'000	2020 HK\$'000
Accrued expenses	19,878	27,785
Other payables	75,921	72,799
	<b>95,799</b>	100,584
Less non-current portion	<b>(323)</b>	(143)
	<b>95,476</b>	100,441

As at December 31, 2021, other payables included amounts due to fellow subsidiaries of approximately HK\$50,973,000 (2020: HK\$54,183,000), which was unsecured, interest-free and repayable on demand.

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

The other payables were mainly denominated in RMB.

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

**29 CONTINGENT CONSIDERATION PAYABLES**

	2021 HK\$'000	2020 HK\$'000
Balance at beginning of year	–	69,589
Gain on derecognition of contingent consideration payables recognized in profit or loss	–	(69,589)
Balance at end of year	–	–

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## 29 CONTINGENT CONSIDERATION PAYABLES (continued)

As at December 31, 2020, the conditions of obtaining the game approval (the “Game Approval Pre-condition”) by the mutually agreed extended deadline of December 31, 2020 and commencing first round game sales after obtaining such approval had not yet been fulfilled as at December 31, 2020, and the Company decided not to further extend the deadline for fulfilling the Game Approval Pre-condition. Accordingly, the contingent consideration payables, being HK\$69,589,000 as at December 31, 2019, were written back to profit or loss for the year ended December 31, 2020.

In addition, according to the terms of the sale and purchase agreement for the acquisition of Score Value Limited (“Score Value Agreement”), if the Game Approval Pre-condition is not granted by the relevant government authority of the PRC by the mutually agreed extended deadline of December 31, 2020, Immense Wisdom Limited and King Achieve Limited, the vendors in the Score Value Agreement (the “Vendors”), are required to refund HK\$50 million to the Company (the “Refund Amount”) within 30 working days after December 31, 2020, and the Company shall no longer be required to pay to the Vendors the contingent considerations.

With respect to the Refund Amount which represented a contingent receivable to be measured at fair value, management of the Company has reassessed that the fair value was close to zero based on the Vendors’ creditworthiness or financial performance as at December 31, 2020.

As at December 31, 2021 and December 31, 2020, there were no contingent consideration payables outstanding.

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

As at December 31, 2021, financial assets at fair value through profit or loss in the sum of approximately HK\$84.7 million represents the convertible term loan facilities in the maximum amount of INR985.5 million (or approximately HK\$103.3 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"), in June and September 2021 less loss on fair value changes of such financial assets of approximately HK\$18.6 million (2020:Nil).

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.

	Convertible term loans HK\$'000
Issue of convertible term loans	103,262
Loss on fair value changes	(18,564)
As at December 31, 2021	84,698

#### 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, 2021

Description	Fair value (HK\$'000)	Valuation technique	Unobservable Inputs	Range (Weighted average)	Relationship of unobservable inputs to fair value
Convertible term loans	84,698	Discounted cash flow	Discount rate	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 -HK\$2,706,000/+HK\$2,833,000.

**31 PROVISION FOR WARRANTIES**

	2021 HK\$'000	2020 HK\$'000
Balance at beginning of year	30,147	40,378
Amount charged/(credited) to profit or loss	14,476	(5,879)
Amounts utilized	(7,034)	(6,255)
Currency translation differences	1,017	1,903
Balance at end of year	38,606	30,147
Less non-current portion	(29,775)	(21,938)
	<b>8,831</b>	8,209

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\$14,476,000 (2020: reversal of provision for warranties of approximately HK\$5,879,000) was included in 'other operating expenses'.

**32 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, 2020 and December 31, 2021	11,672,342	23,344

**33 DIVIDEND**

The Board does not recommend the payment of a final dividend for the year (2020: Nil).

## 34 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.

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## 34 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.

### 34 SHARE-BASED PAYMENT TRANSACTIONS (continued)

#### Share option scheme on or after December 23, 2014 (“2014 Share Option Scheme”) (continued)

The following table discloses details and movements of the Company's share options held by Directors, eligible employees and other eligible participants of the Group during the year ended December 31, 2020:

	Date of grant	Exercise Price per share (HK\$)	Exercise period	Outstanding at January 1, 2020	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding at December 31, 2020
<b>Directors:</b>								
2014 Share Option Scheme	June 1, 2015	0.858	June 1, 2016 – May 31, 2020	750,000	-	(750,000)	-	-
<b>Eligible employees:</b>								
2014 Share Option Scheme	January 20, 2015	0.92	January 20, 2016 – January 19, 2020	2,137,500	-	(2,137,500)	-	-
<b>Other eligible participants:</b>								
2014 Share Option Scheme	January 20, 2015/ July 7, 2015	0.92/1.102	January 20, 2016 – July 6, 2020	77,773,198	-	(77,773,198)	-	-
<b>Total</b>				80,660,698	-	(80,660,698)	-	-
<b>Exercisable at beginning or end of year</b>				80,660,698				-
<b>Weighted average exercise price</b>				HK\$1.078	-	HK\$1.078	-	-

### 34 SHARE-BASED PAYMENT TRANSACTIONS (continued)

#### Share option scheme on or after December 23, 2014 (“2014 Share Option Scheme”) (continued)

Options in respect of 80,660,698 shares expired during the year ended December 31, 2020, and as a result, all options granted under 2014 Share Option Scheme had lapsed during 2020.

During the years ended December 31, 2020 and 2021, no share options were granted by the Company pursuant to the 2014 Share Option Scheme and no options were exercised. As at December 31, 2021, 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.

### 34 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.

### 34 SHARE-BASED PAYMENT TRANSACTIONS (continued)

#### Share award scheme ("Share Award Scheme") (continued)

Set out below are a summary of all the grants of award Shares under the Share Award Scheme since the Adoption Date up to and including December 31, 2021:

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
<b>Total:</b>		<b>337,652,500</b>			

All of the 337,652,500 award Shares shall be granted by way of acquisition of existing Shares from the market by the trustee of the Share Award Scheme (the "Trustee"). The Board shall cause to pay the Trustee the purchase price and the related expenses from the Company's cash resources. The Trustee shall purchase from the market the relevant number of award Shares and shall hold the award Shares on trust for the relevant selected participants until they are vested in such selected participants and delivered in accordance with the terms of the Share Award Scheme. There is no condition, performance target or lock up restriction attached to the award Shares.

In the event that the Board elects to issue new Shares to satisfy any award Shares to be granted under the Share Award Scheme in the future, the maximum number of new Shares so issued shall be limited to 3% of the total issued Shares as at the Adoption Date (i.e. 315,426,263 Shares). The total number of issued Shares as at the Adoption Date was 10,514,208,770.

**34 SHARE-BASED PAYMENT TRANSACTIONS (continued)****Share award scheme ("Share Award Scheme") (continued)**

	Directors	Eligible employees	Total
Outstanding at January 1, 2020	14,310,000	123,728,425	138,038,425
Granted during the year	384,000	52,360,000	52,744,000
Vested during the year	(4,770,000)	(41,168,425)	(45,938,425)
Forfeited during the year	–	(33,155,000)	(33,155,000)
Outstanding at December 31, 2020 and 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	5,058,000	44,572,500	49,630,500

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, 2021 was HK\$0.255 per share (2020: HK\$0.48 per share).

## 35 COMMITMENTS

### (a) Capital commitment

The outstanding commitment for capital expenditure is as follow:

	2021 HK\$'000	2020 HK\$'000
Contracted but not provided for		
Acquisition of Macau Pass Holding Ltd. and its subsidiaries	<b>778,000</b>	–
	<b>778,000</b>	–

See Note 40 for disclosure of the acquisition of Macau Pass Holding Ltd. and its subsidiaries.

### (b) Commitments under operating leases

#### The Group as lessor

Property rental income earned during the year was approximately HK\$3,586,000 (2020: HK\$3,314,000). 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:

	2021 HK\$'000	2020 HK\$'000
Within one year	<b>2,552</b>	3,852
In the second to fifth years inclusive	<b>37</b>	2,514
	<b>2,589</b>	6,366

## 36 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in these consolidated financial statements, the following transactions were carried out with related parties:

### (a) Sales of services

	Note	2021 HK\$'000	2020 HK\$'000
Revenue of games and entertainment business from fellow subsidiaries	(i)	53	413
Revenue of games and entertainment business from a joint venture	(ii)	18,111	17,013
Revenue of non-lottery hardware business from a fellow subsidiary	(iii)	1,434	–
Recharge for technical services to a joint venture	(iv)	212	1,330
Recharge for rental services to a joint venture	(v)	3,090	1,782

Notes:

- (i) This represents the revenue received from fellow subsidiaries for games and entertainment business which is based on pre-determined fee basis as stipulated in the agreement.
- (ii) This represents the revenue received from a joint venture for games and entertainment business which is based on pre-determined fee basis as stipulated in the agreement.
- (iii) This represents the revenue received from a fellow subsidiary for non-lottery hardware business which is based on pre-determined fee basis as stipulated in the agreement.
- (iv) This represents the recharge for technical services to a joint venture which is charged at pre-determined fee basis as stipulated in the agreement.
- (v) This represents the recharge for rental services to a joint venture which is charged at pre-determined fee basis as stipulated in the agreement.

## 36 RELATED PARTY TRANSACTIONS (continued)

### (b) Purchases of goods and services

	Note	2021 HK\$'000	2020 HK\$'000
Recharge for operation of lottery distribution from fellow subsidiaries	(i)	3,413	1,976
Recharge for operation of games and entertainment business from a fellow subsidiary	(ii)	–	225
Purchase of marketing services for games and entertainment business from fellow subsidiaries	(iii)	–	14
Purchase of technology services from fellow subsidiaries	(iv)	2,514	3,162
Recharge for rental services from fellow subsidiaries	(v)	19	171
Recharge for management and administrative services from fellow subsidiaries	(vi)	7,833	7,951
Purchase of marketing services for lottery distribution business from a fellow subsidiary	(vii)	129	209

#### Notes:

- (i) This represents the recharge for operation of lottery distribution from fellow subsidiaries which is based on pre-determined fee basis as stipulated in the agreement.
- (ii) This represents the recharge for operation of games and entertainment business from a fellow subsidiary which is based on pre-determined fee basis as stipulated in the agreement.
- (iii) This represents the marketing fees paid/payable to fellow subsidiaries for supply of products or services offered to individual users on certain online platforms operated by the Group at a discounted price.
- (iv) This represents the service fee on technology services and resources provided by fellow subsidiaries which is charged based on the actual usage of those services.
- (v) This represents the recharge of rental services from fellow subsidiaries which is fully exempted from the connected transaction requirements under Rule 20.74 of the GEM Listing Rules.
- (vi) This represents the recharge of management and administrative services from fellow subsidiaries which is fully exempted from the connected transaction requirements under Rule 20.96 of the GEM Listing Rules.
- (vii) This represents the marketing fees paid/payable to a fellow subsidiary for supply of products for lottery distribution business based on prices that would be available to independent third parties. This transaction is fully exempted from the connected transaction requirements under Rule 20.74 of the GEM Listing Rules.

**36 RELATED PARTY TRANSACTIONS (continued)****(c) Key management compensation**

The remuneration of the Directors (who are the key management personnel of the Group) during the year was as follows:

	2021 HK\$'000	2020 HK\$'000
Short-term employee benefits	6,563	5,831
Share-based payments	1,795	4,515
Post-employment benefits	198	198
	<b>8,556</b>	10,544

**(d) Loan to related parties**

	Note	2021 HK\$'000	2020 HK\$'000
Loan to an officer	(i)	1,999	2,214
Loan to a joint venture, net of loss allowance	(ii)	–	69,693
Loan to an associate, net of loss allowance	(iii)	32,595	31,192
Convertible term loans to a joint venture (note 30)		<b>84,698</b>	–

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.
- (ii) This represents the loan granted to the subsidiary of the Group's joint venture. It was unsecured, carried interest of 5.25% per annum and repayable within one year from the reporting date. The loan was fully repaid during the year ended December 31, 2021.
- (iii) This represents the loan granted to an associate. It was unsecured, carried interest of 4.8% per annum and repayable on demand.

### 37 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The remuneration of every Director and the chief executive is set out below:

For the year ended 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>

**37 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)**

For the year ended December 31, 2020

	Fees HK\$'000	Salaries, discretionary bonuses and other benefits in kind HK\$'000	Share-based payments (Note (i)) HK\$'000	Contributions to retirement benefit schemes HK\$'000	Total emoluments HK\$'000
<b>Executive Directors:</b>					
Mr. Sun Ho	4,290	–	3,117	198	7,605
Ms. Hu Taoye	–	941	1,398	–	2,339
<b>Non-executive Directors:</b>					
Mr. Li Faguang	–	–	–	–	–
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>941</b>	<b>4,515</b>	<b>198</b>	<b>10,544</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 34 above.
- (ii) Resigned on December 20, 2021.
- (iii) Appointed on December 20, 2021.

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, 2021 (2020: Nil). None of the Directors waived or agreed to waive their emoluments during the year ended December 31, 2021 (2020: 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, 2021 (2020: 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 (2020: None).

**38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY**

	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>		
Investments in subsidiaries	–	–
<b>Current assets</b>		
Amounts due from subsidiaries	3,224,655	3,239,686
Other receivables, deposits and prepayments	3,207	3,480
Cash and bank balances	18,043	5,980
	<b>3,245,905</b>	3,249,146
<b>Total assets</b>	<b>3,245,905</b>	3,249,146
<b>Current liabilities</b>		
Accruals and other payables	15,551	7,835
Amounts due to subsidiaries	25,005	14,492
	<b>40,556</b>	22,327
<b>Total liabilities</b>	<b>40,556</b>	22,327
<b>Net assets</b>	<b>3,205,349</b>	3,226,819
<b>Equity</b>		
Share capital	23,344	23,344
Reserves	3,182,005	3,203,475
<b>Total equity</b>	<b>3,205,349</b>	3,226,819

The financial statements were approved by the Board of Directors on March 18, 2022 and were signed on its behalf by:

**Sun Ho**  
Director

**Hu Taoye**  
Director

## 38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

### Reserve movement

	Share premium HK\$'000	Shares held for share award scheme HK\$'000	Share options reserve HK\$'000	Share awards reserve HK\$'000	Contributed surplus HK\$'000	Other reserve HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Total HK\$'000
Balance at January 1, 2020	3,389,886	(131,811)	47,547	50,366	47,191	30,176	65,992	3,499,347
Loss for the year	-	-	-	-	-	-	(299,807)	(299,807)
Recognition of equity settled share-based payments	-	-	-	25,875	-	-	-	25,875
Lapse of share options	-	-	(47,547)	-	-	-	47,547	-
Purchase of shares under share award scheme	-	(22,020)	-	-	-	-	-	(22,020)
Transfer of shares upon vesting of share awards under share award scheme	5,412	30,850	-	(36,262)	-	-	-	-
Transaction with shareholder								
– Employee share-based compensation	-	-	-	-	-	1,343	-	1,343
– Employee share-based compensation recharge	-	-	-	-	-	(1,263)	-	(1,263)
Transfer to retained earnings for derecognition of equity portion of contingent considerations	-	-	-	-	-	(30,405)	30,405	-
<b>Balance at December 31, 2020</b>	<b>3,395,298</b>	<b>(122,981)</b>	<b>-</b>	<b>39,979</b>	<b>47,191</b>	<b>(149)</b>	<b>(155,863)</b>	<b>3,203,475</b>
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)
<b>Balance at December 31, 2021</b>	<b>3,397,632</b>	<b>(118,855)</b>	<b>-</b>	<b>25,316</b>	<b>47,191</b>	<b>(913)</b>	<b>(168,366)</b>	<b>3,182,005</b>

### 39 PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at December 31, 2021 and 2020 are set out as follows:

Name of subsidiary	Form of business structure	Place of incorporation/ registration and kind of legal entity	Principal place of operations	Issued and fully paid share capital/ registered capital/ paid-up capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Asia Gaming Technologies Limited	Incorporated	Hong Kong, limited liability company	PRC	Ordinary shares of HK\$51,224,490	51% (held indirectly)	Sales and distribution of software games and system and provision of maintenance, after-sales, training and consultancy services for such products
亞博泰科技(北京)有限公司 (Asia Gaming Technologies (Beijing) Co., Ltd.*)	Wholly-foreign owned enterprise	PRC, limited liability company	PRC	Paid-up capital of HK\$13.8 million	51% (held indirectly)	Sales and distribution of software games and system and provision of maintenance, after-sales, training and consultancy services for such products
亞博泰科技(天津)有限公司 (Asia Gaming Technologies (Tianjin) Co., Ltd.*) (Note (i))	Wholly-foreign owned enterprise	PRC, limited liability company	PRC	Paid-up capital of RMB10 million	51% (held indirectly)	Sales and distribution of software games and system and provision of maintenance, after-sales, training and consultancy services for such products
Maxprofit Management Limited	Incorporated	Hong Kong, limited liability company	Hong Kong	Ordinary shares of HK\$600,000	100% (held indirectly)	Provision of management services for the Group
Beijing Systek	Wholly-foreign owned Enterprise	PRC, limited liability company	PRC	Paid-up capital of HK\$135.6 million	100% (held indirectly)	Research and development of sports lottery information technology
世紀星彩企業管理有限公司 (China Lottery Management Co., Ltd.*)	Wholly-foreign owned Enterprise	PRC, limited liability company	PRC	Registered capital of HK\$150 million	100% (held indirectly)	Provision of sports lottery management and marketing consultancy services and supply of sports lottery sales terminals (and accessories)
SYSTEK LTD	Incorporated	BVI, limited liability company	PRC	1 ordinary share of US\$1	100% (held indirectly)	Investment holding
SHINING CHINA INC	Incorporated	BVI, limited liability company	PRC	50,000 ordinary shares of US\$1 each	100% (held indirectly)	Investment holding

**39 PRINCIPAL SUBSIDIARIES (continued)**

Name of subsidiary	Form of business structure	Place of incorporation/ registration and kind of legal entity	Principal place of operations	Issued and fully paid share capital/ registered capital/ paid-up capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Exequus Co. Ltd.	Incorporated	BVI, limited liability company	PRC	50,000 ordinary shares of US\$1 each	100% (held indirectly)	Investment holding
Fortune Happy Investment Limited	Incorporated	Hong Kong, limited liability company	Hong Kong	Ordinary shares of HK\$10,000	100% (held indirectly)	Investment holding
北京亞博科技有限公司 (Beijing AGTech Co., Ltd.*)	Wholly-foreign owned Enterprise	PRC, limited liability company	PRC	Registered capital of RMB30 million	100% (held indirectly)	Investment holding
GOT	Domestic enterprise	PRC, limited liability company	PRC	Registered capital of RMB100 million	100% (held indirectly)	Research, development and production of sports lottery terminals and systems
深圳市銀溪數碼技術有限公司 (Shenzhen Silvercreek Digital Technology Co., Ltd.*) (Note (iii))	Domestic enterprise	PRC, limited liability company	PRC	Paid-up capital of RMB30 million	100% (held indirectly)	Provision for users with online casual entertainment services
Score Value Limited	Incorporated	BVI, limited liability company	PRC	50,000 ordinary shares of US\$1 each	100% (held indirectly)	Investment holding
Sincere Honor Holdings Limited	Incorporated	Hong Kong, limited liability company	Hong Kong	Ordinary shares of HK\$10,000	100% (held indirectly)	Investment holding
Shenzhen Subsidiary	Domestic enterprise	PRC, limited liability company	PRC	Paid-up capital of RMB5 million	100% (held indirectly)	Research and development, quality assurance and sale of handheld lottery sales equipment, provision of after-sales maintenance services

\* For identification purpose only

## 39 PRINCIPAL SUBSIDIARIES (continued)

Notes:

- (i) Asia Gaming Technologies (Tianjin) Co., Ltd. in which the Group previously held 51% equity interest was dissolved on August 19, 2021.
- (ii) 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, 2021 and 2020.

## 40 SUBSEQUENT EVENT

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

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

The Group is an integrated technology and services company engaged in the lottery and mobile games and entertainment market with a focus on the PRC and selected international markets. Since the first half of 2021, the Group has also commenced to supply non-lottery hardware products (such as point-of-sale terminals) for use in the retail sector in the PRC. The Directors are of the view that the Acquisition would create tremendous synergies to the Group's existing business, 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.

#### **40 SUBSEQUENT EVENT (continued)**

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

As disclosed in the announcement of the Company dated March 15, 2022, the Target Group has received all relevant regulatory consents and approvals as are necessary in connection with the proposed change in shareholding of the Target Group (including Macau Pass having received the written approval of Autoridade Monetaria de Macau (Monetary Authority of Macao) (“AMCM”) for implementation of the Acquisition and the proposed change in shareholding or control of Macau Pass), the receipt of which is one of the closing conditions. Closing will take place after fulfillment or waiver of all the other closing conditions and upon the parties to the Agreement having completed a series of Closing matters in accordance with the terms of the Agreement. Further announcement(s) will be made by the Company as and when appropriate to keep the Shareholders posted of the progress of the Acquisition.

The Group is in the process of making an assessment of the impact of the Acquisition on its result of operation and financial position upon Closing.