



AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279

2022

FIRST QUARTERLY REPORT



Fortune · Happiness · Health · Luck · Responsibility

CHARACTERISTICS OF GEM

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

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

FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2022

- Revenue of the Group for the Three-Month Period amounted to approximately HK\$35.3 million (Three months ended March 31, 2021: approximately HK\$20.7 million), representing an increase of approximately 70.2% over the corresponding period in 2021. For the Three-Month Period, revenue contributions were mainly derived from lottery hardware sales, provision of lottery distribution and ancillary services, non-lottery hardware sales in the PRC, provision of electronic payment services in Macau and games and entertainment and marketing technical services. Revenue from the electronic payment business from the newly acquired wholly-owned subsidiary of the Company in Macau, Macau Pass, of approximately HK\$3.4 million, was consolidated into the Group's results with effect from March 24, 2022.
- Operating loss for the Three-Month Period was approximately HK\$12.6 million (Three months ended March 31, 2021: approximately HK\$43.9 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 54.6% to approximately HK\$20.5 million for the Three-Month Period 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; and (iii) increase in net other gains by approximately HK\$5.4 million as compared to the corresponding period in 2021 as a result of the appreciation of United States dollars and Renminbi against Hong Kong dollars during the Three-Month Period.
- The loss for the Three-Month Period was approximately HK\$10.8 million (Three months ended March 31, 2021: approximately HK\$38.7 million), representing a decrease of approximately 72.0% over the corresponding period in 2021.
- The Board does not recommend the payment of an interim dividend for the Three-Month Period.

FIRST QUARTERLY RESULTS

The Board announces the unaudited consolidated results of the Group for the three months ended March 31, 2022 (the “**Three-Month Period**”), together with the unaudited comparative figures for the corresponding period in 2021 as follows:

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

For the three months ended March 31, 2022

	Notes	Three months ended 31 March	
		2022 HK\$'000	2021 HK\$'000
Revenue	2	35,272	20,723
Other income		1,249	9,389
Net other gains		8,508	3,087
Employee benefits expenses		(20,457)	(45,032)
Purchase of and changes in inventories		(12,126)	(8,027)
Depreciation and amortization expenses		(4,854)	(5,155)
Other operating expenses		(20,228)	(18,851)
Operating loss		(12,636)	(43,866)
Loss on fair value change of financial assets at fair value through profit or loss		(1,128)	–
Loss on fair value changes of contingent consideration payables		(384)	–
Net finance income		3,382	5,314
Loss before income tax		(10,766)	(38,552)
Income tax expense	3	(81)	(154)
Loss for the period		(10,847)	(38,706)

	Notes	Three months ended	
		31 March	
		2022	2021
		HK\$'000	HK\$'000
Other comprehensive income:			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Currency translation differences		4,005	(691)
Other comprehensive income for the period, net of tax		4,005	(691)
Total comprehensive income for the period		(6,842)	(39,397)
(Loss)/Profit attributable to:			
Owners of the Company		(11,130)	(38,133)
Non-controlling interests		283	(573)
		(10,847)	(38,706)
Total comprehensive income attributable to:			
Owners of the Company		(7,681)	(38,711)
Non-controlling interests		839	(686)
		(6,842)	(39,397)
Loss per share			
Basic	4	(HK0.10 cent)	(HK0.33 cent)
Diluted	4	(HK0.10 cent)	(HK0.33 cent)

Notes:

1. BASIS OF PREPARATION

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

The consolidated financial information has not been audited by the Company’s auditors, but has been reviewed and commented on by the Company’s audit committee. The accounting policies applied and significant judgements made by management in applying the Group’s accounting policies are consistent with those of the Group’s annual financial statements for the year ended December 31, 2021, except for the adoption of new or revised standards, amendments and interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning January 1, 2022.

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

Comparative figures

Certain comparative figures have been reclassified to conform with the unaudited condensed consolidated financial information adopted for the Three-Month Period.

2. REVENUE

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

	Three months ended	
	March 31	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Lottery		
(i) Lottery hardware sales	15,735	6,333
(ii) Lottery distribution through physical channels and ancillary services	12,380	7,670
(iii) Lottery games and systems	–	67
Electronic payment		
(i) provision of payment card services and ancillary services	1,136	–
(ii) provision of e-wallet services	665	–
(iii) provision of acquiring services for other payment platforms	1,554	–
Games and entertainment and marketing technical services	1,030	3,280
Non-lottery hardware sales	2,258	3,373
Subtotal	34,758	20,723
Lease income of lottery hardware, payment terminals and equipment	514	–
Total	35,272	20,723

3. INCOME TAX EXPENSE

Income tax expense for the Three-Month Period represents PRC Enterprise Income Tax.

4. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company for the Three-Month Period of approximately HK\$11,130,000 (for the three months ended March 31, 2021: approximately HK\$38,133,000) by the weighted average number of ordinary shares outstanding during the period of approximately 11,672,342,000 (for the three months ended March 31, 2021: approximately 11,672,342,000) shares and excluding the weighted average number of shares held for the Share Award Scheme of approximately 228,306,000 (for the three months ended March 31, 2021: approximately 171,852,000) shares.

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share awards. For the share awards, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share awards.

For the Three-Month Period and three months ended March 31, 2021, the computation of the diluted loss per share does not assume the vesting of the outstanding share awards, as they would decrease the diluted loss per share.

5. DIVIDEND

The Board does not recommend the payment of an interim dividend for the Three-Month Period (2021: nil).

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the Three-Month Period

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Shares held for share award scheme HK\$'000	Share awards reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Contributed surplus HK\$'000	Property revaluation reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Subtotal HK\$'000	Attributable to non-controlling interests	
												HK\$'000	HK\$'000
Balance at January 1, 2022	23,344	3,397,632	(118,855)	25,316	27,833	122,393	47,191	14,402	44,317	(746,964)	2,836,609	49,531	2,886,140
Loss for the period	-	-	-	-	-	-	-	-	-	(11,130)	(11,130)	283	(10,847)
Other comprehensive income for the period	-	-	-	-	-	3,449	-	-	-	-	3,449	556	4,005
Total comprehensive income for the period	-	-	-	-	-	3,449	-	-	-	(11,130)	(7,681)	839	(6,842)
Recognition of equity settled share-based payments	-	-	-	2,607	-	-	-	-	-	-	2,607	-	2,607
Purchase of shares under share award scheme	-	-	(8,932)	-	-	-	-	-	-	-	(8,932)	-	(8,932)
Transfer of shares upon vesting of share awards under share award scheme	-	(182)	1,067	(885)	-	-	-	-	-	-	-	-	-
Transactions with a shareholder													
- Employee share-based compensation	-	-	-	-	-	-	-	-	210	-	210	-	210
- Employee share-based compensation recharge	-	-	-	-	-	-	-	-	(328)	-	(328)	-	(328)
Balance at March 31, 2022	23,344	3,397,450	(126,720)	27,038	27,833	125,842	47,191	14,402	44,199	(758,094)	2,822,485	50,370	2,872,855
Balance at January 1, 2021	23,344	3,395,298	(122,981)	39,979	26,756	108,924	47,191	14,402	45,081	(682,254)	2,895,740	47,574	2,943,314
Loss for the period	-	-	-	-	-	-	-	-	-	(38,133)	(38,133)	(573)	(38,706)
Other comprehensive income for the period	-	-	-	-	-	(578)	-	-	-	-	(578)	(113)	(691)
Total comprehensive income for the period	-	-	-	-	-	(578)	-	-	-	(38,133)	(38,711)	(686)	(39,397)
Recognition of equity settled share-based payments	-	-	-	6,403	-	-	-	-	-	-	6,403	-	6,403
Purchase of shares under share award scheme	-	-	(561)	-	-	-	-	-	-	-	(561)	-	(561)
Transfer of shares upon vesting of share awards under share award scheme	-	(253)	2,154	(1,901)	-	-	-	-	-	-	-	-	-
Transactions with a shareholder													
- Employee share-based compensation	-	-	-	-	-	-	-	-	(38)	-	(38)	-	(38)
- Employee share-based compensation recharge	-	-	-	-	-	-	-	-	(299)	-	(299)	-	(299)
Balance at March 31, 2021	23,344	3,395,045	(121,388)	44,481	26,756	108,346	47,191	14,402	44,744	(720,387)	2,862,534	46,888	2,909,422

DISCUSSION AND ANALYSIS OF THE GROUP'S RESULTS AND BUSINESS

ABOUT THE GROUP

AGTech was incorporated in Bermuda and its Shares are listed on GEM (Stock Code: 8279). AGTech is an integrated technology and services company engaged in electronic payment services, lottery, mobile games and entertainment and marketing technical services and non-lottery hardware supply markets with a focus on Mainland China and Macau. As a member of the Alibaba Group, the Group is the exclusive lottery platform of Alibaba Group and Ant Group.

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

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

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

CORPORATE STRATEGY AND OBJECTIVES

AGTech is committed to evolving its business into a comprehensive payment services and financial technology provider, in addition to providing quality lottery solutions and mobile games and entertainment content to customers around the world.

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

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 in addition to the offering of marketing services with the goal of integrating unique social games and entertainment content, ultimately to create an innovative business model to increase the Group's commercial value.

Looking forward, AGTech will continue to 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 lottery sales for the Three-Month Period amounted to approximately RMB86.25 billion, representing an increase of approximately 2.0% over the corresponding period in 2021. Of this, Welfare Lottery amounted to approximately RMB36.7 billion, representing an increase of approximately 7.9% compared to the corresponding period in 2021. Sports Lottery achieved sales of approximately RMB49.6 billion, representing a decrease of approximately 1.9% compared to the corresponding period in 2021.

* Source: Ministry of Finance of the PRC

The Macau Electronic Payment Market

As Macau strives to diversify its tourist base, it is gradually recovering from the COVID-19 pandemic and reopening to the world. According to the Statistics and Census Bureau of the Macau SAR government, a total of 7.7 million tourists entered Macau in 2021, representing an increase of approximately 30.7% over 2020.

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 approximately 65.49 million in 2020 to approximately 193 million in 2021, representing a year-over-year increase of approximately 195%; the total transaction value from approximately MOP 6.32 billion in 2020 to approximately MOP 18.52 billion in 2021, representing a year-over-year increase of approximately 193%.

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 March 2022, over 90% 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

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"

BUSINESS REVIEW

Lottery 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 Three-Month Period, the Group won one lottery hardware tender to supply lottery terminals to the Sports Lottery Administration Centre in Guangxi Zhuang Autonomous Region of the PRC. The Group will continue to pursue tenders to supply to the lottery and other hardware markets.

Lottery Distribution and Ancillary Services

Expansion of physical channels and lottery distribution

The Group currently distributes lottery (including lotto, sports lottery and instant scratch tickets) by expanding its physical lottery sales channels in China, which are mostly retail sales outlets operated by Alibaba Group. During the Three-Month Period, the Group generated revenue from the distribution of lottery through retail sales outlets, representing an increase of approximately 79% over the corresponding period in 2021. Such increase was mainly attributable to the increase in average lottery sales volume per sales outlet as a result of the Group's continuous efforts in expanding its network of collaborating retail sales outlets for lottery distribution with an increase of approximately 25% in the number of such outlets over the corresponding period in 2021.

Lottery Resources Channel Operations and Platform Services

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

The content on the lottery resources channel include displaying of certain historical and current lottery products results. Further, the channel compiles the locations of nearby lottery retail channels, paving the way for further integration of online and offline resources in the future. With the addition of sports event information and paid contents, we have been expanding our offerings of tools and products according to market demands and users' needs. Personalized suggestions of sports events information were provided based on users' demands and habits, thus a surge of number of active users was recorded. 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.

Electronic Payment

Macau Pass is a leading payment service provider in Macau and is an "other credit institution" licensed under AMCM. It was incorporated in 2005 with initial focus on operating payment card services via "Macau Pass Cards" (the "MP Card(s)") in Macau, which was later gradually expanded into other payment related businesses such as e-wallet and acquiring services.

Payment card services and ancillary services

The Group's MP Card is the most common contactless smart card for payments in Macau. Launched in 2007, MP Card was initially used for bus fare payments and has since then been expanded into payments for other public transports, car parks, government services, retail consumption, food and beverage services. It can also be customized to include functions as door access card, staff badge or membership card. There are currently more than three million MP Cards in circulation. The Group receives commission income from merchants for processing transactions with payments made via MP Cards, and also generates revenue from ancillary card services such as sales and management of MP Cards.

E-wallet services

The Group provides e-wallet services via a mobile app called "MPay", which was launched in Macau in 2018 and supports online and offline payments covering different payment scenarios such as person-to-person transfer, telecommunication and utility bill payment, online ticketing, payment of car parking fees and payment of bus fares using QR code. MPay is also allowed by the People's Bank of China for cross-border use in the PRC. The Group receives commission income (based on a percentage of the transaction value) from merchants for processing transactions with payments made via MPay.

Acquiring services

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

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

The Group is dedicated to evolving its business into a comprehensive mobile games, entertainment content and marketing technical services provider to customers around the world. The Group has been active in building its online presence and customer-base through various online channels by offering various types of proprietary non-lottery games and entertainment content.

Non-lottery hardware supply

In addition to lottery hardware supplies, expansion to other consumer sectors has been a focus for the Group. With a view to broadening product spectrum of its hardware business utilizing the research and development capability of the Group and in view of the fact that many of the hardware supplies for the retail market share similar technology and components underlying the lottery hardware products supplied by the Group throughout many years, the Group has extended its hardware product offering to smart hardware in the retail sector.

Sale and leasing of payment terminals and equipment

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

International Market*Strategic expansion in selected overseas markets*

(i) Paytm First Games Private Limited in India:

A joint venture company of the Group with One97 Communications Limited ("**One97**"), namely, Paytm First Games Private Limited (the "**JV**"), developed and operated its mobile games and entertainment platform, namely "Paytm First Games", in India. One97 is the owner of Paytm, which is a leading mobile payment platform in India. Paytm First Games offers players a unique online experience with popular games content such as rummy, fantasy sports games and other card 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 successful Indian Premier League (IPL) cricket tournaments in 2020 and 2021, 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.

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.

(ii) Ant Bank in Macau:

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

In September 2019, Ant Bank officially launched the Alipay (Macao) e-wallet payment service in Macau. In addition to its e-wallet payment service, Ant Bank provides internet financial products in Macau and brings contactless online financial services to Macau residents and SMEs. In terms of financial services for SMEs, Ant Bank has leveraged Ant Group’s practical experience of focusing on inclusive financial services to provide credit loan services for Macau SMEs engaged in retailing, catering and trading services.

BUSINESS OUTLOOK

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.

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

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. 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 continues to be a demonstration of our commitment to generate long term sustainable growth for the Shareholders.

FINANCIAL PERFORMANCE REVIEW

Revenue of the Group for the Three-Month Period amounted to approximately HK\$35.3 million (Three months ended March 31, 2021: approximately HK\$20.7 million), representing an increase of approximately 70.2% over the corresponding period in 2021. For the Three-Month Period, revenue contributions were mainly derived from lottery hardware sales, provision of lottery distribution and ancillary services, non-lottery hardware sales in the PRC, provision of electronic payment services in Macau and games and entertainment and marketing technical services. The increase in revenue for the Three-Month Period was caused by the increase in sales of lottery hardware of approximately HK\$9.4 million, and increase of approximately HK\$4.7 million in revenue from the provision of lottery distribution and ancillary services. In addition, revenue from the electronic payment business from the newly acquired wholly-owned subsidiary of the Company in Macau, Macau Pass, of approximately HK\$3.4 million was consolidated into the Group's results with effect from March 24, 2022. The increase in revenue is partially offset by the decrease in revenue from the sales of non-lottery hardware of approximately HK\$1.1 million and decrease in revenue from games and entertainment and marketing technical services business of approximately HK\$2.3 million. Such increases in revenue from lottery hardware and provision of lottery distribution and ancillary services were mainly due to the Group's continuous effort in developing its lottery hardware business and expanding its network of collaborating with retail sales outlets for lottery distribution. The decrease in revenue from the provision of online game contents to the JV was due to the fact that the JV successfully established its own research and development center in Beijing, the PRC and the Group no longer provides the JV with the technical and operational support for its fantasy sports games.

As a result of the aforesaid mentioned increase in revenue of lottery hardware, there was a corresponding increase in purchases of and changes in inventories by approximately HK\$4.1 million to approximately HK\$12.1 million for the Three-Month Period (Three months ended March 31, 2021: approximately HK\$8.0 million).

Operating loss for the Three-Month Period was approximately HK\$12.6 million (Three months ended March 31, 2021: approximately HK\$43.9 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 54.6% to approximately HK\$20.5 million for the Three-Month Period 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 (Three months ended March 31, 2021: approximately HK\$45.0 million); (iii) an increase in net other gains by approximately HK\$5.4 million as a result of the appreciation of United States dollars and Renminbi against Hong Kong dollars during the Three-Month Period; and partially offset by the decrease in other income by approximately HK\$8.1 million as compared to the corresponding period in 2021 as there was a compensation income of approximately HK\$6.8 million received by the Group in relation to the lottery games and systems business for the three months ended March 31, 2021.

The loss for the Three-Month Period was approximately HK\$10.8 million (Three months ended March 31, 2021: approximately HK\$38.7 million), representing a decrease of approximately 72.0% over the corresponding period in 2021. Besides the above reduction in operating loss, such decrease in loss was partially offset by the effects of the following factors: (i) the Group provided convertible term loan facilities in the aggregate amount of INR985.5 million (or approximately HK\$103.3 million) to the JV, which facilities had been fully utilized by the JV. A fair value loss on such financial assets of approximately HK\$1.1 million was recognized for the Three-Month Period (Three months ended March 31, 2021: Nil); and (ii) a loss of HK\$0.4 million was recorded from the remeasurement of the outstanding contingent consideration payables in relation to the acquisition of Macau Pass by the Group (Three months ended March 31, 2021: Nil).

USE OF PROCEEDS FROM THE SUBSCRIPTION

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

The Company announced various re-allocations (the “**2020 Re-allocations**”) of the Net Proceeds that remained as at March 31, 2020 together with their reasons in the Company’s first quarterly results announcement for the three months ended March 31, 2020, and such re-allocations had been implemented since then. As disclosed in the section headed “USE OF PROCEEDS FROM THE SUBSCRIPTION” on pages 131 to 134 of the annual report of the Company for the year ended December 31, 2021, Net Proceeds in the sum of approximately HK\$222.2 million remained as at December 31, 2021.

During the Three-Month Period, approximately HK\$51.3 million in total was used by the Group for the business divisions of the Group and for investment, acquisition and general corporate purposes in the manner as set out in the table below. Net Proceeds in the sum of approximately HK\$170.9 million remained as at March 31, 2022, 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, 2021	Amount of Net Proceeds actually used during the Three-Month Period	Amount of Net Proceeds remained to be used as at March 31, 2022	Actual application of Net Proceeds during the Three-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(i) Games and Entertainment:	approximately HK\$52.7 million	approximately HK\$2.5 million	approximately HK\$50.2 million	The Net Proceeds were used in item (i)(c).
(a) development, operation and promotion of the Chinese card game, GuanDan, and Two-on-One Poker	(or approximately 23.7% of total remaining as at December 31, 2021)			No material difference from intended usage noted following the 2020 Re-allocations.
(b) development, operation and promotion of the mind sports, leisure games and entertainment				The Net Proceeds allocated to “Games and Entertainment” are expected to be used on or before December 31, 2022.
(c) research and development (“R&D”) of games and entertainment content that are not subject to the applicable lottery laws and regulations in the PRC or other overseas markets				
(d) expansion and development of the Group’s R&D capability in technology development for games and systems				
(e) payment of marketing fees to merchants to promote and boost online activities by online users				

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2021	Amount of Net Proceeds actually used during the Three-Month Period	Amount of Net Proceeds remained to be used as at March 31, 2022	Actual application of Net Proceeds during the Three-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(ii) Hardware, Lottery Games & Systems:	approximately HK\$9.4 million	approximately HK\$9.4 million	Nil	The Net Proceeds were used in items (ii)(a), (ii)(b) and (ii)(e).
(a) operation and development of lottery hardware and terminal production	(or approximately 4.2% of total remaining as at December 31, 2021)			No material difference from intended usage noted following the 2020 Re-allocations.
(b) operation and development of lottery software systems				
(c) development of ancillary parts for lottery hardware and terminal production				
(d) investment for lottery games				
(e) sourcing, manufacturing, operation and development of smart hardware and ancillary equipment and provision of related after-sales maintenance services				

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2021	Amount of Net Proceeds actually used during the Three-Month Period	Amount of Net Proceeds remained to be used as at March 31, 2022	Actual application of Net Proceeds during the Three-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(iii) Lottery Distribution:	approximately	approximately	approximately	The Net Proceeds were
(a) sales, marketing and distribution of virtual lottery games	HK\$95.1 million (or approximately 42.8% of total remaining as at	HK\$17.1 million	HK\$78.0 million	used in items (iii)(b) and (iii)(c).
(b) sales, marketing and distribution of instant scratch lottery games	December 31, 2021)			No material difference from intended usage noted following the 2020 Re-allocations.
(c) sales, marketing and distribution of other categories of lottery games				The Net Proceeds allocated to "Lottery Distribution" are expected to be used on or before December 31, 2022.
(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, 2021	Amount of Net Proceeds actually used during the Three-Month Period	Amount of Net Proceeds remained to be used as at March 31, 2022	Actual application of Net Proceeds during the Three-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(iv) Investment project(s) and acquisition(s):	approximately HK\$0.9 million	Nil	approximately HK\$0.9 million	The Net Proceeds allocated to "Investment project(s) and acquisition(s)" are expected to be used on or before December 31, 2022.
(a) potential investment project(s) in overseas markets in areas of lottery business and games and entertainment business	(or approximately 0.4% of total remaining as at December 31, 2021)			
(b) potential acquisition(s) of businesses engaged in lottery business and games and entertainment business				
(c) capital investments in the Group's joint venture company established with One97 Communications Limited in India				
(d) funding provided by the Group to support business expansion and ongoing operation in overseas markets				

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2021	Amount of Net Proceeds actually used during the Three-Month Period	Amount of Net Proceeds remained to be used as at March 31, 2022	Actual application of Net Proceeds during the Three-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
<p>(v) General corporate purposes:</p> <p>(a) staff costs and other administrative expenses of the Group (including the costs relating to the Share Award Scheme)</p> <p>(b) general working capital of the Group</p>	<p>approximately HK\$64.1 million (or approximately 28.9% of total remaining as at December 31, 2021)</p>	<p>approximately HK\$22.3 million</p>	<p>approximately HK\$41.8 million</p>	<p>The Net Proceeds were used in items (v)(a) and (v)(b).</p> <p>No material difference from intended usage noted following the 2020 Re-allocations.</p> <p>The Net Proceeds allocated to “General corporate purposes” are expected to be used on or before December 31, 2022.</p>
Grand total:	<p>approximately HK\$222.2 million</p>	<p>approximately HK\$51.3 million</p>	<p>approximately HK\$170.9 million</p>	

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

As at March 31, 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

- a. Interests in Shares/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 (resigned on April 28, 2022)	–	–	–	0%
Mr. Liu Zheng	–	–	–	0%
Mr. Ji Gang	–	–	–	0%
Mr. Zou Liang	–	–	–	0%
Mr. Chow Siu Lui	–	–	–	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 March 31, 2022.
- 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, Mr. Sun 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		Approximate percentage of issued shares of Alibaba Holding (Note 2)
		American Depository Shares ("ADS(s)") of Alibaba Holding) (Note 1)	(in the number of ordinary shares of Alibaba Holding) (Note 1)	
Ms. Hu Taoye	(Note 3)	16,920	135,360	0.001%
Mr. Yang Guang (resigned on April 28, 2022)	(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:

- One ADS of Alibaba Holding represents eight ordinary shares of Alibaba Holding, and one restricted share unit ("RSU(s)") of Alibaba Holding represents one ADS of Alibaba Holding.
- Based on a total of 21,528,618,024 ordinary shares of Alibaba Holding in issue as at March 31, 2022.
- The interest comprised 13,670 ADSs of Alibaba Holding and 3,250 RSUs of Alibaba Holding beneficially held by Ms. Hu Taoye.
- The interest comprised 7,918 ADSs of Alibaba Holding and 53,125 RSUs of Alibaba Holding beneficially held by Mr. Yang Guang.
- The interest comprised 10,210 ADSs of Alibaba Holding and 7,500 RSUs of Alibaba Holding beneficially held by Mr. Liu Zheng.
- The interest comprised 5,050 ADSs of Alibaba Holding and 5,185 RSUs of Alibaba Holding beneficially held by Mr. Ji Gang.
- The interest comprised 840 ADSs of Alibaba Holding and 1,700 RSUs of Alibaba Holding beneficially held by Mr. Zou Liang.

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

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

Notes:

1. Based on a total of 26,975,740,156 ordinary shares of Ali Pictures in issue as at March 31, 2022.
 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
		(class A ordinary shares)	(class B ordinary shares)	(Note)
Mr. Liu Zheng	Beneficial Owner	5,460,000	5,900,000	0.07%

Note: As at March 31, 2022, the issued share capital of Cainiao was made up of 15,212,555,296 ordinary shares, 448,611,835 class A ordinary shares and 87,690,047 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 1.22% and 6.73% of the relevant class of shares in issue of Cainiao respectively, and was not interested in any other ordinary shares in issue of Cainiao.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at March 31, 2022, so far as was known to the Directors or chief executive of the Company, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly interested in 5% or more of the issued voting shares of any other member of the Group or held any option in respect of such shares and recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company <i>(Note 1)</i>
Ali Fortune <i>(Note 2)</i>	Beneficial owner	6,502,723,993	55.71%
Alibaba Investment Limited <i>(Note 2)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%
API Holdings Limited <i>(Note 2)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%
Alibaba Holding <i>(Note 3)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%
API (Hong Kong) Investment Limited <i>(Note 4)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company <i>(Note 1)</i>
Shanghai Yunju Venture Capital Investment Co., Ltd. (formerly known as Shanghai Yunju Investment Management Co., Ltd.) <i>(Note 5)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%
Ant Holdco <i>(Note 6)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%
Hangzhou Yunbo Investment Consultancy Co., Ltd. <i>(Note 7)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%
Mr. Ma Yun <i>(Note 7)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%
Mr. Jing Eric Xiandong <i>(Note 7)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%
Ms. Jiang Fang <i>(Note 7)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%
Mr. Hu Simon Xiaoming <i>(Note 7)</i>	Interest of controlled corporation	6,502,723,993 <i>(Note 8)</i>	55.71%
Maxprofit Global Inc <i>(Note 9)</i>	Beneficial owner	2,006,250,000	17.19%
Mr. Cheung Lup Kwan Vitor <i>(Note 10)</i>	Interest of controlled corporation	584,515,224	5.01%
Rainwood Resources Limited <i>(Note 10)</i>	Beneficial owner	584,515,224	5.01%

Notes:

1. Based on a total of 11,672,342,235 Shares in issue as at March 31, 2022.
2. Alibaba Investment Limited (“**AIL**”) and API Holdings Limited (“**API Holdings**”) hold 60% and 40% of the issued share capital of Ali Fortune, respectively.
3. Alibaba Holding holds 100% of the issued share capital of AIL.

4. API (Hong Kong) Investment Limited holds 100% of the issued share capital of API Holdings.
5. Shanghai Yunju Venture Capital Investment Co., Ltd. (formerly known as Shanghai Yunju Investment Management Co., Ltd.) (“**Shanghai Yunju**”) holds 100% of the issued share capital of API (Hong Kong) Investment Limited.
6. Ant Holdco holds 100% of the equity interests in Shanghai Yunju. Hangzhou Junhan Equity Investment Partnership (Limited Partnership) (“**Junhan**”) and Hangzhou Junao Equity Investment Partnership (Limited Partnership) (“**Junao**”) hold approximately 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 under the SFO by virtue of his interest in Maxprofit Global Inc.
10. Rainwood Resources Limited is wholly-owned by Mr. Cheung Lup Kwan Vitor. Therefore, Mr. Cheung Lup Kwan Vitor is deemed to be interested in these 584,515,224 Shares under the SFO.

Save as disclosed above, as at March 31, 2022, the Directors or chief executive of the Company were not aware of any other persons (not being a Director or chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or was directly or indirectly interested in 5% or more of the issued voting shares of any other member of the Group or held any option in respect of such shares and recorded in the register kept by the Company pursuant to section 336 of the SFO.

INTERESTS OF OTHER PERSONS

As at March 31, 2022, apart from the interests in the Shares, underlying Shares and debentures of the Company and its associated corporations held by the Directors, chief executive and substantial shareholders of the Company stated above, there were no other persons with interests recorded in the register of the Company required to be kept under section 336 of the SFO.

INTERESTS IN COMPETING BUSINESS

Ali Fortune, the controlling shareholder of the Company, is indirectly owned as to 60% and 40% by Alibaba Holding and Ant Holdco respectively. Ant Holdco is indirectly held by Alibaba Holding as to 33% of its equity interest and is therefore a “close associate” (as defined in the GEM Listing Rules) of Ali Fortune. Ant Bank is a joint venture company incorporated under the laws of Macau which is held as to 66.7% by two indirect wholly-owned subsidiaries of Ant Holdco and as to 33.3% by a 30% indirectly owned associated company of the Company.

Ant Bank officially commenced operations in April 2019. It launched the Alipay (Macao) e-wallet payment service in Macau in September 2019. Two Directors, namely Mr. Sun Ho and Mr. Ji Gang, are also directors of Ant Bank.

Following completion of the acquisition of Macau Pass by the Group on March 24, 2022 (the “**Completion**”), Macau Pass has become an indirect wholly-owned subsidiary of the Company and will continue to provide electronic payment services including e-wallet payment service in Macau. Nevertheless, the Company does not regard Ant Bank as a “competing business” operated by Ant Group against the Group because:

- (i) from the perspective of the Group, Ant Bank is a joint venture company in which the Group also has an indirect equity interest and is entitled to indirectly share its financial results; and
- (ii) from the perspective of Macau Pass, Ant Bank has been a business partner in respect of Macau Pass’ acquiring service business in Macau and the two companies shall continue their business cooperation following Completion on terms and conditions consistent with their past practice.

Save as disclosed above, as at the date hereof, none of the Directors, controlling Shareholder or their respective close associates had interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely, Mr. Chow Siu Lui, 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 an independent non-executive Director and Mr. Chow Siu Lui has become the new chairman of the Audit Committee. The Group’s unaudited condensed consolidated financial statements for the Three-Month Period (the “**2022Q1 Financial Statements**”) have not been audited by the Company’s auditor but this report (including the 2022Q1 Financial Statements) have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

REQUIRED STANDARD OF DEALINGS REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings regarding securities transactions by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct for dealings in securities of the Company by the Directors (the “**Code of Conduct**”). The Company had made specific enquiry with all Directors, and was not aware of any non-compliance with the required standard of dealings set out in the Code of Conduct during the Three-Month Period.

CONTROLLING SHAREHOLDER’S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sections headed “DIRECTORS’ MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS AND CONTROLLING SHAREHOLDER’S INTERESTS IN CONTRACTS”, “NEW CCTS WITH EFFECT FROM JANUARY 1, 2022” and “CONTINUING CONNECTED TRANSACTIONS” in the annual report of the Company for the year ended December 31, 2021 and save for the Framework Agreement dated September 10, 2021 entered into between the Company and the Alipay Entities, details of which are disclosed in the Company’s circular dated October 29, 2021, there were no contracts of significance (whether for the provision of services to the Group or not) to which the Company, any of its subsidiaries and the controlling shareholders (as defined in the GEM Listing Rules) or any of its subsidiaries was a party, at the end of the Three-Month Period or at any time during the Three-Month Period.

SHARE OPTION SCHEMES

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

During the Three-Month Period, no options were granted by the Company pursuant to the 2014 Share Option Scheme and no options were exercised. All options granted under the 2014 Share Option Scheme had lapsed. As at March 31, 2022, there were no outstanding options granted by the Company pursuant to any share option scheme.

SHARE AWARD SCHEME

During the Three-Month Period, no award Shares were granted to eligible persons under the Share Award Scheme. During the Three-Month Period, 1,800,000 award Shares were vested in the grantees and no award Shares were forfeited.

During the Three-Month Period, 31,688,000 Shares were purchased on the Stock Exchange by the trustee of the Share Award Scheme. In the event that the Board elects to issue new Shares to satisfy any award Shares to be granted under the Share Award Scheme in the future, the maximum number of new Shares so issued shall be limited to 3% of the total issued Shares as at the Adoption Date (i.e. 315,426,263 Shares). The total number of issued Shares as at the Adoption Date was 10,514,208,770.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DEFINITIONS

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

“2014 Share Option Scheme”	the share option scheme of the Company adopted on December 23, 2014;
“Adoption Date”	March 17, 2017, being the date on which the Company adopted the Share Award Scheme;
“Ali Fortune”	Ali Fortune Investment Holding Limited, a company incorporated in the British Virgin Island and the controlling shareholder of the Company;
“Alibaba Group”	Alibaba Holding and its subsidiaries;
“Alibaba Holding”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, with its American depository shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA) and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988);
“Alipay”	支付寶(中國)網絡技術有限公司(Alipay.com Co., Ltd.), a company incorporated in the PRC, and a wholly-owned subsidiary of Ant Holdco;
“Alipay Entities”	Alipay, Alipay Singapore and Ant Bank;
“Alipay Group”	Alipay and its subsidiaries;
“Alipay Singapore”	Alipay Singapore Holding Pte. Ltd., a company incorporated in Singapore and an indirect wholly-owned subsidiary of Ant Holdco;
“Ant Bank”	Ant Bank (Macao) Limited, a joint venture company incorporated under the laws of Macau which is held as to 66.7% by two indirect wholly-owned subsidiaries of Ant Holdco and as to 33.3% by a 30%-indirectly owned associated company of the Company;

“Ant Group”	Ant Holdco and its subsidiaries;
“Ant Holdco”	螞蟻科技集團股份有限公司(Ant Group Co., Ltd.) (formerly known as 浙江螞蟻小微金融服務集團股份有限公司(Ant Small and Micro Financial Services Group Co., Ltd.)), a company organized under the laws of the PRC;
“Board”	the board of Directors;
“CEO”	chief executive officer;
“Company” or “AGTech”	AGTech Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM;
“Convertible Bonds”	the convertible bonds of the Company issued to Ali Fortune under the Subscription;
“Director(s)”	the director(s) of the Company;
“Framework Agreement”	the business cooperation framework agreement dated September 10, 2021 entered into between the Company and the Alipay Entities in respect of the acquiring service business cooperation between Macau Pass and the Alipay Entities, which became effective following Completion;
“GEM”	GEM operated by the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;

“India”	The Republic of India;
“INR”	Indian Rupees, the lawful currency of India;
“Macau”	the Macau Special Administrative Region of the PRC;
“Macau Pass”	Macau Pass S.A., a company incorporated under the laws of Macau and an indirect wholly-owned subsidiary of the Company;
“MOF”	the Ministry of Finance of China;
“PRC” or “China”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company;
“Share Award Scheme”	the share award scheme of the Company adopted on March 17, 2017;
“Shareholder(s)”	holder(s) of the Share(s);
“Sports Lottery”	the national sports lottery of China;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription for 4,817,399,245 new Shares and Convertible Bonds in the aggregate principal amount of HK\$712,582,483 by Ali Fortune, which was completed on August 10, 2016;
“Taobao”	淘寶(中國)軟件有限公司 (Taobao (China) Software Co., Ltd.*), a company incorporated in the PRC and a subsidiary of Alibaba Holding;

“US\$”	United States dollars, the lawful currency of the United States of America;
“Welfare Lottery”	the national welfare lottery of China; and
“%”	per cent.

Notes:

1. In this report, the exchange rates of HK\$1.2294 to RMB1.00, INR1 to HK\$0.103 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*

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

Hong Kong, May 12, 2022

As at the date of this report, the Board comprises (i) Mr. Sun Ho and Ms. Hu Taoye as executive Directors; (ii) Mr. Liu Zheng, Mr. Li Jie, Mr. Ji Gang and Mr. Zou Liang as non-executive Directors; and (iii) Mr. Feng Qing, Dr. Gao Jack Qunyao and Mr. Chow Siu Lui as independent non-executive Directors.

This report will remain on the “Latest Listed Company Information” page of the GEM website operated by the Stock Exchange at www.hkgem.com for at least seven days from the day of its posting and will be published on the website of the Company at www.agtech.com.