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AGTech Holdings Limited

亞博科技控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8279)

**CONNECTED TRANSACTION
FORMATION OF JOINT VENTURE COMPANY**

The Board is pleased to announce that on 24 July 2017, the Company, AGTech Media (a wholly-owned subsidiary of the Company) and Paytm Holding entered into the JV Agreement, whereby a joint venture owned as to 45% by the Group and as to 55% by Paytm Group (i.e. the JV Company) shall be formed for the purpose of developing and operating platforms for users to participate in and play various games.

Ali Fortune Investment Holding Limited, the controlling shareholder of the Company, is indirectly held as to 60% by Alibaba Holding and as to 40% by Ant Financial. Paytm Holding is an associate of Ant Financial. Ant Financial is deemed by the Stock Exchange as a connected person of the Company pursuant to Rule 20.17 of GEM Listing Rules. Hence, Paytm Holding is a connected person of the Company by virtue of being an associate of Ant Financial.

Accordingly, the Transaction constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. Since one or more of the applicable percentage ratios as defined in the GEM Listing Rules in respect of the Transaction are 0.1% or more but less than 5%, the Transaction contemplated under the JV Agreement is subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

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* *For identification purposes only*

THE JV AGREEMENT

Date

24 July 2017

Parties

1. The Company;
2. AGTech Media; and
3. Paytm Holding.

Formation of Joint Venture

Within 45 days from the date of the JV Agreement (or such extended period as may be agreed by the parties), AGTech Media and Paytm Group shall incorporate the JV Company in India with an initial authorised share capital of INR50,000,000 (equivalent to approximately HK\$6,000,000).

Each of AGTech Media and Paytm Group shall make initial capital investment in an amount of the Rupee equivalent of US\$7,200,000 (equivalent to approximately HK\$56,232,000) and in an amount of the Rupee equivalent of US\$8,800,000 (equivalent to approximately HK\$68,728,000), respectively. Upon completion of such initial capital investment, the JV Company shall be owned as to 45% by the Group and as to 55% by Paytm Group. The JV Company will be accounted for as an associated company (in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants) of the Company.

The amount payable by the JV Shareholders under the initial capital investment in the JV Company is determined on an arm's length basis between AGTech Media and Paytm Holding with reference to the intended scale of operation of the JV Company.

Nature of Business

The joint venture will offer innovative mobile games and user engagement activities to Indian consumers by leveraging the Group's decade long experience in creating mobile entertainment products and Paytm Group's massive distribution network to develop mobile games in India. The JV Company shall be engaged in the development and operation of various platforms including website, mobile applications or other distribution channel to develop and publish a variety of products to Indian customers such as mobile games and other user engagement activities in India. This will help Paytm Group drive deeper consumer engagement as Indian customers can earn exclusive rewards and discounts on the platform.

To develop and operate the business of the JV Company, Paytm Group shall leverage its access to and resources in businesses operated by Paytm Group and the Group shall leverage its technical abilities and experience in developing systems, platforms and related commercial operations.

Funding

Any financing needs of the JV Company (in addition to the initial capital investment by the JV Shareholders) should be met by external financing to be raised from banks and financial institutions without recourse to the JV Shareholders. To the extent external financing is not available, the JV Shareholders shall further agree in writing on the amount of funding and manner of funding, including subscribing for equity or providing shareholder's loans in proportion to their respective shareholding interests in the JV Company.

Management

The number of directors of the JV Company shall be five, among which three shall be nominated by Paytm Group and two shall be nominated by AGTech Media. The quorum for board meeting shall be two with at least one director nominated by each of the JV Shareholders. The board of directors of the JV Company shall decide on all matters concerning the JV Company by simple majority, other than resolution in relation to certain reserved matters as set out in the JV Agreement, which can only be passed with at least one director nominated by each of the JV Shareholders voting in favour of.

Transfer restrictions

Each of the JV Shareholders shall not transfer any of their shares in the JV Company within three years from the date of the completion of (among others) their subscription of shares in the JV Company. Upon the expiry of such three-year period, any transfer of their respective shares in the JV Company are subject to transfer restrictions provided under the JV Agreement as follows:

- (a) *Right of first refusal*: each of the JV Shareholders shall have a right of first refusal on any transfer of all (but not part only) of the shares held by a JV Shareholder in the JV Company, on such terms offered by a bona fide purchaser to the JV Shareholder proposing the transfer; and
- (b) *Tag-along right*: subject to the right of first refusal mentioned under item (a) above, if any of the JV Shareholder proposes to transfer all (but not part only) of its shares in the JV Company to a third party, the other JV Shareholder shall have the right to sell its shares on the same terms.

Non-competition undertaking

The Group and Paytm Group (as the case may be) shall not invest or in any manner engage in the business of the JV Company (other than through the JV Company) in India (or such other territory where the JV Company conducts its business and subject to written consent by the parties), for a period commencing from the date of the JV Agreement and ending on the first anniversary of any of the JV Shareholders (as the case may be) ceasing to hold any share in the JV Company.

Dividend Policy

Dividend may be declared if it is in the opinion of the board of directors of the JV Company ought reasonably be made, after making adjustments for working capital, reserves and provisions, taking into account the proposed development of the JV Company as set out in its business plan and subject to all applicable laws and articles of the JV Company.

Business Cooperation Agreement

Paytm Holding, the Company and JV Company shall subsequently enter into a business cooperation agreement, whereby Paytm Holding and the Company shall provide certain business services to the JV Company starting from the commencement date of such agreement. The Company will make further announcement(s) and comply with the applicable GEM Listing Rules as and when appropriate.

INFORMATION ON THE PARTIES TO THE JV AGREEMENT

Paytm Holding is principally engaged in the business of providing digital goods and services, and electronic payment solutions. As at the date of this announcement, Ant Financial Group held more than 30% of shareholding interests in Paytm Holding and Paytm Holding is an associated company of Ant Financial Group.

AGTech Media is a private company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Group. The Group is an integrated technology and services provider, principally engaged in the lottery and mobile game and entertainment industry. The Group is a member of the Alibaba Group, and as at the date of this announcement, the Group has a team of over 300 employees.

REASONS FOR AND BENEFITS OF THE TRANSACTION

This JV Company is the Group's first significant strategic international expansion. The Group believes that this JV Company will enable it to tap into the significant potential of the fast growing mobile entertainment market in the world's second most populous country. Through this JV Company, the Group plans to create a high quality mobile entertainment experience for PAYTM's 225 million users in the India market by leveraging the Group's operating experience and technical expertise. The Group believes that international markets represent an untapped and enormous opportunity, and this joint venture is a significant breakthrough which lays the foundation for further international expansion in the future. As the leading mobile payment platform in India, PAYTM is the ideal local partner for this key collaboration.

The Directors (including the independent non-executive Directors) consider that the Transaction contemplated under the JV Agreement is in the ordinary and usual course of business of the Group, on normal commercial terms after arm's length negotiations between the parties, and the terms of the JV Agreement and the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As Mr. Ji Gang and Mr. Zhang Wei are employees of Ant Financial Group, each of these Directors is deemed or may be perceived to have a material interest in the JV Agreement and the Transaction. Accordingly, they abstained from voting on the resolutions passed by the Board in relation to the JV Agreement and the Transaction. Save as the aforesaid Directors, none of the other Directors are employees of Ant Financial Group or had a material interest in the JV Agreement and the Transaction, and therefore none of them abstained from voting on the resolutions passed by the Board in relation to the JV Agreement and the Transaction.

GEM LISTING RULES IMPLICATIONS

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DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

“AGTech Media”	AGTech Media Holdings Limited, a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of the Company
“Alibaba Group”	a group of companies comprising Alibaba Holding and its subsidiaries from time to time
“Alibaba Holding”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands and its American depositary shares are listed on the New York Stock Exchange
“Ant Financial”	Ant Small and Micro Financial Services Group Co., Ltd.* (浙江螞蟻小微金融服務集團股份有限公司) (formerly known as Zhejiang Ant Small and Micro Financial Services Group Co., Ltd. (浙江螞蟻小微金融服務集團有限公司)), a company incorporated in the PRC
“Ant Financial Group”	a group of companies comprising Ant Financial and its subsidiaries from time to time

“associate(s)”, “connected person(s)”, “controlling shareholder(s)”, “percentage ratio(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Company”	AGTech Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the GEM
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“INR”	Rupees, the lawful currency of India
“JV Agreement”	the joint venture agreement entered into between the Company, AGTech Media and Paytm Holding on 24 July 2017
“JV Company”	a joint venture company to be incorporated in India pursuant to the terms and conditions of the JV Agreement
“JV Shareholder(s)”	the shareholders of the JV Company, namely AGTech Media and a wholly-owned subsidiary nominated by Paytm Holding
“PAYTM”	Paytm Holding and its subsidiaries and associated companies from time to time
“Paytm Group”	Paytm Holding and its subsidiaries from time to time
“Paytm Holding”	One97 Communications Limited, a public limited company incorporated in India
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan

“Share(s)”	ordinary shares with a par value of HK\$0.002 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transaction contemplated under the JV Agreement
“US\$”	US dollars, the lawful currency of United States
“%”	per cent

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

Hong Kong, 24 July 2017

For the purposes of illustration only, any amount denominated in US\$ and INR in this announcement is translated into HK\$ at the rate of US\$1 = HK\$7.81 and INR1 = HK\$0.12. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

As at the date of this announcement, the Board comprises (i) Mr. Sun Ho and Mr. Zhou Haijing as executive Directors; (ii) Mr. Zhang Qin, Mr. Yang Guang, Mr. Ji Gang and Mr. Zhang Wei as non-executive Directors; and (iii) Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qun Yao as independent non-executive Directors.

This announcement, 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” 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.