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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.

AGTech
www.agtech.com

AGTech Holdings Limited
亞博科技控股有限公司*

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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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.

* *For identification purposes only*

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2018

- Revenue of the Group for the year under review amounted to approximately HK$168.6 million (2017: approximately HK$302.2 million), representing a decrease of approximately 44.2% over 2017. Revenue contributions were mainly derived from lottery hardware, lottery games and systems, provision of distribution and ancillary services, games and entertainment business in the PRC. The decrease in revenue for the year was caused by a decrease of approximately HK$86.0 million in revenue from the games and entertainment division and a decrease in sales of lottery hardware of approximately HK$60.3 million, partially offset by an increase of approximately HK$6.7 million in revenue from the lottery games and systems and an increase of approximately HK$5.9 million in revenue from the provision of distribution and ancillary services.

- The profit for the year under review was approximately HK$317.1 million (2017: loss of approximately HK$370.3 million). The change from loss to profit for the year was mainly attributable to several non-cash and non-operating items relating to the fair value changes of Convertible Bonds and contingent consideration payables under the Score Value Transaction.

- During the year under review, other operating expenses were approximately HK$114.7 million (2017: approximately HK$210.4 million). The decrease was primarily due to the decrease in expenses incurred in connection with the games and entertainment business.

- The Board does not recommend the payment of a final dividend for the year.

RESULTS

The Board announces the audited consolidated results of the Group for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018	2017
		HK$'000	*HK$'000*
Revenue	*2*	**168,573**	302,210
Other income		**21,826**	2,901
Net other (losses)/gains	*4*	**(12,010)**	30,317
Employee benefits expenses		**(239,438)**	(265,438)
Purchase of and changes in inventories		**(57,586)**	(80,971)
Operating lease rental expenses		**(25,798)**	(16,622)
Depreciation expenses		**(2,815)**	(4,157)
Impairment losses on financial assets		**–**	(435)
Other operating expenses		**(114,731)**	(210,389)
Operating loss		**(261,979)**	(242,584)
Gain/(loss) on fair value changes of convertible bonds		**521,177**	(123,969)
Gain on fair value changes of contingent consideration payables		**50,120**	13,764
Net finance income/(cost)		**16,081**	(5,956)
Share of results of investments accounted for using equity method		**(1,813)**	–
Profit/(loss) before income tax		**323,586**	(358,745)
Income tax expenses	*5*	**(6,474)**	(11,578)
Profit/(loss) for the year	*6*	**317,112**	(370,323)
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss			
Currency translation differences		**(39,298)**	67,204
Other comprehensive income for the year, net of tax		**(39,298)**	67,204
Total comprehensive income for the year		**277,814**	(303,119)

	Note	2018 HK$'000	2017 HK$'000
Profit/(loss) attributable to:			
Owners of the Company		**315,157**	(365,664)
Non-controlling interests		**1,955**	(4,659)
		317,112	(370,323)
Total comprehensive income attributable to:			
Owners of the Company		**278,330**	(301,124)
Non-controlling interests		**(516)**	(1,995)
		277,814	(303,119)
Earning/(loss) per share			
Basic	7	**HK2.83 cents**	(HK3.33 cents)
Diluted	7	**(HK1.33 cents)**	(HK3.42 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**6,993**	5,421
Investment properties		**51,228**	54,041
Goodwill		**1,081,460**	1,120,548
Other intangible asset		**1,742**	1,742
Deferred income tax assets		**6,349**	6,840
Investments accounted for using equity method		**53,133**	291
Other receivables, deposits and prepayments		**14,153**	4,934
		1,215,058	1,193,817
Current assets			
Inventories		**16,953**	10,071
Trade receivables	*8*	**24,438**	49,178
Other receivables, deposits and prepayments		**83,211**	111,550
Cash and bank balances		**2,381,881**	2,624,253
		2,506,483	2,795,052
Total assets		**3,721,541**	3,988,869
Current liabilities			
Trade payables	*9*	**15,642**	5,327
Accruals and other payables		**128,150**	122,680
Contract liabilities		**12,320**	52,866
Current income tax liabilities		**586**	3,636
Convertible bonds		**418,818**	–
Contingent consideration payables		**77,384**	147,504
		652,900	332,013

	Note	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Convertible bonds		**–**	900,190
Deferred income tax liabilities		**6,778**	5,502
Provision for warranties		**29,132**	45,600
		35,910	951,292
Total liabilities		**688,810**	1,283,305
Net assets		**3,032,731**	2,705,564
Equity			
Share capital		**22,544**	22,494
Reserves attributable to owners of the Company		**2,961,438**	2,635,880
		2,983,982	2,658,374
Non-controlling interests		**48,749**	47,190
Total equity		**3,032,731**	2,705,564

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 embedded derivative of convertible bonds, 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 following new standards, amendments and improvements to existing standards and interpretation have been adopted by the Group for the first time for the financial year beginning on 1 January 2018:

Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 15	Clarifications to HKFRS 15, Revenue from Contracts with Customers
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

The application of the above new standards, amendments and improvements to existing standards and interpretation in the current year has had no material impact on the Group's results and financial position, except HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers". As a result of adopting the standards, the Group had to change its accounting policies. The impacts of adoption are disclosed in the consolidated financial statements.

2 REVENUE

Revenue represents the amounts received and receivable from sales of lottery hardware (including provision of after-sale services), lottery games and systems, provision of distribution and ancillary services, games and entertainment primarily in the People's Republic of China ("PRC") for the year, and is analysed as follows:

	2018	2017
	HK$'000	*HK$'000*
Lottery hardware	**102,060**	162,321
Lottery games and systems	**33,957**	27,255
Provision of distribution and ancillary services	**24,582**	18,703
Games and entertainment	**7,974**	93,931
	168,573	302,210

3 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 2.

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*	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**165,318**	300,404	**1,153,062**	1,185,192
Hong Kong	**–**	–	**2,514**	1,785
Others	**3,255**	1,806	**53,133**	–
	168,573	302,210	**1,208,709**	1,186,977

* Non-current assets represent non-current assets other than deferred income tax assets.

Information about major customers

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

	2018	2017
	HK$'000	*HK$'000*
Customer A	**51,877**	46,460
Customer B	**16,787**	N/A*
Customer C	**N/A***	62,347
	68,664	108,807

* The corresponding customer did not contribute over 10% to the Group's revenue in 2017 or 2018.

4 NET OTHER (LOSSES)/GAINS

	2018	2017
	HK$'000	*HK$'000*
Gain on fair value changes of investment properties	**–**	1,183
Foreign exchange (loss)/gain, net	**(11,642)**	29,043
(Loss)/gain on disposals of property, plant and equipment	**(368)**	91
	(12,010)	30,317

5 INCOME TAX 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.

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
– PRC Enterprise Income Tax on assessable profit for the year	**4,967**	8,088
– Adjustments in respect of prior years	**(144)**	1,744
Deferred tax:		
– Origination and reversal of temporary differences	**1,651**	1,746
Income tax expenses	**6,474**	11,578

6 PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year has been arrived at after charging:

	2018	2017
	HK$'000	*HK$'000*
Share-based payments		
– Directors and eligible employees	**41,668**	59,610
– Other eligible participants	**17,482**	36,890
Marketing expenses	**17,725**	51,447
Auditor's remuneration		
– Audit services	**2,100**	1,900
– Audit-related services	**–**	400

7 EARNING/(LOSS) PER SHARE

(a) Basic

Basic earning or loss per share is calculated by dividing the profit attributable to owners of the Company for the year ended 31 December 2018 of approximately HK$315,157,000 (2017: loss of approximately HK$365,664,000) by the weighted average number of ordinary shares outstanding during the year of approximately 11,264,431,000 (2017: approximately 11,034,885,000) shares and excluding the weighted average number of shares held for share award scheme of approximately 116,984,000 (2017: approximately 55,930,000) 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 four categories of dilutive potential ordinary shares: convertible bonds, contingent considerations, share options and share awards. The convertible bonds are assumed to have been converted into ordinary shares, and the profit or loss attributable to owners of the Company is adjusted to eliminate the relevant interest expense and fair value changes. 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 year ended 31 December 2018, the computation of the diluted loss per share does not assume the exercise of the outstanding share options and the vesting of the outstanding share awards, as they would decrease the diluted loss per share. Contingent considerations are not treated as outstanding and are excluded from the computation of the diluted loss per share as the conditions are not satisfied as at 31 December 2018.

For the year ended 31 December 2017, the computation of the diluted loss per share did not assume the conversion of the outstanding convertible bonds, the exercise of the outstanding share options and the vesting of the outstanding share awards, as they would decrease the diluted loss per share.

	2018	2017
	HK$'000	*HK$'000*
Profit/(loss) attributable to owners of the Company used in calculating basic earning or loss per share	**315,157**	(365,664)
Adjustments for:		
– Interest expense on convertible bonds	**39,805**	–
– Gain on fair value changes of convertible bonds	**(521,177)**	–
– Gain on fair value changes of contingent consideration payables settled by issue of shares	**–**	(14,189)
Loss attributable to owners of the Company used in calculating diluted loss per share	**(166,215)**	(379,853)

	2018	2017
	Number of shares (in thousand)	Number of shares (in thousand)
Weighted average number of ordinary shares used in calculating basic earning or loss per share	**11,147,447**	10,978,955
Adjustments for:		
– Assumed conversion of convertible bonds	**1,332,960**	–
– Assumed settlement of contingent considerations	**–**	117,642
Weighted average number of ordinary shares used in calculating diluted loss per share	**12,480,407**	11,096,597

8 TRADE RECEIVABLES

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

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**22,921**	24,914
31 to 60 days	**258**	11,926
61 to 90 days	**228**	3,217
91 to 120 days	**172**	3,392
121 to 365 days	**378**	5,729
Over 365 days	**481**	–
	24,438	49,178

9 TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**2,003**	2,785
31 to 60 days	**6,679**	858
61 to 90 days	**3,714**	8
91 to 120 days	**288**	3
121 to 365 days	**2,505**	1,197
Over 365 days	**453**	476
	15,642	5,327

10 DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2017: Nil).

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 the lottery and mobile games and entertainment market with a focus on China and selected international markets. A member of the Alibaba Group with around 400 employees, AGTech is the exclusive lottery platform of Alibaba Group and Ant Financial Group.

AGTech's businesses are broadly divided into two categories:

- Lottery (including hardware, games and systems and provision of distribution and ancillary services); and

- Games and Entertainment.

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.

Lottery technology and services have been and will continue to be AGTech's domain expertise. To this end, we continue to support both of China's legal lottery operators, namely the Sports Lottery and the Welfare Lottery, across the full value chain by bringing together industry expertise, innovative technology and infrastructure, as well as management and operating experience into the Chinese lottery market.

Further, the Group continues to leverage its deep lottery industry experience and innovation to support lottery authorities in areas including product development, physical channel expansion, smart lottery hardware, technology and data service, marketing and promotions, all in assisting to broaden the reach of lottery products in China and to advance the industry as a whole.

As the exclusive lottery platform of Alibaba Group and Ant Financial Group, we believe that our position in both existing and potential new lottery channels is strengthened as we continue to improve upon the appeal and access of lottery products to the end consumers in China and actively contribute to the healthy growth and development of the industry.

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 partnerships with local partners in overseas markets such as India, South East Asia and beyond.

INDUSTRY OVERVIEW

Lottery*

PRC annual lottery sales in 2018 set a new record high of approximately RMB511.4 billion, representing an approximately 19.9% increase over 2017. Despite the significant size of today's China lottery market, the penetration rate of regulated lottery in China remains comparatively low by international standards. Given that lottery participation in China is well below that of developed markets such as Europe and the United States, there is enormous potential for future growth in China's legal lottery market.

There are two legal lottery operators in the PRC: the national welfare lottery (Welfare Lottery) and the national sports lottery (Sports Lottery). For 2018, the lottery sales of Welfare Lottery and Sports Lottery grew approximately 3.5% and approximately 36.8%, representing approximately 43.9% and approximately 56.1% of the total PRC lottery market respectively.

The Welfare Lottery and the Sports Lottery have five main product categories: lotto type lottery game products that are either traditional in nature with a daily or weekly draw pattern as well as modern high frequency games featuring multiple draws per hour ("Lotto"), sport betting ("Sports"), video lottery terminal ("VLT"), a keno product ("Keno") and instant scratch cards ("Scratch").

In 2018, with the exception of Scratch and Keno, the other lottery products enjoyed year on year sales growth, with Sports as the stand-out product growing approximately 78.2% over 2017. The Scratch declined approximately 8.5%, continuing several years of decline. Overall, Lotto remains by far the largest category, representing approximately 53.9% of the overall market, followed by Sports, VLT, Scratch and Keno.

* *Source: Ministry of Finance of the PRC*

Games and Entertainment

The proliferation of smartphones in the PRC over the last several years, coupled with ever improving content across games categories, has increased mobile games consumption significantly. New technologies, improved network infrastructure, less expensive access to high-speed data, enhanced mobile devices have all contributed to the increase of mobile content consumption in China, thereby driving impressive levels of innovation in mobile games and entertainment content.

In fact, China has become one of the largest mobile games markets in the world. However, over the course of this year, we 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. This may cause uncertainties to China's overall games industry.

BUSINESS REVIEW

New Lottery Services

Following the success of the Sports Lottery marketing campaign in the first quarter of 2018, in which we delivered a new omni-channel experience to customers in promoting Sports Lottery's instant scratch products by leveraging Alibaba Group and Ant Financial Group's vast resources, the Group continued to partner with lottery authorities throughout China to help reinvent the way they engage with existing and potential customers.

Leveraging the enormous user base of Ant Financial Group's payment platform, Alipay, and the Group's expertise in the lottery industry, the new innovative marketing activities transformed traditional marketing models into multi-dimensional and efficient activities, playing an important role in promoting Sports Lottery's brand and attracting new users. So far, the Group has secured cooperation by way of this new marketing model with several provincial sports lottery centres, for example:

(a) cooperation with Jilin SLAC to jointly launch a marketing and promotional campaign during the 2018 World Cup to enhance the brand awareness of Sports Lottery and raise popularity of its sports lottery products (競猜型體育彩票產品); and

(b) collaboration with Hebei SLAC to launch a marketing campaign to promote its signature lottery product, Big Lotto.

As announced by the Company on 28 September 2018, a wholly-owned subsidiary of the Company won the sports lottery technical service tender to provide technical service for integrated security access platform infrastructure framework to China Sports Lottery Technology Group (中體彩科技發展有限公司), a third party which is not a connected person of the Company (as defined under the GEM Listing Rules).

Lottery Resources Channel

In the first half of 2018, the Group successfully launched its dedicated lottery resources channel on mobile Taobao and mobile Alipay. While this lottery resources channel has not conducted any internet lottery sales, it serves as a one-stop place for many lottery-related services and resources, providing lottery players and online users in China easy access to information and resources that address various lottery needs.

Tools on the lottery resources channel include displays of certain historical and current lottery products results, the self-claiming of instant scratch lottery winnings and more. 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. Through this channel, we hope to continue growing our online presence, and maximising the value of our business partnership with Alibaba Group and Ant Financial Group, in view of the potential approval and authorisation of online distribution of lottery products in the future.

Lottery Distribution

The sales and distribution of lottery games and products

The Lottery Distribution division is active in expanding and broadening the reach of lottery to end consumers by developing unique and innovative products as well as distribution channels and networks under applicable lottery laws and regulations. To this end, we continue to work with suitable third party partners as well as Alibaba Group and Ant Financial Group, to achieve this goal.

Alibaba Retail Channels

The Group continues to explore new ways to collaborate with Alibaba Group's network of physical retail stores in order to develop new physical lottery distribution models, further broadening the reach of lottery products to existing consumers and reaching a new customer base. These retail networks include Rural Taobao, a physical network of rural locations in China, and Alibaba's small retail format Ling Shou Tong (零售通), as well as Alibaba's franchised model stores, T-Mall franchise convenience stores. We believe that the integration of lottery products with physical retail network will create room for more opportunities in the future.

The Group's dedication to expanding the access and popularity of lottery through innovative and efficient ways is reaffirmed when the Group entered into a three-year strategic cooperation framework agreement with Guangdong SLAC as announced by the Company on 7 June 2018. Under this agreement, the Group will carry out marketing and promotion services, as well as assisting with sales and operations of Sports Lottery in offline retail channels of Alibaba Group in Guangdong Province.

Given the considerable scale of lottery sales in Guangdong Province which made up over 9.5% of total lottery sales in 2018 in China, combined with Alibaba's vast retail network and channels, as well as the Group's expertise and experience in lottery, the Group believes this cooperation will effectively attract a new breed of customers to experience lottery, and improve the consumption pattern and experience of sports lottery products as a whole.

Lastly, as the exclusive lottery platform of Alibaba Group and Ant Financial Group, the Group remains well placed to take advantage of lottery sales via online (internet and mobile) channels in the event that they are approved by China lottery authorities and the Group receives the appropriate authorisation. To this end, the Group continues to closely monitor policy developments with respect to the government approval of lottery sales online. To date, in line with the relevant lottery regulations, the Group has not conducted any internet lottery sales or maintained any website to conduct such sales.

SF Lottery

Following the Group's launch of SF Express-themed instant scratch lottery ("**SF-Themed Instant Scratch Lottery**") in July 2017, the Group has continued to operate this innovative initiative throughout the four provinces of Guangdong, Jiangsu, Hunan and Jiangxi of the PRC.

Lottery Games and Systems

The development and supply of lottery games, underlying software and advanced supporting systems

The Lottery Games and Systems division has a reserve of rich and attractive lottery content designed to fulfill the demands of the market and players.

Lucky Racing and e-Ball Lottery

AGT, which is owned as to 51% by the Group and as to 49% by Ladbroke Group (one of the world's largest sports betting companies), supplies China's only virtual sports lottery platform to Sports Lottery, and continues to operate the two virtual sports games in the country, after having launched its motor racing-themed virtual game "Lucky Racing" ("幸運賽車") in Hunan Province of the PRC in 2011, and its football themed game "e-Ball Lottery" ("e球彩") in Jiangsu Province of the PRC in 2013. "Lucky Racing" and "e-Ball Lottery" are virtual sports lottery games that are broadcasted to lottery shops via a central server and cable television, allowing customers to bet on computer generated car races or football matches respectively. To date, "Lucky Racing" and "e-Ball Lottery" have been successfully launched in traditional dedicated Sports Lottery shops in Hunan and Jiangsu provinces of the PRC respectively.

As announced by the Company on 14 November 2018, 亞博泰科科技(北京)有限公司 (Asia Gaming Technologies (Beijing) Co., Ltd.) ("AGT Beijing"), a subsidiary owned as to 51% by the Group, has been awarded the technical cooperation contract in respect of the virtual football game ("e-Ball Lottery") for Jiangsu SLAC. Under such contract, AGT Beijing is responsible for setting up and developing the distribution and sales management system for e-Ball Lottery for a further five-year term, including its maintenance, installation, testing, ongoing development and system upgrade as requested by Jiangsu SLAC.

This successful bid was another major business development of our group in Jiangsu Province of the PRC, a major sports lottery province. In the past three years, the game's sales volume has grown at a compound annual growth rate of approximately 49%, much higher than the annual compound growth rate of the national lottery market.

Other Lottery Games

The Group has been actively investing resources in the research and development of various new types of lottery games, and has continued to discuss with relevant lottery authorities and assist in the application of new lottery games. As of the date of this announcement, the Group has considerable reserve of lottery games, including mobile lottery games and other lottery games.

Lottery Hardware

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

AGTech's Lottery Hardware division supplies the Sports Lottery and the Welfare Lottery and has lottery hardware deployed in multiple provinces, cities and municipalities across China. The Group is one of the leading manufacturers and suppliers in China of traditional lottery terminals, and paper scratch card sales hardware (instant ticket verification terminals, "IVT(s)").

In view of the anticipated technology development in the hardware market, the Group believes that effective research and development activities are essential to ensure that the Group's lottery hardware business remains up-to-date and equipped with competitive technology. The Group's Lottery Hardware division continues to focus on research and development in order to broaden and improve its product spectrum and develop new hardware ranges. As such, the Group rolled out its new android sports lottery terminal, which successfully won eleven hardware tenders in the provinces or municipalities of Guizhou, Shanghai, Hebei, Henan, Jiangsu, Jilin, Zhejiang, Hubei, Neimeng, Anhui, Shaanxi of the PRC. Importantly, when compared with traditional lottery terminals, this new android sports lottery terminal model has several special features, leveraging open software systems, as well as dual-screen and touch screen capabilities, thereby greatly elevating the overall experience for both lottery store owners and customers.

All in all, during 2018, the Group won 19 lottery hardware tenders, accounting for over 41% of the overall sports lottery terminal tenders in China during the same period, calculated by the number of terminals. We did especially well in new android sports lottery terminal tenders in China, winning over 67% of such tenders during the same period, calculated by the number of terminals. These winnings 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. Looking forward, the Group will continue to pursue tenders to supply to the lottery hardware market as opportunities to bid for new contracts arise.

Games and Entertainment

Online non-lottery games and entertainment content

The Group is dedicated to evolving our business into a comprehensive lottery, mobile games and entertainment content and technology provider to customers around the world. With this in mind, and in view of the potential approval and authorisation of online distribution of regulated lottery products, the Group has been active in building our online presence and customer-base through various online channels by offering various types of proprietary non-lottery games and entertainment content.

During the course of 2018, we noted that certain PRC government's directives were issued to closely regulate the administration of the online games industry and the PRC government had paid attention to the internet industry. This may cause uncertainties to China's overall games industry. We will closely monitor any such latest government directives but believe that we are able to leverage our technical know-how and operating expertise in lottery to create various games and entertainment content and platforms, integrating different and unique resources and elements of e-commerce and e-payment platforms, to create a fun and healthy experience that aims to enrich online users' experience.

In addition, the Group continued to contribute to the growth of mind sports in China during the year. The Group is an official partner of the International Mind Sports Association (IMSA), an internationally recognised association of different mind sports federations with the goal of promoting mind sports, and continues to support the Federation of Card Games (FCG), an international organization dedicated to promoting card games around the world. The Group's initiatives to jointly organize mind sports events are consistent with our goal of establishing and building our online customer base, while demonstrating our commitment to developing and raising awareness and popularity of mind sports in China.

We continue to believe that our businesses in the Games and Entertainment division are complementary to our regulated lottery activities, and they are synergistic from a business model, market development, technical infrastructure and user experience perspective. Given that many of the initiatives of our Games and Entertainment division are relatively new, coupled with the recent PRC government's directives to closely regulate the administration of the online games industry as mentioned above, this division faces inherent short-term adjustments and fluctuations associated with new business initiatives. The Group will continue to refine and improve the value proposition of this new business in order to achieve sustainable scalability and growth over the long term.

International Market

Strategic expansion in selected markets overseas

Following our announcement regarding our first significant strategic international expansion in India in July 2017 to create a high quality mobile entertainment experience tailored to the Indian consumers, the Group successfully launched the mobile games and entertainment platform, Gamepind, in January 2018 through its joint venture with One97 Communications Limited.

Gamepind, a mobile games and entertainment platform, offers online users a unique online experience combining high quality and diverse set of games. Gamepind continues to grow its user base through various marketing and promotional activities, and populating games in popular categories such as quiz, cricket-related games, e-commerce-related games, and various casual games. As user experience continues to improve, and with the addition of more high quality games content in various categories, including card games, the Group is hopeful that Gamepind will continue to build its user base, paving the way to monetize this unique platform, thus capitalizing on the significant potential of the fast growing mobile entertainment market in India.

All in all, the Group continues to believe that this important collaboration lays the foundation for future collaborations for the Group as it continues to globalise its business by strategically working with leading local partners in selected overseas markets.

In addition, in November 2018, the Group participated in the 2018 World Lottery Summit in Buenos Aires, Argentina, as one of the four Gold Contributors of the World Lottery Association (WLA). The Group demonstrated its innovative product design, smart terminals, and other games and services, as well as corporate social responsibility under the slogan of “Little Surprise, Big Love”.

Sporting Events Entertainment Content

In June 2018, the Group successfully launched Livecast!, a sports interactive casual product with a unique dimension of entertainment offered as a service to our partners who operate online platforms. This sporting events-based product connects sporting events with entertainment features related to live and upcoming sporting events, linked with social media features and offers attractive rewards, providing our partners an effective way to engage with customers, enhance user experience, and attract new customers through popular sports events. By offering various attractive rewards, our partners are able to leverage Livecast! as an excellent marketing and promotional tool for merchants to engage with customers in a dynamic way.

The Group launched Livecast! on nine channels throughout seven countries in five languages during the 2018 World Cup and Asian Games, partnering with selected online platforms of Alibaba Group, including the online-to-offline (O2O) local services platform Koubei, online ticketing platforms Tao Piao Piao and Damai, working with them to localize the appropriate product, and to integrate and operate the Livecast! product on respective partners' platforms. Livecast! has successfully helped our partners attract millions of participants to experience this unique product during the 2018 World Cup period.

BUSINESS OUTLOOK

The Group continues to actively build on our leading position within the Chinese lottery industry. As the exclusive lottery business platform of Alibaba Group and Ant Financial Group, we expect to benefit from significant potential synergies from our cooperation with Alibaba Group and Ant Financial Group by accessing their vast portfolio of resources and channels.

The Group's continued efforts to innovate channel distribution is evidenced by our strategic cooperation agreement with Guangdong SLAC, in which the Group will leverage Alibaba Group's vast offline retail network of physical retail stores to integrate lottery products and services where appropriate. In addition, we aim to help Guangdong Sports Lottery Center to enable the digital management of its network service platform and spread the platform service and smart lottery ancillary services to other regions of the nation, thus satisfying the demand on digital transformation of the lottery industry of PRC. The Group expects to partner with additional provincial lottery authorities in areas such as business innovation, channel expansion, smart hardware terminal, technology and data service, marketing and promotion and more.

The Group launched lottery resources channel on mobile Taobao and mobile Alipay, which serves as an important one-stop place for many relevant lottery information and resources for existing and potential lottery customers. In addition to useful features such as lottery results display and self-claiming of lottery winnings, the Group plans to develop additional features in order to improve user experience.

Apart from our virtual sports system and its first two games Lucky Racing and e-Ball Lottery, our Lottery Games and Systems division continues to develop, build and deploy regulated lottery content and systems. We will also continue to bolster our in-house development capabilities for games and systems by focusing on research and development, and continue to discuss with the relevant lottery authorities in the hope of obtaining approval of certain new types of lottery games developed by the Group (which approval is still outstanding as of the date hereof).

Our Lottery Hardware division continues to be well positioned to take advantage of any new opportunities in hardware, given our leading position in point of sale and handheld terminals and long track-record in the Chinese lottery market, which we believe is likely to demand new and more sophisticated hardware solutions in the foreseeable future.

While the Group believes that the potential of internet and mobile distribution channels in the PRC lottery markets is promising, there is still uncertainty as to the timing of the potential re-opening of the online lottery distribution market under the applicable PRC laws and regulations. In this respect, the Group continues to closely monitor policy developments with respect to the government approval of lottery sales via internet and mobile channels. We believe that any new lottery games and systems that will be approved for online sales will require robust and scalable technology in order to deliver effective and efficient monitoring and control systems. We consider that the Group is well positioned to participate in these areas, which is further strengthened by our business partnership with Alibaba Group and Ant Financial Group.

The Group is also leveraging on our existing products and technology capability to innovate, develop and improve how sports come to the life of digital. We believe having a robust sports-oriented solution will help the Group capture opportunities in the fast-evolving sports-entertainment sector as well as international popular sporting events such as the ICC Cricket World Cup and the Euro Cup going forward.

With respect to our international business, the Group will continue to work with Gamepind to introduce more India market tailored product offerings across categories such as quiz, cricket-related contents and e-commerce-related games, and will continue to refine and improve upon its user experience. Gamepind also plans to paving the way to monetize this unique platform, thus capitalizing on the significant potential of the fast growing mobile entertainment market in India.

Outside of India, the Group will continue to seek for strong suitable partners in selected international markets to leverage our platforms of games and entertainment offerings and various user engagement activities, as well as technical and operation abilities, to further globalise our business.

The Group has also been seeking expansion opportunities in the PRC and overseas markets through acquisitions or investments. To this end, the Group has been in the process of identifying suitable acquisition targets and has been discussing with various targets on such potential acquisitions.

Lastly, the Group continues to invest in enhancing our technology infrastructure and develop our in-house capabilities through games and lottery entertainment as a medium, working to pull together our technical resources, customer behavioral data, our games, entertainment and lottery content as well as distribution channels into a fully integrated platform, thereby generating long term sustainable growth for our shareholders.

REVIEW OF OPERATING RESULTS

Revenue and Profitability

Revenue of the Group for the year under review amounted to approximately HK$168.6 million (2017: approximately HK$302.2 million), representing a decrease of approximately 44.2% over 2017. Revenue contributions were mainly derived from lottery hardware, lottery games and systems, provision of distribution and ancillary services, games and entertainment business in the PRC. The decrease in revenue by approximately HK$86.0 million in the games and entertainment division was mainly due to the adjustments implemented in the division aimed at improving the overall quality as well as the sustainability of the business. Sales of lottery hardware also decreased by approximately HK$60.3 million as compared to 2017. The supply of lottery hardware in the PRC is highly correlated with the replacement cycle of lottery hardware for lottery authorities. Hence, revenue in this business typically exhibits an irregular pattern and has short-term volatility. The decrease in revenue were partially offset by an increase of approximately HK$6.7 million in revenue from the lottery games and systems and an increase of approximately HK$5.9 million in revenue from the provision of distribution and ancillary services.

The profit for the year under review was approximately HK$317.1 million (2017: loss of approximately HK$370.3 million). The change from loss to profit for the year was mainly attributable to several non-cash and non-operating items relating to the fair value changes of the Convertible Bonds and contingent consideration payables under the Score Value Transaction.

During the year under review, other operating expenses were approximately HK$114.7 million (2017: approximately HK$210.4 million). The decrease was primarily due to the decrease in expenses incurred for the games and entertainment business in line with the adjustments implemented in that division 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, contingent consideration payables and convertible bonds) as at 31 December 2018 were approximately HK$1,714.2 million (2017: approximately HK$983.9 million). The total assets and net current assets of the Group as at 31 December 2018 were approximately HK$3,721.5 million and approximately HK$1,853.6 million respectively (2017: approximately HK$3,988.9 million and approximately HK$2,463.0 million respectively). Current liabilities of the Group as at 31 December 2018 were approximately HK$652.9 million (2017: approximately HK$332.0 million). As at 31 December 2018, the Group had no available banking facilities. There were no bank borrowings of the Group as at 31 December 2018 (2017: Nil). The liquidity ratio (defined as current assets divided by current liabilities) of the Group as at 31 December 2018 was approximately 3.8 (2017: 8.4) 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 and from the exercising by grantees of the share options granted under the Share Option Schemes.

As at 31 December 2018, there were no bank borrowings of the Group (2017: Nil). The gearing ratio (defined as bank borrowings divided by equity) of the Group as at 31 December 2018 was therefore not applicable (2017: Not applicable).

As at 31 December 2018, majority of the Group's bank deposits were denominated in US$, HK$ and RMB. Since HK$ is pegged to US$, and substantially all of the revenue-generating operations, monetary assets and liabilities of the Group are conducted or transacted in functional currencies, 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

As at 31 December 2018, 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

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 31 December 2018, the Group had 400 (2017: 399) employees in Hong Kong and the PRC. Total staff costs (excluding Directors' emoluments) for the year ended 31 December 2018 amounted to approximately HK$224.9 million (2017: approximately HK$247.3 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.

Charges on Group's assets

As at 31 December 2018, bank deposits of approximately HK$5.2 million (2017: approximately HK$5.5 million) were held in designated bank accounts to secure letters of guarantee granted to the Group. The pledged bank deposits will be released upon the release of the relevant letters of guarantee granted to the Group.

In addition, as at 31 December 2018, a sum of approximately HK$23.3 million (2017: approximately HK$15.4 million) was held by a trustee 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 31 December 2018, there was no charge on the assets of the Group.

Future plans for material investments and acquisition of capital assets

As at 31 December 2018, 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$17.0 million as at 31 December 2018 (2017: HK$10.1 million), with inventory turnover period increased from 64 days in 2017 to 86 days in 2018. Trade receivables of the Group amounted to approximately HK$24.4 million as at 31 December 2018 (2017: HK$49.2 million), with debtor turnover period increased from 66 days in 2017 to 80 days in 2018. Inventory turnover period deteriorated in 2018 as compared to that in 2017, primarily due to the increase of finished goods to meet the demand for the committed orders for the upcoming first half of 2019. Debtor turnover period deteriorated in 2018 as compared to 2017, mainly due to lower sales of lottery hardware during the year under review.

Goodwill of the Group decreased to approximately HK$1,081.5 million as at 31 December 2018 (as at 31 December 2017: approximately HK$1,120.5 million), primarily due to the currency translation difference of approximately HK$39.0 million in 2018 when translating the goodwill denominated in RMB into HK$.

During the year under review, a gain of approximately HK$521.2 million was recorded from the remeasurement of the fair value of embedded derivative of the Convertible Bonds and a gain of approximately HK$50.1 million was recorded from the remeasurement of the fair value of the outstanding contingent consideration payables under the Score Value Transaction. Please refer to the 2018 annual report of the Company for details of the remeasurement of the fair values of (a) the Convertible Bonds and (b) the outstanding contingent consideration payables under the Score Value Transaction respectively.

Investments accounted for using equity method amounted to approximately HK$53.1 million as at 31 December 2018 (2017: approximately HK$0.3 million) as a result of the Group's capital contribution to its joint venture with One97 Communications Limited in India.

Significant events after the reporting period

As of the date hereof, there was no significant event affecting the Group after 31 December 2018.

CONVERTIBLE BONDS

As at 31 December 2018, Convertible Bonds in the aggregate principal amount of HK$332,328,165 remained outstanding (the "**Outstanding Convertible Bonds**"). As at 31 December 2018, the then prevailing conversion price had been adjusted to HK$0.2493 per Share (the "**Prevailing Adjusted Conversion Price**"), and the maximum number of Shares that would be issued upon full conversion of the Outstanding Convertible Bonds at the then Prevailing Adjusted Conversion Price was 1,332,960,447 (representing approximately 11.83% of the issued share capital of the Company as at 31 December 2018 and approximately 10.57% of the issued share capital of the Company as enlarged by such outstanding conversion Shares).

Assuming that the Outstanding Convertible Bonds were converted in full as at 31 December 2018, the respective shareholdings of the substantial shareholders of the Company would have been changed as follows:

	Before conversion of Outstanding Convertible Bonds in full		Immediately after conversion of Outstanding Convertible Bonds in full	
Name of substantial Shareholders	**Number of Shares held**	**% of total issued Shares**	**Number of Shares held**	**% of total issued Shares**
Ali Fortune	6,102,723,993	54.14%	7,435,684,440	58.99%
Mr. Sun Ho and his wholly-owned corporation, MAXPROFIT GLOBAL INC	2,034,828,000 *(Note)*	18.05%	2,034,828,000 *(Note)*	16.14%
Total issued Shares as at 31 December 2018	**11,272,342,235**		**12,605,302,682**	

(*Note:* These Shares do not include the 11,580,000 restricted share units granted under the Share Award Scheme which had not been vested to Mr. Sun Ho as at 31 December 2018.)

During the year under review, no conversion rights attaching to the Convertible Bonds were exercised by Ali Fortune.

As at 31 December 2018, the Company had cash and cash equivalents totalling approximately HK$2,353.4 million, which were more than sufficient to meet its redemption obligations under the Outstanding Convertible Bonds in the aggregate principal amount of HK$332,328,165.

As the Convertible Bonds bear no interest on the principal amount, it would be equally financially advantageous for the bondholders to convert or redeem the Convertible Bonds (and therefore the bondholders would be indifferent as to whether the Convertible Bonds are converted or redeemed) in the event that the price of each Share traded on the Stock Exchange equals the then adjusted conversion price of the Convertible Bonds.

For the dilutive impact on earnings per Share if the outstanding Convertible Bonds were converted in full as at 31 December 2018, please refer to Note 7 (Earning/(loss) per Share) in this announcement.

Key terms of the Convertible Bonds

- The Convertible Bonds bear no interest on the principal amount. However, if the Company shall pay any dividend in cash or scrip to the Shareholders, each bondholder shall be entitled to be paid interest in respect of that dividend as if the Convertible Bonds held by such bondholder have been converted into Shares in full at the applicable conversion price.

- The Convertible Bonds may be converted by the Subscriber in full or in part at any time during the period on or after the issuance date of the Convertible Bonds and up to the maturity date (which is the third anniversary of the date of issuance of such bonds), provided that, following such conversion, (i) at least 25% of the Company's total number of issued Shares are held by the public (as defined under the GEM Listing Rules); and (ii) the Company is otherwise in compliance with the public float requirements under Rule 11.23(7) of the GEM Listing Rules.

- On the other hand, the Company may, by giving prior written notice to the bondholders, require all (but not any one) of the bondholders to convert their Convertible Bonds into Shares in full at any time on or after the issuance date of the Convertible Bonds and up to a date no later than five business days prior to the aforesaid maturity date, provided that, following such conversion, (i) at least 25% of the Company's total number of issued Shares are held by the public (as defined under the GEM Listing Rules); and (ii) the Company is otherwise in compliance with the public float requirements under Rule 11.23(7) of the GEM Listing Rules.

- Following the occurrence of any special event as set out in the bond instrument in respect of the Convertible Bonds, such as change of control, each bondholder will have the right to require the Company to redeem in whole but not in part such bondholder's Convertible Bonds at 112% of the principal amount of such Convertible Bonds.

- The conversion price of the Convertible Bonds will be subject to customary anti-dilution adjustment for, among other things, consolidation, subdivision or reclassification of the Shares, capitalisation of profits or reserves, capital distribution, rights issues of Shares or options over Shares, rights issues of other securities and other dilutive events.

- If the Company shall issue Shares or grant options to subscribe for any Shares under the Score Value Transaction, or shall issue Shares under the Rainwood Options or the Consultant Options, the conversion price of the Convertible Bonds shall be adjusted in a manner so that:

  (i) the shareholding of the Subscriber (the "**Subscriber Shareholding**") in the Company (based on the number of Shares that the Subscriber acquired upon Completion and that it (or any of its affiliates) continues to hold plus such Shares that the Subscriber would acquire upon conversion of the Convertible Bonds in full) on a fully-diluted basis immediately following the issuance of such Shares and/or the grant of such options

  is equal to

  (ii) the Subscriber Shareholding immediately prior to the issuance of such Shares and/or the grant of such options.

  Following such adjustment due to the grant of the options under the Score Value Transaction, the conversion price of the Convertible Bonds shall not be further adjusted when such options are exercised.

  If, at the time all or any part of the Convertible Bonds are to be converted into Shares, there are outstanding options to subscribe for Shares under the Rainwood Options or the Consultant Options, the conversion price of the Convertible Bonds shall be adjusted as if such options had been exercised.

- The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable laws, at all times rank at least equally with all of the Company's other present and future direct, unsubordinated, unconditional and unsecured obligations.

- No application will be made for a listing of the Convertible Bonds.

USE OF PROCEEDS FROM THE SUBSCRIPTION

The net proceeds from the Subscription received by the Company from the Subscriber amounted to approximately HK$2.38 billion (the "**Net Proceeds**") upon completion of the Subscription (the "**Completion**").

As disclosed in the announcement of the Company dated 9 February 2018 (the "**Re-allocation Announcement**"), the Company has re-allocated the use of the Net Proceeds totaling approximately HK$2,032 million that remained as at 31 January 2018 (the "**Remaining Net Proceeds**") so as to redirect the resources towards the current business divisions of the Group and to improve the efficiency and effectiveness of the use of such Net Proceeds for the business development of the Group.

From 10 August 2016 (being the date of Completion) up to and including 31 January 2018, approximately HK$348 million in total has been used by the Group (For breakdowns of the usage of such Net Proceeds up to and including 31 January 2018, please refer to pages 2 and 3 of the Re-allocation Announcement). From 1 February 2018 up to and including 31 December 2018, approximately HK$383.6 million in total has been used by the Group in each of 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$1,648.4 million remained as at 31 December 2018, which were placed in the bank accounts of the Group.

Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated		**Amount brought forward from 31 January 2018, re-allocated and intended to be used (as disclosed in the Re-allocation Announcement)**	**Amount actually used from 1 February 2018 up to and including 31 December 2018**	**Actual application of the Remaining Net Proceeds (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)**
(i)	**Games and Entertainment:**			
(a)	*development, operation and promotion of the Chinese card game, GuanDan, and Two-on-One Poker*	approximately HK$746 million (or approximately 37% of Remaining Net Proceeds)	approximately HK$56.2 million	The Remaining Net Proceeds were used in items(i)(a) to (i)(e).
(b)	*development, operation and promotion of the mind sports, leisure games and entertainment*			No material difference from intended usage noted.
(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*			The Remaining Net Proceeds allocated to “Games and Entertainment” are expected to be used on or before 31 December 2020.
(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, to which the Remaining Net Proceeds are intended to be allocated	Amount brought forward from 31 January 2018, re-allocated and intended to be used (as disclosed in the Re-allocation Announcement)	Amount actually used from 1 February 2018 up to and including 31 December 2018	Actual application of the Remaining Net Proceeds (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(ii) Lottery Hardware, Lottery Games & Systems:			
(a) operation and development of lottery hardware and terminal production	approximately HK$200 million (or approximately 10% of Remaining Net Proceeds)	approximately HK$80.4 million	The Remaining Net Proceeds were used in items (ii)(a) to (ii)(e).
(b) operation and development of lottery software systems			No material difference from intended usage noted.
(c) development of ancillary parts for lottery hardware and terminal production			The Remaining Net Proceeds allocated to "Lottery Hard ware, Lottery Games & Systems" are expected to be used on or before 31 December 2020.
(d) investment for lottery games			
(e) funding the remaining consideration for the Score Value Transaction contingent upon certain performance targets			

Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated		Amount brought forward from 31 January 2018, re-allocated and intended to be used (as disclosed in the Re-allocation Announcement)	Amount actually used from 1 February 2018 up to and including 31 December 2018	Actual application of the Remaining Net Proceeds (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(iii)	**Lottery Distribution:**			
(a)	*sales, marketing and distribution of virtual lottery games*	approximately HK$300 million (or approximately 15% of Remaining Net Proceeds)	approximately HK$73.4 million	The Remaining Net Proceeds were primarily used in items (iii)(a) to (iii)(d). No material difference from intended usage noted. The Remaining Net Proceeds allocated to "Lottery Distribution" are expected to be used on or before 31 December 2020.
(b)	*sales, marketing and distribution of instant scratch lottery games*			
(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 (China) Software Co., Ltd. and Alipay.com Co., Ltd.)*			

Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated	Amount brought forward from 31 January 2018, re-allocated and intended to be used (as disclosed in the Re-allocation Announcement)	Amount actually used from 1 February 2018 up to and including 31 December 2018	Actual application of the Remaining Net Proceeds (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):			
(a) potential investment project(s) in overseas markets in areas of lottery business and games and entertainment business *(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 One 97 Communications Limited in India* *(d) funding provided by the Group to support business expansion and ongoing operation in overseas markets*	approximately HK$450 million (or approximately 22% of Remaining Net Proceeds)	approximately HK$64.4 million	The Remaining Net Proceeds were used in items (iv)(a) to (iv)(d). The Group has been in the process of identifying suitable acquisition targets and has been discussing with various targets on such potential acquisitions. No acquisition has been materialised yet, thus causing the delay in the use of proceeds for potential acquisition(s). No material difference from intended usage noted. The Remaining Net Proceeds allocated to "Investment project(s) and acquisition(s)" are expected to be used on or before 31 December 2020.

Business divisions of the Group, or investment, acquisition or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated	Amount brought forward from 31 January 2018, re-allocated and intended to be used (as disclosed in the Re-allocation Announcement)	Amount actually used from 1 February 2018 up to and including 31 December 2018	Actual application of the Remaining Net Proceeds (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(v) General corporate purposes:			
(a) staff costs and other administrative expenses of the Group (including the costs relating to the Share Award Scheme)	approximately HK$336 million (or approximately 16% of Remaining Net Proceeds)	approximately HK$109.2 million	The Remaining Net Proceeds were used in items (v)(a) to (v)(b). No material difference from intended usage noted. The Remaining Net Proceeds allocated to "General corporate purposes" are expected to be used on or before 31 December 2020.
(b) general working capital of the Group			
Grand total:	**approximately HK$2,032 million**	**approximately HK$383.6 million**	

UPDATE ON SCORE VALUE TRANSACTION

Status of outstanding deferred consideration for the Score Value Transaction

Pursuant to the Score Value Agreement, the Company or the Purchaser shall be required to pay deferred consideration in a maximum amount of HK$300 million to the vendors of Score Value upon fulfilment of certain pre-conditions at a later stage, including obtaining the approval of the relevant PRC government authority for the lottery game to be supplied by a subsidiary of Score Value ("**Game Approval Pre-condition**") and meeting the profit guarantees of an average of RMB20.0 million (equivalent to approximately HK$25.2 million, according to the then exchange rate of HK$1.26 to RMB1.00) per year provided by such vendors in respect of the Shenzhen Subsidiary of Score Value for each of the three financial years ended 31 December 2015, 2016 and 2017 as described in the paragraph headed "Deferred Consideration" on pages 9 and 10 of the Score Value Circular.

As of the date hereof, the Game Approval Pre-condition has not yet been fulfilled but the parties to the Score Value Agreement have mutually agreed to further extend the deadline for fulfilment of such pre-condition to 31 December 2019. Accordingly, the First Deferred Consideration, Second Deferred Consideration and Third Deferred Consideration as described under the paragraph headed "Deferred Consideration" on page 9 of the Score Value Circular have not been paid to the vendors of Score Value.

The Company will make further announcement(s) in due course when the status of the outstanding deferred consideration settlements can be ascertained.

CHANGE OF DIRECTORS

On 30 January 2019, Mr. Zhou Haijing resigned as executive Director, chief financial officer and member of risk management and internal control committee. The Company appointed Ms. Hu Taoye as executive Director, chief financial officer and member of risk management and internal control committee with effect from 30 January 2019.

On 4 March 2019, Mr. Zhang Qin resigned as non-executive Director. The Company appointed Mr. Li Faguang as non-executive Director with effect from 4 March 2019.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely, Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qunyao. The consolidated results of the Group for the year ended 31 December 2018 have been reviewed by the audit committee.

The figures in respect of this announcement of the Group's consolidated profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereon for the year ended 31 December 2018 have been agreed by the Company's external auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PricewaterhouseCoopers on this announcement.

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 of 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.

SHARE OPTIONS

A new share option scheme of the Company was approved by the Shareholders at the special general meeting held on 23 December 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 18 November 2004 (the "**2004 Scheme**") (which had expired on 17 November 2014).

Under the 2014 Scheme, the total number of Shares which may be issued upon exercise of all options granted under such scheme (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 23 December 2014 for the purpose of, among other things, approving such scheme).

During the year ended 31 December 2018, no options were granted by the Company pursuant to the Share Option Schemes. No options were cancelled but options in respect of 42,447,400 Shares were forfeited, whereas options in respect of 78,477,892 Shares had expired during the year ended 31 December 2018. As at the date of this announcement, the total number of Shares still available for issue under the Share Option Schemes (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 151,788,095 Shares, representing approximately 1.3% of the Company's issued share capital as at that date.

As a result of the options exercised during the year ended 31 December 2018, 11,528,961 Shares were issued by the Company, and the Company received a total cash consideration of approximately HK$6.0 million in respect of such option exercises. The weighted average closing price of the Shares immediately before the dates on which these options were exercised is HK$0.82 per Share.

As at 31 December 2018, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Schemes was 178,268,450 (2017: 310,397,703), representing approximately 2% (2017: 3%) of the Company's issued share capital as at that date.

GRANT OF AWARD SHARES PURSUANT TO SHARE AWARD SCHEME

As disclosed in the announcement of the Company dated 17 March 2017, the Company has adopted the Share Award Scheme on 17 March 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 10 January 2018, the Board granted a total of 28,800,000 award Shares to certain eligible persons under the Share Award Scheme. The 28,800,000 award Shares granted represent approximately 0.26% of the issued share capital of the Company as at the date of this announcement. Based on the closing price of HK$1.26 per Share on the date of grant of the award Shares, the market value of the 28,800,000 award Shares in aggregate is HK$36,288,000.

On 11 September 2018, the Board granted a total of 75,690,000 award Shares to Mr. Sun Ho, an executive Director and certain eligible persons under the Share Award Scheme. The 75,690,000 award Shares granted represent approximately 0.67% of the issued share capital of the Company as at the date of this announcement. Based on the closing price of HK$0.58 per Share on the date of grant of the award Shares, the market value of the 75,690,000 award Shares in aggregate is HK$43,900,200.

During the year under review, the trustee of the Share Award Scheme (the "**Trustee**") has purchased a total of 12,584,000 Shares on the Stock Exchange at a total consideration of approximately HK$12.3 million to satisfy award Shares granted under the Share Award Scheme.

During the year under review, 104,490,000 award Shares were granted by the Company pursuant to the Share Award Scheme, 22,354,625 award Shares were vested in the grantees and 38,625,000 award Shares were forfeited.

All of the 104,490,000 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.

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 and Corporate Governance Report (the "**Code**") as set out in Appendix 15 of the GEM Listing Rules.

During the year under review, the Company complied with the Code except for the following deviations:

(a) under the Code provision A.2.1, 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 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;

(b) under the Code provision A.4.2, 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;

(c) under the Code provision A.2.7, 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 the 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 the Code provision A6.6, 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 were 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;

(e) under the Code provision B.1.2(c), 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 the Code provision B.1.5, 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;

(g) under the Code provision E.1.5, 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.

(h) under the Code provision E.1.2, the chairman of the Board should attend the annual general meeting of the Company (the "**AGM**"). An AGM was held by the Company during the year under review, and Mr. Sun Ho, the chairman of the Board and executive Director, was absent from the AGM as he was on business trip overseas. Mr. Zhou Haijing, an executive Director, was assigned to chair the AGM on behalf of Mr. Sun instead.

(The above deviations (a) to (f) were similarly disclosed on pages 33 and 34 of the Company's annual report for the year ended 31 December 2017, and on pages 47 to 49 of the Company's interim report for the six months ended 30 June 2018. The deviation (g) was a new one as a result of the introduction of the new Code provision E.1.5 which has become effective on 1 January 2019.)

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2018, the Group continued the following continuing connected transactions ("**CCTs**"), details of which had been disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules:

CCTs with Alibaba Group

1. As disclosed in the circular of the Company dated 20 February 2017, the Company entered into a framework agreement (the "**Framework Agreement**") with Alibaba Holding on 25 January 2017, pursuant to which the Group shall (i) utilise certain channels and networks of Alibaba Group for the sales and distribution of lottery products and other services on a revenue-sharing basis; and (ii) purchase technology services from Alibaba Group (collectively, the "**Channel Transactions**"), subject to the original annual cap amounts of RMB41,500,000, RMB63,500,000 and RMB69,850,000 for a term commencing from 8 March 2017 (i.e. the effective date of the Framework Agreement) and ending on 31 December 2019. Ali Fortune, the controlling shareholder of the Company, is indirectly held as to 60% by Alibaba Holding. Accordingly, Alibaba Holding is an associate of Ali Fortune and hence a connected person of the Company. The transactions contemplated under the Framework Agreement constituted CCTs under Chapter 20

of the GEM Listing Rules and such agreement (together with the annual cap amounts in respect of such transactions for the period from 8 March 2017 to 31 December 2017 and for the two years ended and ending 31 December 2018 and 2019 respectively) had been approved by the Shareholders at the special general meeting of the Company held on 8 March 2017.

2. As the Channel Transactions (in particular the sale and distribution of other services) had been running more smoothly and developing more sustainably during the year ended 31 December 2017 since their commencement, the Group increased the original annual cap amounts for the Channel Transactions to the revised annual cap amounts of RMB106,021,000, RMB251,093,000 and RMB360,951,000 for the period from 8 March 2017 to 31 December 2017 and for the two years ended and ending 31 December 2018 and 2019 respectively (the "**Revised Channel Cap(s)**") in order to cater for the development of the Channel Transactions. The Revised Channel Caps are determined mainly with reference to the estimated income for the sale and distribution of the lottery products and other services, which is determined based on projected revenue and costs in respect of the sales and distribution of lottery products and other services taking into account the historical amount and growth rate during the period from 8 March 2017 to 31 July 2017, as well as the expected future growth rate and the Group's business plan. For details, please refer to the circular of the Company dated 4 December 2017. The Revised Channel Caps had been approved by the Shareholders at the special general meeting of the Company held on 20 December 2017.

3. As disclosed in the circular of the Company dated 4 December 2017, the Company and 浙江天貓技術有限公司 (Zhejiang Tmall Technology Company Limited*) ("**Tmall**") entered into a procurement framework agreement (the "**Procurement Framework Agreement**") on 29 August 2017, subject to the annual cap amounts in respect of the marketing fees payable under the Procurement Framework Agreement of RMB52,343,000, RMB389,811,000 and RMB570,722,000 for the period from 20 December 2017 (i.e. the effective date of such agreement) to 31 December 2017 and for the two years ended and ending 31 December 2018 and 2019 respectively (the "**Procurement Cap(s)**"). The Procurement Caps are determined mainly with reference to the projected amount of marketing fees which is estimated taking into account factors including (i) the historical figures of the value of the products purchased by the online users and the proportion of such products offered by Alibaba Merchants during the period from 8 March 2017 to 31 July 2017; (ii) the estimated growth in the value of the products to be purchased by online users; and (iii) the Group's projected marketing initiatives and campaigns to promote and boost online users' activities on certain online platforms of Alibaba Group utilised and operated by the Group for conducting the transactions pursuant to the Framework Agreement and the Procurement Framework Agreement. Ali Fortune, the controlling shareholder of the Company, is indirectly held as to 60% by Alibaba Holding. Tmall is a wholly-owned subsidiary of Alibaba Holding.

Accordingly, each of Alibaba Holding and Tmall is an associate of Ali Fortune and hence a connected person of the Company. The transactions contemplated under the Procurement Framework Agreement constituted CCTs under Chapter 20 of the GEM Listing Rules and such agreement (together with the Procurement Caps) had been approved by the Shareholders at the special general meeting of the Company held on 20 December 2017.

During the year ended 31 December 2018, the Group entered into the following transactions with Alibaba Group:

Nature of transactions	**Total amount** *(RMB'000)*
(i) In respect of the Framework Agreement:	
The Group's utilisation of certain channels and networks of Alibaba Group for sales and distribution of lottery products and other services on a revenue-sharing basis and the Group's purchase of technology services from Alibaba Group	2,250 *Note a*
(ii) In respect of the Procurement Framework Agreement:	
The Group's payment of marketing fees to Alibaba Merchants for supply of products or services offered to individual users on certain online platforms operated by the Group at a discounted price	26,376 *Note b*

Notes:

a. The aggregate amount of these transactions amounted to RMB2,250,000 for the year ended 31 December 2018, which fell within the Revised Channel Cap of RMB251,093,000 for such year.

b. The aggregate amount of these transactions amounted to RMB26,376,000 for the year ended 31 December 2018, which fell within the Procurement Cap of RMB389,811,000 for such year.

CCTs with Ant Financial Group

4. The Company and Alipay, which is a wholly-owned subsidiary of Ant Financial, entered into a framework agreement (the "**Alipay Framework Agreement**") on 23 March 2017, whereby the Group shall provide online activities and services which are not subject to the applicable PRC lottery laws and regulations, including information subscription and other content, and the sales and distribution of the lottery and its relevant products that the Group has developed or is authorised to operate (in online form), in the event that and so long as it is allowed under applicable laws and regulations in the PRC, on the lottery channel(s) of the online platform(s) of Alipay and its subsidiaries on a revenue-sharing basis under the

Alipay Framework Agreement. As disclosed in the announcement of the Company dated 23 March 2017, Ant Financial Group (including Alipay) are deemed by the Stock Exchange as connected persons of the Company pursuant to Rule 20.17 of GEM Listing Rules. Accordingly, the transactions contemplated under the Alipay Framework Agreement constituted CCTs under Chapter 20 of the GEM Listing Rules.

The transactions contemplated under the Alipay Framework Agreement are subject to the annual cap amounts of RMB13,300,000, RMB13,300,000 and RMB13,300,000 for the period from 23 March 2017 (i.e. the date of such agreement) to 31 December 2017 and for the two years ended and ending 31 December 2018 and 2019 respectively (the "**Alipay Cap(s)**"). The Alipay Caps include potential income generated from online activities and services on the lottery channel(s) on the online platform(s) of Alipay Group, calculated with reference to the traffic volume of and the income generated from comparable online platform(s) of the Alipay Group, and having considered that the business cooperation on the aforesaid lottery channel(s) will still be at a start-up stage and the potential income will be affected by the actual implementation of the cooperation model and the market conditions and reactions thereof. Since one or more of the applicable percentage ratios as defined in the GEM Listing Rules in respect of the highest Alipay Cap for the transactions is 0.1% or more but less than 5%, the transactions contemplated under the Alipay Framework Agreement are 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.

During the year ended 31 December 2018, the Group entered into the following transactions with Ant Financial Group:

Nature of transactions	**Total amount** *(RMB'000)*
In respect of the Alipay Framework Agreement:	
The Group's utilisation of certain channels on the online platforms of Alipay Group for operation of online activities or services which are not subject to the applicable PRC lottery laws and regulations, and sales and distribution of lottery products (in online form) on a revenue-sharing basis	4,358 *Note a*

Note:

a. The aggregate amount of these transactions amounted to RMB4,358,000 for the year ended 31 December 2018, which fell within the Alipay Cap of RMB13,300,000 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.

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 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 has been provided by the Company to the Stock Exchange.

During the year ended 31 December 2018, 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 is required to be disclosed pursuant to Chapter 20 of the GEM Listing Rules.

INTERESTS IN COMPETING BUSINESS

None of the Directors, controlling shareholder of the Company and their respective associates have an interest in a business, which competes or may compete with the businesses of the Group.

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.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this announcement, 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.

DEFINITIONS

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

"AGT"	Asia Gaming Technologies Limited, a company incorporated in Hong Kong owned as to 51% by the Company
"Ali Fortune" or "Subscriber"	Ali Fortune Investment Holding Limited, a company incorporated in the British Virgin Islands 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 and the shares of which are listed on the New York Stock Exchange
"Alibaba Merchants"	merchants which are subsidiaries of or companies controlled by Alibaba Holding
"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 Financial
"Ant Financial"	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.*) (formerly known as 浙江螞蟻小微金融服務集團有限公司 (Zhejiang Ant Small and Micro Financial Services Group Co., Ltd.*)), a company incorporated in the PRC
"Ant Financial Group"	Ant Financial and its subsidiaries

"Board"	the board of Directors
"Bye-law(s)"	the bye-law(s) of the Company
"CEO"	chief executive officer
"Company" or "AGTech"	AGTech Holdings Limited, a company incorporated in Bermuda as an exempted company with limited liability and its issued Shares are listed on GEM
"Consultant Options"	the options granted to consultants of the Company to subscribe for up to 148,046,390 Shares in aggregate as at the date of this announcement pursuant to the Share Option Schemes
"Conversion Shares"	new Shares to be issued upon the exercise of the conversion rights under the Convertible Bonds
"Convertible Bonds"	the convertible bonds of the Company issued to Ali Fortune under the Subscription
"Director(s)"	the director(s) of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
"GEM"	GEM operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
"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
"Macau"	the Macau Special Administrative Region of the PRC
"MOF"	the Ministry of Finance of China
"NSLAC"	the National Sports Lottery Administration Centre of the PRC

"PRC" or "China"	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
"province(s)"	province(s), municipality(ies) and autonomous region(s) of the PRC unless otherwise specified, and "provincial" shall be construed accordingly
"Purchaser"	Silvercreek Technology Holdings Limited, a wholly-owned subsidiary of the Company, the purchaser in respect of the Score Value Transaction
"Rainwood Options"	the options which were granted to Rainwood Resources Limited to subscribe for up to 212,879,224 Shares at an exercise price of HK$0.4 per Share (subject to customary adjustment in the event of capitalisation issue) at any time during a 3-year period from 21 May 2013, and which were exercised in full on 16 March 2016
"RMB"	Renminbi, the lawful currency of the PRC
"Score Value"	Score Value Limited, an indirect wholly-owned subsidiary of the Company, the target in respect of the Score Value Transaction
"Score Value Agreement"	the sale and purchase agreement dated 17 November 2014 entered into between the Company, the Purchaser, Score Value and the Vendors in respect of the Score Value Transaction
"Score Value Circular"	the circular of the Company dated 8 December 2014 in respect of the Score Value Transaction
"Score Value Group"	Score Value Limited and its subsidiaries
"Score Value Transaction"	the acquisition of the entire equity interest in Score Value by the Company as contemplated under the Score Value Agreement at a maximum consideration of HK$489.5 million (subject to downward adjustments) which shall be satisfied as to HK$239.5 million in cash and as to HK$250.0 million by way of the allotment and issue of a maximum of 168,918,918 Consideration Shares (being new Shares to be issued by the Company as defined in the Score Value Circular) at the issue price of HK$1.48 per Share

"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 17 March 2017
"Share Option Schemes"	the share option schemes of the Company adopted on 18 November 2004 and 23 December 2014 respectively
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen Subsidiary"	深圳中林瑞德科技有限公司 (Shenzhen Zoom Read Tech Co., Ltd.*), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of Score Value
"SLAC"	sports lottery administration centre
"Sports Lottery"	the national sports lottery of China
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription for 4,817,399,245 new Shares and Convertible Bonds in the aggregate principal amount of HK$712,582,483 by Ali Fortune, which was completed on 10 August 2016
"Taobao"	淘寶(中國)軟件有限公司(Taobao (China) Software Co., Ltd.*), a company incorporated in the PRC and a subsidiary of Alibaba Holding
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
"US$"	United States dollars, the lawful currency of the United States of America
"Vendors"	Immense Wisdom Limited and King Achieve Limited, the vendors in respect of the Score Value Transaction
"Welfare Lottery"	the national welfare lottery of China

"Whitewash Circular"	the circular of the Company dated 25 May 2016 in respect of, among other things, the Subscription and the Whitewash Waiver
"Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of Ali Fortune to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by Ali Fortune or parties acting in concert with it which would otherwise arise as a result of (i) the allotment and issue of the Shares under the Subscription at its completion; and/or (ii) the allotment and issue of the Shares that may be issued upon conversion of the Convertible Bonds issued under the Subscription
"%"	per cent

Notes:

1. In this announcement, the exchange rate of HK$1.187 to RMB1.00 has been used for reference only.

2. The English translation of the Chinese company names in this announcement 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 announcement shall prevail over the Chinese text.

* *For identification purposes only*

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

Hong Kong, 22 March 2019

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

This 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.