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**AGTech Holdings Limited**

**亞博科技控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 8279)**

**FINAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2020  
AND UPDATE ON SCORE VALUE TRANSACTION**

**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 2020**

- Revenue of the Group for the year under review amounted to approximately HK\$161.6 million (2019: approximately HK\$175.1 million), representing a decrease of approximately 7.7% over 2019. Revenue contributions were mainly derived from lottery hardware, lottery games and systems, provision of lottery distribution and ancillary services, and games and entertainment businesses in the PRC. The decrease in revenue for the year was primarily caused by the decrease in sales of lottery hardware of approximately HK\$31.4 million, partially offset by an increase of approximately HK\$8.8 million from games and entertainment business and increase of approximately HK\$6.2 million from the provision of lottery distribution and ancillary services. The decrease in revenue from lottery hardware business was due to a significant decrease in total national lottery hardware tenders during the year, slower tendering processes and hardware deliveries as compared to the corresponding period in 2019 as a result of the COVID-19 pandemic. The increase in revenue from games and entertainment business was caused by an increase in content provision revenue from the Paytm First Games platform in India.
- Operating loss for the year was approximately HK\$131.1 million (2019: approximately HK\$194.9 million), representing a decrease of approximately 32.7% over 2019.
- The loss for the year was approximately HK\$109.5 million (2019: approximately HK\$113.6 million), representing a decrease of approximately 3.6% over 2019. Share of loss of the Group's joint venture for the year increased by approximately HK\$45.0 million as compared to 2019. Convertible Bonds were matured in August 2019 and since then no more fair value change (2019: gain of approximately HK\$85.2 million) and interest expense thereon (2019: approximately HK\$27.5 million) were recognized during the year. In addition, contingent consideration payables of approximately HK\$69.6 million were written-back to profit or loss during the year.
- 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 2020, together with the comparative figures for the year ended 31 December 2019 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2020*

|                                                                          |      | 2020             | 2019             |
|--------------------------------------------------------------------------|------|------------------|------------------|
|                                                                          | Note | HK\$'000         | HK\$'000         |
| Revenue                                                                  | 2    | 161,649          | 175,077          |
| Other income                                                             |      | 10,859           | 8,849            |
| Net other gains/(losses)                                                 | 4    | 11,426           | (19,695)         |
| Employee benefits expenses                                               |      | (178,928)        | (200,424)        |
| Purchase of and changes in inventories                                   |      | (45,041)         | (57,623)         |
| Depreciation expenses                                                    |      | (23,754)         | (23,581)         |
| Other operating expenses                                                 |      | (67,298)         | (77,534)         |
| <b>Operating loss</b>                                                    |      | <b>(131,087)</b> | <b>(194,931)</b> |
| Gain on fair value changes of convertible bonds                          |      | –                | 85,190           |
| Gain on fair value changes of contingent consideration payables          |      | –                | 7,795            |
| Gain on derecognition of contingent consideration payables               |      | 69,589           | –                |
| Net finance income                                                       |      | 44,063           | 30,870           |
| Share of results of investments accounted for using equity method        |      | (83,205)         | (38,195)         |
| <b>Loss before income tax</b>                                            |      | <b>(100,640)</b> | <b>(109,271)</b> |
| Income tax expenses                                                      | 5    | (8,814)          | (4,332)          |
| <b>Loss for the year</b>                                                 | 6    | <b>(109,454)</b> | <b>(113,603)</b> |
| <b>Other comprehensive income:</b>                                       |      |                  |                  |
| <i>Item that will not be reclassified subsequently to profit or loss</i> |      |                  |                  |
| Currency translation differences                                         |      | 33,611           | (11,113)         |
| Other comprehensive income for the year, net of tax                      |      | 33,611           | (11,113)         |
| <b>Total comprehensive income for the year</b>                           |      | <b>(75,843)</b>  | <b>(124,716)</b> |

|                                                    | <i>Note</i> | <b>2020</b><br><b>HK\$'000</b> | 2019<br>HK\$'000 |
|----------------------------------------------------|-------------|--------------------------------|------------------|
| <b>(Loss)/profit attributable to:</b>              |             |                                |                  |
| Owners of the Company                              |             | <b>(121,372)</b>               | (123,883)        |
| Non-controlling interests                          |             | <b>11,918</b>                  | 10,280           |
|                                                    |             | <u><b>(109,454)</b></u>        | <u>(113,603)</u> |
| <b>Total comprehensive income attributable to:</b> |             |                                |                  |
| Owners of the Company                              |             | <b>(90,419)</b>                | (133,599)        |
| Non-controlling interests                          |             | <b>14,576</b>                  | 8,883            |
|                                                    |             | <u><b>(75,843)</b></u>         | <u>(124,716)</u> |
| <b>Loss per share</b>                              |             |                                |                  |
| Basic                                              | 7           | <b>(HK1.05 cents)</b>          | (HK1.09 cents)   |
| Diluted                                            | 7           | <b>(HK1.05 cents)</b>          | (HK1.09 cents)   |

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 December 2020*

|                                               | <i>Note</i> | <b>2020</b><br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|-----------------------------------------------|-------------|--------------------------------|-------------------------|
| <b>Non-current assets</b>                     |             |                                |                         |
| Property, plant and equipment                 |             | <b>7,288</b>                   | 5,685                   |
| Right-of-use assets                           |             | <b>54,197</b>                  | 21,135                  |
| Investment properties                         |             | <b>43,941</b>                  | 47,997                  |
| Goodwill                                      |             | <b>1,112,230</b>               | 1,067,576               |
| Other intangible assets                       |             | <b>1,742</b>                   | 1,742                   |
| Deferred income tax assets                    |             | <b>4,522</b>                   | 6,057                   |
| Investments accounted for using equity method |             | –                              | 14,300                  |
| Other receivables, deposits and prepayments   |             | <b>16,389</b>                  | 42,931                  |
|                                               |             | <b>1,240,309</b>               | 1,207,423               |
| <b>Current assets</b>                         |             |                                |                         |
| Inventories                                   |             | <b>22,659</b>                  | 11,923                  |
| Trade receivables                             | 8           | <b>11,067</b>                  | 26,646                  |
| Other receivables, deposits and prepayments   |             | <b>166,193</b>                 | 87,350                  |
| Cash and bank balances                        |             | <b>1,708,204</b>               | 1,921,376               |
|                                               |             | <b>1,908,123</b>               | 2,047,295               |
| Total assets                                  |             | <b>3,148,432</b>               | 3,254,718               |
| <b>Current liabilities</b>                    |             |                                |                         |
| Trade payables                                | 9           | <b>10,358</b>                  | 9,157                   |
| Accruals and other payables                   |             | <b>100,441</b>                 | 91,369                  |
| Contract liabilities                          |             | <b>10,644</b>                  | 7,290                   |
| Current income tax liabilities                |             | <b>261</b>                     | 2,814                   |
| Lease liabilities                             |             | <b>19,250</b>                  | 14,581                  |
| Contingent consideration payables             |             | –                              | 69,589                  |
|                                               |             | <b>140,954</b>                 | 194,800                 |

|                                                   | 2020<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|---------------------------------------------------|-------------------------|-------------------------|
| <b>Non-current liabilities</b>                    |                         |                         |
| Deferred income tax liabilities                   | 5,889                   | 6,425                   |
| Provision for warranties                          | 21,938                  | 31,172                  |
| Accruals and other payables                       | 143                     | —                       |
| Lease liabilities                                 | 36,194                  | 7,099                   |
|                                                   | <u>64,164</u>           | <u>44,696</u>           |
| Total liabilities                                 | <u>205,118</u>          | <u>239,496</u>          |
| Net assets                                        | <u>2,943,314</u>        | <u>3,015,222</u>        |
| <b>Equity</b>                                     |                         |                         |
| Share capital                                     | 23,344                  | 23,344                  |
| Reserves attributable to owners of<br>the Company | <u>2,872,396</u>        | <u>2,958,880</u>        |
|                                                   | 2,895,740               | 2,982,224               |
| Non-controlling interests                         | <u>47,574</u>           | <u>32,998</u>           |
| Total equity                                      | <u>2,943,314</u>        | <u>3,015,222</u>        |

## 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 and amendments have been adopted by the Group for the first time for the financial year beginning on 1 January 2020:

|                                                      |                                                         |
|------------------------------------------------------|---------------------------------------------------------|
| Conceptual Framework for<br>Financial Reporting 2018 | Revised Conceptual Framework for<br>Financial Reporting |
| Amendments to HKAS 1 and HKAS 8                      | Definition of Material                                  |
| Amendments to HKAS 39,<br>HKFRS 7 and HKFRS 9        | Hedge accounting                                        |
| Amendments to HKFRS 3                                | Definition of a Business                                |

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

## 2 REVENUE

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

|                                                          | 2020<br><i>HK\$’000</i> | 2019<br><i>HK\$’000</i> |
|----------------------------------------------------------|-------------------------|-------------------------|
| Lottery hardware                                         | 73,387                  | 104,785                 |
| Lottery games and systems ( <i>Note</i> )                | 46,303                  | 43,296                  |
| Provision of lottery distribution and ancillary services | 24,455                  | 18,285                  |
| Games and entertainment                                  | 17,504                  | 8,711                   |
|                                                          | <u>161,649</u>          | <u>175,077</u>          |

*Note:*

On 23 October 2020, the Ministry of Finance, the Ministry of Civil Affairs and the General Administration of Sport of the PRC jointly announced a notice in relation to, among other things, the proposed cessation of the sales of quick-draw welfare lottery games (福利彩票快開遊戲) and high frequency sports lottery games (體育彩票高頻遊戲) (the “**Joint Notice**”). As a result of the Joint Notice, which applied to all quick-draw welfare lottery games (福利彩票快開遊戲) and high frequency sports lottery games (體育彩票高頻遊戲) in the PRC, the Group received a written implementation letter dated 23 October 2020 from Jiangsu Sports Lottery Administration Centre in relation to, among other matters, the cessation of the sales of a football themed virtual sports lottery game “e-Ball Lottery” in Jiangsu Province of the PRC with effect from 1 November 2020. As a result of the Joint Notice, the sales of a motor racing-themed virtual sports lottery game “Lucky Racing” in Hunan Province of the PRC, as a high frequency sports lottery game has also ceased from 9 February 2021.

### **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<br>external customers |                         | Non-current assets*     |                         |
|-----------|------------------------------------|-------------------------|-------------------------|-------------------------|
|           | 2020<br><i>HK\$'000</i>            | 2019<br><i>HK\$'000</i> | 2020<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
| PRC       | 144,559                            | 167,989                 | 1,229,050               | 1,150,802               |
| Hong Kong | –                                  | –                       | 6,738                   | 8,085                   |
| Others    | 17,090                             | 7,088                   | –                       | 42,479                  |
|           | <u>161,649</u>                     | <u>175,077</u>          | <u>1,235,788</u>        | <u>1,201,366</u>        |

\* 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:

|            | 2020<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|------------|-------------------------|-------------------------|
| Customer A | 55,229                  | 69,130                  |
| Customer B | N/A*                    | 21,611                  |
| Customer C | 27,209                  | N/A*                    |
| Customer D | 17,013                  | N/A*                    |
|            | <u>99,451</u>           | <u>90,741</u>           |

\* The corresponding customer did not contribute over 10% to the Group's revenue in 2019 or 2020.

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

|                                                     | <b>2020</b><br><b>HK\$'000</b> | 2019<br><i>HK\$'000</i> |
|-----------------------------------------------------|--------------------------------|-------------------------|
| Loss on fair value changes of investment properties | <b>(6,748)</b>                 | (2,269)                 |
| Foreign exchange gain/(loss)                        | <b>18,476</b>                  | (17,475)                |
| Loss allowance on loan to                           |                                |                         |
| – a joint venture                                   | <b>(263)</b>                   | –                       |
| – an associate                                      | <b>(64)</b>                    | –                       |
| Gain on disposals of property, plant and equipment  | <b>25</b>                      | 49                      |
|                                                     | <b>11,426</b>                  | (19,695)                |

**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.

|                                                     | <b>2020</b><br><b>HK\$'000</b> | 2019<br><i>HK\$'000</i> |
|-----------------------------------------------------|--------------------------------|-------------------------|
| Current tax:                                        |                                |                         |
| – PRC EIT on assessable profit for the year         | <b>7,412</b>                   | 4,356                   |
| – Adjustments in respect of prior years             | <b>594</b>                     | 145                     |
| Deferred tax:                                       |                                |                         |
| – Origination and reversal of temporary differences | <b>808</b>                     | (169)                   |
| Income tax expense                                  | <b>8,814</b>                   | 4,332                   |

**6 LOSS FOR THE YEAR**

Loss for the year has been arrived at after charging:

|                                    | <b>2020</b><br><b>HK\$'000</b> | 2019<br><i>HK\$'000</i> |
|------------------------------------|--------------------------------|-------------------------|
| Share-based payments               |                                |                         |
| – Directors and eligible employees | <b>27,218</b>                  | 27,706                  |
| – Other eligible participants      | –                              | 5,267                   |
| Auditor's remuneration             |                                |                         |
| – Audit services                   | <b>1,500</b>                   | 1,500                   |

## 7 LOSS PER SHARE

### (a) Basic

Basic loss or earning per share is calculated by dividing the loss attributable to owners of the Company for the year ended 31 December 2020 of approximately HK\$121,372,000 (2019: loss of approximately HK\$123,883,000) by the weighted average number of ordinary shares outstanding during the year of approximately 11,672,342,000 (2019: approximately 11,450,972,000) shares and excluding the weighted average number of shares held for share award scheme of approximately 167,787,000 (2019: approximately 108,824,000) shares.

### (b) Diluted

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

For the year ended 31 December 2020, contingent considerations and share options are excluded from the computation of the diluted loss per share as there were no outstanding contingent considerations and share options as at 31 December 2020. For the years ended 31 December 2020 and 2019, the computation of the diluted loss per share does not assume the vesting of the outstanding share awards, as they would decrease the diluted loss per share. For the year ended 31 December 2019, the computation of the diluted loss per share does not assume the exercise of the outstanding share options as this would decrease the diluted loss per share. For the year ended 31 December 2019, 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 2019.

## 8 TRADE RECEIVABLES

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

|                 | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|-----------------|------------------|------------------|
| 0 to 30 days    | 9,731            | 24,358           |
| 31 to 60 days   | 219              | 1,730            |
| 61 to 90 days   | 48               | 228              |
| 91 to 120 days  | –                | 11               |
| 121 to 365 days | 1,069            | 319              |
|                 | <u>11,067</u>    | <u>26,646</u>    |

## 9 TRADE PAYABLES

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

|                 | 2020<br><i>HK\$'000</i> | 2019<br><i>HK\$'000</i> |
|-----------------|-------------------------|-------------------------|
| 0 to 30 days    | 7,909                   | 6,825                   |
| 31 to 60 days   | 47                      | 10                      |
| 61 to 90 days   | 11                      | 3                       |
| 91 to 120 days  | 10                      | 7                       |
| 121 to 365 days | –                       | 1,735                   |
| Over 365 days   | 2,381                   | 577                     |
|                 | <u>10,358</u>           | <u>9,157</u>            |

## 10 DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2019: 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. As a member of the Alibaba Group, AGTech is the exclusive lottery platform of Alibaba Group and Ant 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.

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

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

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

## **INDUSTRY OVERVIEW**

### **Lottery**

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

According to MOF figures\*, PRC annual lottery sales in 2020 amounted to approximately RMB333.95 billion, representing a decrease of approximately 20.9% over 2019. Of this, Welfare Lottery amounted to approximately RMB144.48 billion, representing a decrease of approximately 24.4% compared to 2019. Sports Lottery achieved sales of approximately RMB189.46 billion, representing a decrease of approximately 17.9% compared to 2019.

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

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

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

### **Games and Entertainment**

The proliferation of smartphones in the PRC over the last several years, coupled with ever improving content across games categories, have increased mobile games consumption significantly. New technologies, improved network infrastructure, less expensive access to high-speed data and 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 2018 and 2019, 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**

### **Lottery Resources Channel**

The Group has 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 platform for many lottery-related services and resources, providing lottery players and online users in China an easy access to information and resources that address various lottery needs.

Tools on the lottery resources channel include displaying of certain historical and current lottery products results. Further, the channel compiles the locations of nearby lottery retail channels, paving the way for further integration of online and offline resources in the future. Recent addition of sporting content has enhanced our growing range of tools and products as well. Through this channel, we hope to build on our online presence and maximize the value of our business partnership with Alibaba Group and Ant Group, in addition to preparation for any potential approval and authorization of online distribution of lottery products in the future.

The Group will continue to leverage on and explore opportunities for collaboration with Alibaba Group's retail ecosystem to enhance on lottery distribution models where appropriate. We believe that the integration of lottery services and products through physical retail distribution channel and networks will continue to create synergy and opportunities in the future.

### **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, a 51% owned subsidiary of the Group, was the supplier of two virtual sports lottery games in the PRC, namely, a football theme virtual sports lottery game “e-Ball Lottery” in Jiangsu Province (“**e-Ball Lottery**”) and a motor racing-themed virtual sports lottery game “Lucky Racing” in Hunan Province (“**Lucky Racing**”, together with e-Ball Lottery, the “**Virtual Sports Lottery Games**”).

As a result of the Joint Notice announced by the Ministry of Finance, the Ministry of Civil Affairs, and the General Administration of Sport of the PRC (as described in the section headed “Industry Overview-Lottery” above), the Group received a written implementation letter dated 23 October 2020 from the Jiangsu Sports Lottery Administration Centre in relation to the cessation of the sales of e-Ball Lottery with effect from 1 November 2020.

As a result of the Joint Notice, the sales of Lucky Racing and e-Ball Lottery had ceased with effect from 9 February 2021 and 1 November 2020 respectively, and the Group would no longer generate any revenue from the Virtual Sports Lottery Games commencing from 9 February 2021. For details, please refer to the Company’s announcement on 26 October 2020.

For the full year, the revenue attributed to Virtual Sports Lottery Games was approximately HK\$46.3 million, representing approximately 28.6% of the total revenue of the Group.

## **Hardware**

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

AGTech’s Hardware division primarily supplies Sports Lottery and Welfare Lottery and has hardware deployed in multiple provinces, cities, municipalities and autonomous regions across China. The Group is one of the leading manufacturers and suppliers in China of lottery terminals, and paper scratch card sales hardware (instant ticket verification terminals, “IVT(s)”) and continues to occupy the largest market share in Sports Lottery terminal market. The Group’s Hardware division continues to focus on research and development in order to broaden and improve its product spectrum and develop new hardware ranges.

During the year under review, the Group won 16 lottery hardware tenders to supply lottery terminals to the SLACs in Anhui, Shanxi, Hubei, Jilin, Guizhou, Tianjin, Inner Mongolia, Hebei, Fujian, Sichuan, Zhejiang, Henan and Shaanxi provinces of the PRC, accounting for over 21% of the overall sports lottery traditional 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 66% of such tenders for the same type of terminals during the same period, calculated by the number of terminals. These successful tenders further strengthened the Group’s top-tier position in China’s lottery hardware market and demonstrated the continued competitiveness of the Group’s lottery terminals. The Group will continue to pursue tenders to supply to the lottery and other hardware markets and bid for new contracts as tenders resume post COVID-19 delays.

## **Games and Entertainment**

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

The Group is dedicated to evolving its business into a comprehensive lottery, mobile games and entertainment content and technology provider to customers around the world. With this in mind, and in preparation for any potential approval and authorization 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.

## **International Market**

### ***Strategic expansion in selected markets overseas***

A joint venture of the Group with One97 Communications Limited continued to develop its mobile games and entertainment platform in India. Paytm First Games (formerly known as “Gamepind”), offers players a unique online experience with popular games content such as card games and fantasy sports games. The platform has grown its user base significantly and will continue to benefit from Paytm and other well selected marketing channels. As the brand influence of the platform continues to grow, together with the addition of competitive games contents particularly in the sports category, as demonstrated by the launch of fantasy cricket and other fantasy sports products, the Group is hopeful that Paytm First Games will continue to grow its user base, paving the way to monetize this unique platform, thus capitalizing on the significant potential of the fast growing mobile games and entertainment market in India. With an outlook in grooming the platform to become a major market player, the Group is fully committed to the development of Paytm First Games and will continue to dedicate additional resources and funding to the joint venture.

## **BUSINESS OUTLOOK**

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

Our continuing efforts to partner with additional provincial lottery authorities of China in areas such as technology and business innovation, channel expansion and distribution, smart hardware terminals, data services, and other value added ancillary services are all part of our lottery initiatives. Transformation towards digitalization will continue, as our lottery solutions will enhance synergy and create value to the lottery industry chain. Our platform is expected to be well equipped for applications within the Alibaba digital ecosystem, in addition to any potential change in distribution channels other than the current retail model. While the Group believes that the potential of internet and mobile distribution channels in the PRC lottery markets are promising, there is still uncertainty as to the timing of the potential re-opening of the online lottery distribution market under the applicable PRC laws and regulations. In this respect, we will continue to closely monitor policy developments.

The Group continues to operate the lottery channel on mobile Taobao and mobile Alipay to serve as a one-stop platform on lottery related information for existing and potential customers. We aim to roll out further engagement features and tools through innovation to improve user experience and engagement.

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

The Group is also leveraging on our existing products and technology to innovate and improve on digitalization of sporting content. Building off the successful launch of our fantasy sports products on the Paytm First Games platform in India, we will continue to seek for strong suitable partners in selected international markets to leverage on our platforms of games and entertainment offerings, as well as technical and operation abilities to further our B2B business segment. We believe that having a robust sports-oriented solution will allow the Group to capture opportunities and gain an edge in the fast-evolving sports-entertainment sector.

With regards to our investment relating to the formation of Ant Bank (Macao) Limited (formerly known as Xinghui Bank Limited) and the official launch of operations in 2019, the Group will continue to dedicate our commitment and support to grow the business and further capitalize on opportunities in Macau and overseas.

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

## **REVIEW OF OPERATING RESULTS**

### **Revenue and Profitability**

Revenue of the Group for the year under review amounted to approximately HK\$161.6 million (2019: approximately HK\$175.1 million), representing a decrease of approximately 7.7% over 2019. Revenue contributions were mainly derived from lottery hardware, lottery games and systems, provision of lottery distribution and ancillary services, and games and entertainment businesses in the PRC. The decrease in revenue for the year was primarily caused by the decrease in sales of lottery hardware of approximately HK\$31.4 million, partially offset by an increase of approximately HK\$8.8 million from games and entertainment business and increase of approximately HK\$6.2 million from the provision of lottery distribution and ancillary services. The decrease in revenue from lottery hardware business was due to a significant decrease in total national lottery hardware tenders during the year, slower tendering processes and hardware deliveries as compared to the corresponding period in 2019 as a result of the COVID-19 pandemic. The increase in revenue from games and entertainment business was caused by an increase in content provision revenue from the Paytm First Games platform in India.

Operating loss for the year was approximately HK\$131.1 million (2019: approximately HK\$194.9 million), representing a decrease of approximately 32.7% over 2019. The decrease was primarily due to the Group's various measures to strengthen cost controls over operating costs and expenses to enhance our competitive position in the industry. In addition, such decrease was due to the changing from a foreign exchange loss of approximately HK\$17.5 million for 2019 to a foreign exchange gain of approximately HK\$18.5 million for 2020 as a result of the appreciation of RMB against HK\$ during the year, which gave rise to foreign exchange gain from translating the RMB denominated balances to the Group's presentation currency. Employee benefits expenses also decreased by approximately 10.7% to approximately HK\$178.9 million (2019: approximately HK\$200.4 million) as a result of the decrease in the total headcount of the Group from 363 to 292 and the provision of one-off concession under the social security schemes in the PRC in response to the impact of the COVID-19 pandemic during the year under review.

The loss for the year was approximately HK\$109.5 million (2019: approximately HK\$113.6 million), representing a decrease of approximately 3.6% over 2019.

Share of results of investments accounted for using equity method for the year primarily represented the share of loss of the Group's joint venture with One97 Communications Limited of approximately HK\$83.2 million (2019: approximately HK\$38.2 million). During the Indian Premier League Fantasy Tournament in 2020, the Indian joint venture increased its investment in market branding, customer acquisition and user incentives, which resulted in a larger loss as compared to 2019.

Convertible Bonds were matured in August 2019 and since then no more fair value change (2019: gain of approximately HK\$85.2 million) and interest expense thereon (2019: approximately HK\$27.5 million) were recognized during the year. Net finance income also rose to approximately HK\$44.1 million (2019: approximately HK\$30.9 million), primarily due to the aforesaid fact that no interest expense was charged on the Convertible Bonds in 2020.

With regard to the Score Value Transaction, the conditions of obtaining the game approval (the “**Game Approval Pre-condition**”) by the mutually agreed extended deadline of 31 December 2020 and commencing first round game sales after obtaining such approval was not fulfilled on 31 December 2020, and the Company decided not to further extend the deadline for fulfilling the Game Approval Pre-condition. Accordingly, the contingent consideration payables of approximately HK\$69.6 million were written back to profit or loss during the year under review.

Other operating expenses for the year were approximately HK\$67.3 million (2019: approximately HK\$77.5 million). The decrease was primarily due to the reversal of provision of warranties of approximately HK\$5.9 million (2019: provision of warranties of approximately HK\$6.8 million) during the year under review.

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

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

However, as the pandemic gradually became under control in the PRC in the second quarter of 2020, we saw a steady recovery in the PRC lottery market since then as lottery related activities resumed. Indeed, the decline in total lottery sales in the PRC narrowed from approximately 64.5% in the first quarter of 2020 (as compared to the corresponding period in 2019) to eventually just approximately 20.9% year-on-year for the year ended 31 December 2020.

Thanks to the speedy recovery of the PRC lottery market and the revenue growth recorded in three business lines of the Group (namely, lottery games and systems, provision of lottery distribution and ancillary services, and games and entertainment) in 2020, total revenue of the Group for the year under review decreased by just approximately 7.7% as compared to 2019.

The Group continued to maintain a healthy financial position as at 31 December 2020. Net cash (defined as total cash and cash equivalents less total debts, which include trade payables, accruals and other payables, contract liabilities and lease liabilities) as at 31 December 2020 amounted to approximately HK\$68.6 million. Fixed deposits held at bank with original maturity over three months amounted to approximately HK\$1,465.2 million as at 31 December 2020. The Group did not have any bank borrowings, and liquidity ratio (defined as current assets divided by current liabilities) of the Group as at 31 December 2020 stood at approximately 13.5, which continuously reflected the adequacy of financial resources of the Group.

Despite the aforesaid healthy financial position of the Group, in order to improve the efficiency of the use of the remaining net proceeds from the Subscription and to cope with the challenging business environment ahead, the Company announced various re-allocations of such net proceeds together with their reasons in the Company's first quarterly results announcement for the three months ended 31 March 2020, and such re-allocations had been implemented since then. In addition, as announced in the Company's third quarterly results announcement for the nine months ended 30 September 2020, in view of the highly uncertain and difficult global and PRC business environment caused by the COVID-19 pandemic, and the fact that the pandemic remains severe in many countries and is expected to persist in 2021, the Board was of the view that it would be prudent for the Group to slow down the pace of its expenditure and overseas expansion. Accordingly, the expected deadline for the use of such remaining net proceeds was postponed from 31 December 2020 to 31 December 2022.

### **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, lease liabilities and contingent consideration payables) as at 31 December 2020 were approximately HK\$68.6 million (2019: approximately HK\$934.0 million). The decrease in net cash was primarily due to the increase in fixed deposits held at bank with original maturity over three months by approximately HK\$686.6 million. The total assets and net current assets of the Group as at 31 December 2020 were approximately HK\$3,148.4 million and approximately HK\$1,767.2 million respectively (2019: approximately HK\$3,254.7 million and approximately HK\$1,852.5 million respectively). Current liabilities of the Group as at 31 December 2020 were approximately HK\$141.0 million (2019: approximately HK\$194.8 million). As at 31 December 2020, the Group had no available banking facilities. There were no bank borrowings of the Group as at 31 December 2020 (2019: Nil). The liquidity ratio (defined as current assets divided by current liabilities) of the Group as at 31 December 2020 was approximately 13.5 (2019: 10.5) which continuously reflected adequacy of financial resources of the Group.

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

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

As at 31 December 2020, there were no bank borrowings of the Group (2019: Nil). The gearing ratio (defined as bank borrowings divided by equity) of the Group as at 31 December 2020 was therefore not applicable (2019: Not applicable).

As at 31 December 2020, 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 2020, 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 2020, the Group had 292 (2019: 363) employees in Hong Kong and the PRC. Total staff costs (excluding Directors' emoluments) for the year ended 31 December 2020 amounted to approximately HK\$168.4 million (2019: approximately HK\$189.8 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 2020, bank deposits of approximately HK\$0.3 million (as at 31 December 2019: approximately HK\$2.5 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 2020, a sum of approximately HK\$5.4 million (as at 31 December 2019: approximately HK\$16.5 million) was held by trustees of the Company for purchases of award Shares under the Share Award Scheme. Such sum was not available for general use by the Group.

Save as disclosed above, as at 31 December 2020, there was no charge on the assets of the Group.

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

As at 31 December 2020, there was no specific plan for material investments and acquisition of capital assets that is required to be disclosed pursuant to Rule 17.10 of the GEM Listing Rules and the inside information provisions under Part XIVA of the SFO.

**Significant changes to financial position**

Inventories of the Group amounted to approximately HK\$22.7 million as at 31 December 2020 (as at 31 December 2019: approximately HK\$11.9 million), with inventory turnover period increased from 91 days in 2019 to 141 days in 2020. Trade receivables of the Group amounted to approximately HK\$11.1 million as at 31 December 2020 (as at 31 December 2019: approximately HK\$26.6 million), with debtor turnover period decreased from 53 days in 2019 to 43 days in 2020. Debtor turnover period improved in 2020. Inventory turnover period deteriorated in 2020 as compared to that in 2019, primarily due to the increase of finished goods to meet the demand for the committed orders for the upcoming first half of 2021.

Goodwill of the Group increased to approximately HK\$1,112.2 million as at 31 December 2020 (as at 31 December 2019: approximately HK\$1,067.6 million), primarily due to the currency translation difference of approximately HK\$44.6 million in 2020 when translating the goodwill denominated in RMB into HK\$.

During the year under review, no gain (2019: a gain of approximately HK\$7.8 million) was recorded from the remeasurement of the fair value of the outstanding contingent consideration payables under the Score Value Transaction. The conditions of obtaining the Game Approval Pre-condition by the mutually agreed extended deadline of 31 December 2020 and commencing first round game sales after obtaining such approval had not yet been fulfilled as at 31 December 2020. As at 31 December 2020, the Company decided not to further extend the deadline for fulfilling the Game Approval Pre-condition. Accordingly, the contingent consideration payables of approximately HK\$69.6 million were written back to profit or loss during the year under review. In addition, according to the terms of the Score Value Agreement, if the Game Approval Pre-condition is not granted by the relevant government authority of the PRC by the mutually agreed extended deadline of 31 December 2020, the Vendors are required to refund HK\$50 million to the Company (the “**Refund Amount**”) within 30 working days after 31 December 2020, and the Company shall no longer be required to pay to the Vendors the contingent considerations. With respect to the Refund Amount which represented a contingent receivable to be measured at fair value, management of the Company has reassessed that the fair value was close to zero based on the Vendors’ creditworthiness or financial performance as at 31 December 2020.

Investments accounted for using equity method decreased to HK\$Nil as at 31 December 2020 (as at 31 December 2019: approximately HK\$14.3 million), primarily due to the share of loss of the Group’s joint venture with One97 Communications Limited of approximately HK\$83.2 million and partially offset by the capital contribution to the joint venture of approximately HK\$70.1 million.

### **Principal risks and uncertainties facing the Group, risk management measures and compliance with relevant laws and regulations**

Details of the principal risks and uncertainties facing the Group, the risk management measures deployed by the Group to mitigate such risks and the Group’s compliance with relevant laws and regulations will be found in the Directors’ Report of the annual report of the Company for the year ended 31 December 2020.

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

As of the date hereof, there was no significant event affecting the Group after 31 December 2020.

### **USE OF PROCEEDS FROM THE SUBSCRIPTION**

The net proceeds from the Subscription received by the Company upon its completion amounted to approximately HK\$2.38 billion.

As disclosed in the third quarterly results announcement of the Company for the nine months ended 30 September 2020, net proceeds from the Subscription (the “**Net Proceeds**”) in the sum of approximately HK\$741.1 million remained as at 30 September 2020 (the “**Remaining Net Proceeds**”). The Company announced various re-allocations of the Remaining Net Proceeds (the “**2020 Re-allocations**”) together with their reasons in the Company’s first quarterly results announcement for the three months ended 31 March 2020, and such re-allocations had been implemented since then.

During the period from 1 October 2020 to 31 December 2020 (the “**Three-Month Period**”), approximately HK\$77.0 million in total of the Remaining Net Proceeds was used by the Group for the business divisions of the Group and for investment, acquisition and general corporate purposes in the manner as set out in the table below. Net Proceeds in the sum of approximately HK\$664.1 million remained as at 31 December 2020 (as at 31 December 2019: approximately HK\$1,018.7 million) which were placed in the bank accounts of the Group.

| Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Remaining Net Proceeds are intended to be used                                     | Amount of Remaining Net Proceeds re-allocated and remained to be used as of 30 September 2020 | Amount of Remaining Net Proceeds actually used during the Three-Month Period | Actual application of Remaining Net Proceeds during the Three-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>(i) Games and Entertainment:</b>                                                                                                                                                         |                                                                                               |                                                                              |                                                                                                                                                                                                      |
| (a) <i>development, operation and promotion of the Chinese card game, GuanDan, and Two-on-One Poker</i>                                                                                     | approximately HK\$86.9 million (or approximately 11.7% of Remaining Net Proceeds)             | approximately HK\$7.4 million                                                | The Remaining Net Proceeds were used in items (i)(b) to (i)(c).                                                                                                                                      |
| (b) <i>development, operation and promotion of the mind sports, leisure games and entertainment</i>                                                                                         |                                                                                               |                                                                              | No material difference from intended usage noted following the 2020 Re-allocations.                                                                                                                  |
| (c) <i>research and development (“R&amp;D”) of games and entertainment content that are not subject to the applicable lottery laws and regulations in the PRC or other overseas markets</i> |                                                                                               |                                                                              | The Remaining Net Proceeds allocated to “Games and Entertainment” are expected to be used on or before 31 December 2022 (see Note below).                                                            |
| (d) <i>expansion and development of the Group’s R&amp;D capability in technology development for games and systems</i>                                                                      |                                                                                               |                                                                              |                                                                                                                                                                                                      |
| (e) <i>payment of marketing fees to merchants to promote and boost online activities by online users</i>                                                                                    |                                                                                               |                                                                              |                                                                                                                                                                                                      |
| <b>(ii) Hardware, Lottery Games &amp; Systems:</b>                                                                                                                                          |                                                                                               |                                                                              |                                                                                                                                                                                                      |
| (a) <i>operation and development of lottery hardware and terminal production</i>                                                                                                            | approximately HK\$202.8 million (or approximately 27.4% of Remaining Net Proceeds)            | approximately HK\$36.1 million                                               | The Remaining Net Proceeds were used in items (ii)(a) to (ii)(b) and (ii)(f).                                                                                                                        |
| (b) <i>operation and development of lottery software systems</i>                                                                                                                            |                                                                                               |                                                                              | No material difference from intended usage noted following the 2020 Re-allocations.                                                                                                                  |
| (c) <i>development of ancillary parts for lottery hardware and terminal production</i>                                                                                                      |                                                                                               |                                                                              | The Remaining Net Proceeds allocated to “Hardware, Lottery Games & Systems” are expected to be used on or before 31 December 2022 (see Note below).                                                  |
| (d) <i>investment for lottery games</i>                                                                                                                                                     |                                                                                               |                                                                              |                                                                                                                                                                                                      |
| (e) <i>funding the remaining consideration for the Score Value Transaction contingent upon certain performance targets</i>                                                                  |                                                                                               |                                                                              |                                                                                                                                                                                                      |
| (f) <i>sourcing, manufacturing, operation and development of smart hardware and ancillary equipment and provision of related after-sales maintenance services</i>                           |                                                                                               |                                                                              |                                                                                                                                                                                                      |

| Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Remaining Net Proceeds are intended to be used | Amount of Remaining Net Proceeds re-allocated and remained to be used as of 30 September 2020 | Amount of Remaining Net Proceeds actually used during the Three-Month Period | Actual application of Remaining Net Proceeds during the Three-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>(iii) Lottery Distribution:</b>                                                                                                                      |                                                                                               |                                                                              |                                                                                                                                                                                                      |
| (a) sales, marketing and distribution of virtual lottery games                                                                                          | approximately HK\$176 million (or approximately 23.7% of Remaining Net Proceeds)              | approximately HK\$15.9 million                                               | The Remaining Net Proceeds were used in items (iii)(b) to (iii)(c).                                                                                                                                  |
| (b) sales, marketing and distribution of instant scratch lottery games                                                                                  |                                                                                               |                                                                              | No material difference from intended usage noted following the 2020 Re-allocations.                                                                                                                  |
| (c) sales, marketing and distribution of other categories of lottery games                                                                              |                                                                                               |                                                                              | The Remaining Net Proceeds allocated to "Lottery Distribution" are expected to be used on or before 31 December 2022 (see Note below).                                                               |
| (d) online sales, marketing and distribution of lottery products (including but not limited to the future cooperation with Taobao and Alipay.)          |                                                                                               |                                                                              |                                                                                                                                                                                                      |
| <b>(iv) Investment project(s) and acquisition(s):</b>                                                                                                   |                                                                                               |                                                                              |                                                                                                                                                                                                      |
| (a) potential investment project(s) in overseas markets in areas of lottery business and games and entertainment business                               | approximately HK\$104.2 million (or approximately 14.1% of Remaining Net Proceeds)            | Nil                                                                          | The Remaining Net Proceeds allocated to "Investment project(s) and acquisition(s)" are expected to be used on or before 31 December 2022 (see Note below).                                           |
| (b) potential acquisition(s) of businesses engaged in lottery business and games and entertainment business                                             |                                                                                               |                                                                              |                                                                                                                                                                                                      |
| (c) capital investments in the Group's joint venture company established with One97 Communications Limited in India                                     |                                                                                               |                                                                              |                                                                                                                                                                                                      |
| (d) funding provided by the Group to support business expansion and ongoing operation in overseas markets                                               |                                                                                               |                                                                              |                                                                                                                                                                                                      |

| Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Remaining Net Proceeds are intended to be used | Amount of Remaining Net Proceeds re-allocated and remained to be used as of 30 September 2020 | Amount of Remaining Net Proceeds actually used during the Three-Month Period | Actual application of Remaining Net Proceeds during the Three-Month Period (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (v) General corporate purposes:                                                                                                                         |                                                                                               |                                                                              |                                                                                                                                                                                                      |
| (a) <i>staff costs and other administrative expenses of the Group (including the costs relating to the Share Award Scheme)</i>                          | approximately HK\$171.2 million (or approximately 23.1% of Remaining Net Proceeds)            | approximately HK\$17.6 million                                               | The Remaining Net Proceeds were used in items (v)(a) to (v)(b).                                                                                                                                      |
| (b) <i>general working capital of the Group</i>                                                                                                         |                                                                                               |                                                                              | No material difference from intended usage noted following the 2020 Re-allocations.                                                                                                                  |
|                                                                                                                                                         |                                                                                               |                                                                              | The Remaining Net Proceeds allocated to "General corporate purposes" are expected to be used on or before 31 December 2022 (see Note below).                                                         |
| Grand total:                                                                                                                                            | approximately HK\$741.1 million                                                               | approximately HK\$77.0 million                                               |                                                                                                                                                                                                      |

*Note:* In view of the highly uncertain and difficult global and PRC business environment caused by the COVID-19 pandemic, and the fact that the pandemic remains severe in many countries and is expected to persist in 2021, the Board is of the view that it would be prudent for the Group to slow down the pace of its expenditure and overseas expansion. Accordingly, the expected deadline for the use of the Remaining Net Proceeds had been postponed from 31 December 2020 to 31 December 2022.

## UPDATE ON SCORE VALUE TRANSACTION

The following disclosure in relation to the Score Value Transaction is made by the Company pursuant to Rule 17.10(2)(a) of the GEM Listing Rules and the Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the SFO.

### **Status of outstanding deferred consideration for the Score Value Transaction**

References are made to the Score Value Circular and the announcement made by the Company dated 6 January 2021. The First Deferred Consideration, the Second Deferred Consideration and the Third Deferred Consideration (as defined under the paragraph headed “Deferred Consideration” on page 9 of the Score Value Circular) (collectively, the “**Deferred Consideration**”) are subject to, among others, obtaining the approval of the relevant PRC government authority for the lottery game to be supplied by a subsidiary of Score Value (the “**Deferred Consideration Pre-condition**”). For details of the Deferred Consideration, please refer to the Score Value Circular. Although the parties to the Score Value Agreement had previously mutually agreed to further extend the deadline for fulfilling the Deferred Consideration Pre-condition to 31 December 2020, it was still not fulfilled. As disclosed in the announcement of the Company dated 6 January 2021, the Company decided not to further extend the deadline for the Deferred Consideration Pre-condition. Accordingly, pursuant to the Score Value Agreement, the Vendors are required to refund the Refund Amount by 19 February 2021 and the Deferred Consideration shall no longer be payable to the Vendors.

Since the Vendors did not repay the Refund Amount by 19 February 2021, the Purchaser and the Company will likely have to go through an arbitration process to recover the Refund Amount as per the Score Value Agreement. Based on the legal advice obtained by the Company, the Purchaser and the Company have an arguable case for claiming the Refund Amount against the Vendors. However, obtaining an arbitral award and enforcing the orders will invariably incur substantial time and costs. Furthermore, to the best of the Directors’ knowledge after making reasonable enquiries by the Group in the present circumstances, the Purchaser and the Company have not been able to identify sufficient evidence suggesting that the Vendors have sufficient means to satisfy the Refund Amount. It therefore follows that even if the Group successfully obtains a favorable arbitral award and the requisite enforcement order from the relevant courts, there is a real risk that the Purchaser and the Company will not be able to recoup the Refund Amount and the legal costs that will be incurred. Accordingly, having reviewed and discussed the matter with its legal advisers and considered the aforementioned situation, the Board is of the view that it will not be fruitful to pursue such claim and it is unlikely to recover such amount. The Company considers the fair value of receivable of the Refund Amount was close to zero. The overall financial impacts arising from no further extension of deadline for the Deferred Consideration Pre-condition and the non-recovery of the Refund Amount are the write-back of contingent consideration payables of approximately HK\$69.6 million to profit or loss and reclassification of the equity portion of contingent considerations of approximately HK\$30.4 million from other reserve into accumulated losses as at 31 December 2020. The Board considers that such arrangement is in the interest of its Shareholders and the Company as a whole.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely, Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qunyao. Ms. Monica Maria Nunes is the chairperson of the Audit Committee. The consolidated financial statements of the Group for the year ended 31 December 2020 have been reviewed and commented on by the Audit Committee.

The figures 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 2020 as set out in this announcement 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 2020. 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 with all Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding Directors’ securities transactions during the year under review.

During the year under review, letters were sent to Directors before the commencement of the “black-out periods” in preparation for the annual, interim and quarterly results announcements to remind them that they should not deal in the securities of the Company during such periods.

## SHARE OPTIONS

A 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 and all options granted under the 2004 Scheme had lapsed in 2019).

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

During the year ended 31 December 2020, no options were granted by the Company pursuant to the Share Option Schemes. No options were cancelled and forfeited, whereas options in respect of 80,660,698 Shares had expired during the year ended 31 December 2020. As at the date of this announcement, the total number of Shares still available for issue in respect of the share options granted under the 2014 Scheme (excluding, for the purpose of calculating the “scheme mandate limit”, any options granted under the 2014 Scheme but forfeited or expired in accordance with the terms of such scheme) shall be 313,309,485 Shares, representing approximately 2.7% of the Company’s issued share capital as at that date.

No options were exercised during the year ended 31 December 2020.

As at 31 December 2020, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Schemes was Nil (2019: 80,660,698), representing Nil% (2019: 1%) 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 22 May 2020, the Board granted a total of 52,744,000 award Shares to (i) Ms. Hu Taoye, an executive Director; (ii) six directors of subsidiaries of the Company; and (iii) 86 eligible persons who are employees and independent of the Company and its connected persons under the Share Award Scheme. The 52,744,000 award Shares granted represent approximately 0.45% of the issued share capital of the Company as at the date hereof. Based on the closing price of HK\$0.48 per Share on the date of grant of the award Shares, the market value of the 52,744,000 award Shares in aggregate is HK\$25,317,120.

During the year under review, the trustee of the Share Award Scheme (the “**Trustee**”) has purchased a total of 66,752,000 Shares on the Stock Exchange at a total consideration of approximately HK\$22.0 million to satisfy award Shares granted under the Share Award Scheme.

During the year under review, 52,744,000 award Shares were granted by the Company pursuant to the Share Award Scheme, 45,938,425 award Shares were vested in the grantees and 33,155,000 award Shares were forfeited.

All of the 52,744,000 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 code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The roles of chairman and CEO of the Company were performed by an executive Director, Mr. Sun Ho, during the year under review. The Company considered that the combination of the roles of chairman and CEO could effectively facilitate the formulation and implementation of the strategies of the Company. The Company considered that under the supervision of its Board and especially its independent non-executive Directors, a balancing mechanism existed so that the interests of the Shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement;
- (b) under code provision A.4.2 of the Code, every Director should be subject to retirement by rotation at least once every three years. However, pursuant to the Bye-laws, the chairman of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. During the year under review, the chairman of the Board was not subject to retirement by rotation as the Board considered that the continuity of the office of the chairman provided the Group with strong and consistent leadership and was of great importance to the smooth operations of the Group;

- (c) under code provision A.2.7 of the Code, the chairman of the Board should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors. During the year under review, the chairman of the Board did not hold such kind of private meetings with the independent non-executive Directors. The chairman of the Board considered that it was unnecessary as it would be more transparent to let the independent non-executive Directors speak out their views to all other Directors in full Board meetings which would be held at least four times a year. Besides, the chairman of the Board, being an executive Director himself, always welcomes all independent non-executive Directors to directly communicate with him via his email or phone to discuss any matters of the Company from time to time;
- (d) under code provision A.6.6 of the Code, each Director should disclose to the Company, among other things, an indication of the time involved by him/her in his/her offices held in other public companies or organisations and other significant commitments. During the year under review, no such disclosure was made by the Directors to the Company. As the Board had adopted a corporate governance practice that each Director's contributions to the Group would be reviewed and discussed at the Board meeting annually (the "**Annual Contributions Review**"), the Board considered that assessing the time spent by each Director on his/her commitments outside the Group was not necessary for the purposes of the Annual Contributions Review and that the disclosure of the time spent by a Director in performing his/her duties did not necessarily indicate accurately the efficiency of such Director and the effectiveness of his/her work, and may therefore be misleading;
- (e) under code provision B.1.2(c) of the Code, the remuneration committee should review and recommend to the Board for approval of the specific remuneration packages of senior management. The remuneration committee of the Company had reviewed its scope of duties and considered that the delegated responsibility to review and recommend to the Board to approve the specific remuneration packages of senior management should be vested in the executive Directors who have a better understanding of the level of expertise, experience and performance expected of the senior management in the daily business operations. Notwithstanding the foregoing, the remuneration committee would continue to be primarily responsible for the review and recommendation of the remuneration packages of the Directors;

- (f) under code provision B.1.5 of the Code, the Company should disclose details of any remuneration payable to members of senior management by band in its annual report. The Company did not make such disclosure in its annual report as the Board considered that (i) the remuneration of any newly appointed “chief executive” (as defined under the GEM Listing Rules) would have already been disclosed in the announcement previously issued by the Company in respect of such appointment in accordance with GEM Listing Rule 17.50(2)(g); (ii) the five highest paid employees within the Group had already been disclosed in the notes to the consolidated financial statements of the Group in the annual report, and (iii) giving further details of remuneration for each and every senior management staff would result in particulars of excessive length and no additional value to the Shareholders, whilst at the same time may impair the flexibility of the Group in its negotiations of remuneration packages for senior management staff (especially those who are not Directors or chief executives of the Group and hence are not supposed to be subject to the aforesaid disclosure requirement under GEM Listing Rule 17.50(2)(g)) should it need to find replacement staff or recruit additional senior personnel in the future;
- (g) under code provision E.1.5 of the Code, the Company should have a policy on payment of dividends and should disclose it in its annual report. The Company did not have such policy and did not make such disclosure in its annual report as the Board considered that it would be premature to decide on its dividend policy as the Company did not have any distributable reserves calculated under the laws of Bermuda, and even if the Company will have sufficient distributable reserves to pay its dividends in the future, the Board has yet to assess the funding requirements of the Group (for instance, its working capital needs and capital expenditure) at that time before the Company could decide on the amount of dividends or proportion of net profits that it would be in a position to distribute to the Shareholders; and
- (h) under code provision F.1.2 of the Code, a Board meeting should be held to discuss the appointment of the new company secretary, Ms. Lee Wai Yan Vivian, and the matter should be dealt with by a physical board meeting rather than a written resolution. Ms. Lee had been assisting the former company secretary of the Company and providing company secretarial support to the Company prior to her appointment and therefore the Board considers that it is unnecessary to convene a physical board meeting to approve her appointment as the Directors are fully aware of Ms. Lee’s qualifications and experience. A written resolution regarding the appointment of Ms. Lee has been passed by all the Directors.

(The above deviations (a) to (g) were similarly disclosed on pages 23 and 24 of the Company’s annual report for the year ended 31 December 2019, and on pages 38 to 40 of the Company’s interim report for the six months ended 30 June 2020. The above deviation (h) is a new one that took place in the fourth quarter of 2020.)

## CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2020, 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

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

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

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

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

- (ii) On 20 December 2019, Beijing AGTech Co., Ltd.\* ("**Beijing AGTech**"), being a wholly-owned subsidiary of the Company, entered into a technology services framework agreement (the "**2020 Technology Services Framework Agreement**") with Alibaba Cloud Computing Ltd. ("**Alibaba Cloud**"). Pursuant to the 2020 Technology Services Framework Agreement, Beijing AGTech will and will procure the Group to, where applicable, enter into specific agreements with Alibaba Cloud for the provision of technology services and resources, including authorisation for the use of cloud computing technologies and e-commerce technologies, and the provision of other technology services and support based on the business needs and operational requirements of the Group, including the provision of information technology infrastructure and hardware such as servers and data rooms, by Alibaba Cloud to the Group. The 2020 Technology Services Framework Agreement shall be for a term commencing on 1 January 2020 and ending on 31 December 2022. The Company initially expected that the maximum aggregate fees payable to Alibaba Cloud by the Group under the 2020 Technology Services Framework Agreement would not be more than HK\$3,300,000 for the year ended 31 December 2020, HK\$4,000,000 for the year ending 31 December 2021 and HK\$4,800,000 for the year ending 31 December 2022.

However, as announced by the Company on 17 December 2020, the Company subsequently revised the annual cap for the year ended 31 December 2020 upwards to HK\$3,800,000 with reference to (a) the fact that the historical transaction amount (unaudited) relating to the relevant technology services for the 11 months ended 30 November 2020 was already approximately HK\$2,930,000, and (b) the then expected transaction amounts relating to such technology services for the one-month period in December 2020; while the annual caps for the years ending 31 December 2021 and 2022 remain unchanged. These annual caps were primarily estimated based on the Group's expected demand and rate of usage for the relevant technology services during the term of the 2020 Technology Services Framework Agreement, the applicable rates of services currently published by Alibaba Cloud on its official website(s), and the discount rates historically offered by Alibaba Cloud to third parties.

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

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

During the year ended 31 December 2020, the actual transaction amounts in respect of the CCTs with Alibaba Group described above were as follows:

| <b>CCTs with Alibaba Group</b>                                               | <b>Total amount<br/>(HK\$'000)</b> |
|------------------------------------------------------------------------------|------------------------------------|
| <b>(i) In respect of the Alibaba Cooperation Framework Agreement :</b>       | Nil <i>Note a</i>                  |
| <b>(ii) In respect of the 2020 Technology Services Framework Agreement :</b> | 3,159 <i>Note b</i>                |

*Notes:*

- a. The aggregate amount of these transactions amounted to HK\$Nil for the year ended 31 December 2020, which fell within the annual cap amount of HK\$70,000,000 for such year.
- b. The aggregate amount of these transactions amounted to approximately HK\$3,159,000 for the year ended 31 December 2020, which fell within the revised annual cap amount of HK\$3,800,000 for such year.

## **Annual review of CCTs**

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

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

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

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

During the year ended 31 December 2020, the Company reviewed its related party transactions and confirmed that, save as disclosed above, there was no connected transaction or continuing connected transaction of the Company which was required to be disclosed pursuant to Chapter 20 of the GEM Listing Rules.

## **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”     | 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, with its American depository shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA) and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988) |
| “Alipay”          | 支付寶（中國）網絡技術有限公司 (Alipay.com Co., Ltd.*), a company incorporated in the PRC and a wholly-owned subsidiary of Ant Holdco                                                                                                                                                                                          |
| “Alipay Group”    | Alipay and its subsidiaries                                                                                                                                                                                                                                                                                     |
| "Ant Group"       | Ant Holdco and its subsidiaries                                                                                                                                                                                                                                                                                 |
| “Ant Holdco”      | 螞蟻科技集團股份有限公司 (Ant Group Co., Ltd.) (formerly known as 浙江螞蟻小微金融服務集團股份有限公司 (Ant Small and Micro Financial Services Group Co., Ltd.)), a company organized under the laws of the PRC                                                                                                                               |

|                       |                                                                                                                                                 |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| “Board”               | the board of Directors                                                                                                                          |
| “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, the Shares of which are listed on GEM |
| “Convertible Bonds”   | the convertible bonds of the Company issued to Ali Fortune under the Subscription                                                               |
| “Director(s)”         | the director(s) of the Company                                                                                                                  |
| “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 Macao Special Administrative Region of the PRC                                                                                              |
| “MOF”                 | the Ministry of Finance of China                                                                                                                |
| “PRC” or “China”      | the People’s Republic of China                                                                                                                  |
| “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      |
| “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 Transaction” | the acquisition of the entire equity interest in Score Value by the Company as contemplated under the Score Value Agreement                                                    |
| “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)                                                                                                                                                      |
| “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 established in the PRC and a subsidiary of Alibaba Holding                                                        |
| “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                                                                  |
| “%”               | per cent                                                                                               |

*Notes:*

1. In this announcement, the exchange rate of HK\$1.1247 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, 23 March 2021

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

*This announcement will remain on the “Latest Listed Company Information” page of the GEM website operated by the Stock Exchange at [www.hkgem.com](http://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](http://www.agtech.com).*