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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)

(1) VERY SUBSTANTIAL ACQUISITION;

AND

(2) POSSIBLE CONTINUING CONNECTED TRANSACTIONS

THE ACQUISITION

After trading hours of the Stock Exchange on September 10, 2021, the Company, the Purchasers (being indirect wholly-owned subsidiaries of the Company), the Sellers and the Target Group entered into the Agreement, pursuant to which the Sellers have conditionally agreed to sell, and the Purchasers have conditionally agreed to acquire, the entire equity interest in the Target and 1% equity interest in Macau Pass (with 99% equity interest therein being held by the Target) at a maximum Consideration of HK\$778,000,000 (subject to downward adjustments).

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

Upon Closing, the Target will become an indirect wholly-owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the financial statements of the Group.

POSSIBLE CONTINUING CONNECTED TRANSACTIONS

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

The Alipay Entities are connected persons of the Company under the GEM Listing Rules. As Macau Pass will become an indirect wholly-owned subsidiary of the Company upon Closing, the aforesaid payment of service fees by Macau Pass to the Alipay Entities in respect of its acquiring services will constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules after Closing. To ensure that such existing business cooperation between Macau Pass and the Alipay Entities will comply with the requirements of the GEM Listing Rules with effect from Closing, on September 10, 2021, the Company entered into the Framework Agreement with the Alipay Entities to set out the terms and conditions of the future business cooperation (in respect of Macau Pass’ acquiring services) between Macau Pass and the Alipay Entities subject to and with effect from Closing.

GEM LISTING RULES IMPLICATIONS

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

As the Alipay Entities are connected persons of the Company, the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules. As the Annual Caps will exceed 5% of the relevant applicable percentage ratios and HK\$10,000,000 per annum, the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) will be subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

The SGM will be convened and held by the Company to consider and, if thought fit, approve the resolutions in respect of the Agreement and the transactions contemplated thereunder, and the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps).

The Independent Board Committee has been established to give recommendation to the Independent Shareholders on the terms of the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps). Opus Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

A circular containing, among other things, (i) details of the Agreement; (ii) details of the Framework Agreement and the Annual Caps; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps); (iv) a letter from the independent financial adviser, Opus Capital Limited, to advise the Independent Board Committee and the Independent Shareholders in the aforesaid regard; (v) the financial information of the Group, the Target Group and the Enlarged Group; (vi) the valuation report on the Target Group; (vii) the notice convening the SGM; and (viii) other information as required under the GEM Listing Rules, is expected to be dispatched to the Shareholders on or before October 31, 2021, which has been determined after taking into account of the estimated time required for the Company to prepare the relevant information for inclusion in the circular.

As Closing is subject to fulfilment or waiver (as the case may be) of the Closing Conditions, the Acquisition may or may not proceed. The Framework Agreement shall be effective upon fulfillment of certain conditions including, among other things, the Closing having taken place, and therefore the aforesaid possible continuing connected transactions for the Company may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

I. THE ACQUISITION

Reference is made to the announcement of the Company dated May 14, 2021 in relation to the execution of the Summary of Terms by the Company, the Sellers and the Target Group in respect of the possible acquisition by the Group of the entire equity interests in the Target Group.

The Board is pleased to announce that after trading hours of the Stock Exchange on September 10, 2021, the Company, AGTech Investment, AGTech Services (both indirect wholly-owned subsidiaries of the Company), the Sellers and the Target Group entered into the Agreement, pursuant to which the Sellers have conditionally agreed to sell, and AGTech Investment and AGTech Services have conditionally agreed to acquire, the Sale Shares (representing the entire equity interest in the Target and 1% equity interest in Macau Pass) at a maximum Consideration of HK\$778,000,000. The Target holds 99% equity interest in Macau Pass and the entire equity interest in the PRC Company. The Target Group is principally engaged in (i) the provision of physical payment card services via “Macau Pass Cards” and ancillary card services; (ii) the provision of e-wallet services known as “MPay”; (iii) the provision of acquiring services for other payment service providers; and (iv) sales and leasing of payment terminals and equipment. Details of the Agreement are set out below.

1. THE AGREEMENT

Date

September 10, 2021

Parties

- (i) The Purchasers, being AGTech Investment and AGTech Services (both indirect wholly-owned subsidiaries of the Company);
- (ii) the Sellers, being Mr. Liu Hei Wan, Mr. Liu Cheuk Yin, Mr. Lao Kin Keong and Mr. Vong Chak Kin;
- (iii) the Company, being the Purchasers’ guarantor under the Agreement;
- (iv) the Target, being Macau Pass Holding Ltd.; and
- (v) Macau Pass and the PRC Company, being a 99%-owned subsidiary and a wholly-owned subsidiary of the Target respectively.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Target Group and the Sellers are third parties independent of and not connected with the Company and its connected persons.

Subject matter

Pursuant to the Agreement, each of the Sellers has conditionally agreed to sell the Sale Shares as set out below free from all encumbrances and with all rights attached to the Sale Shares including the right to receive all dividends and other distributions declared, made or paid on or after Closing, and each of AGTech Investment and AGTech Services has conditionally agreed to purchase the Sale Shares for such portion of Consideration each as set out below (subject to downward adjustments) with effect from Closing.

Seller	Sale Shares	Purchaser purchasing the respective Sale Shares	Consideration (HK\$)
the Existing Target Shareholder (i.e. Mr. Liu Hei Wan)	1 share in the Target with nominal value of MOP198,000, representing 99% equity interest in the Target	AGTech Investment	762,517,800
Mr. Liu Cheuk Yin	1 share in the Target with nominal value of MOP1,000, representing 0.5% equity interest in the Target	AGTech Services	3,851,100
Mr. Lao Kin Keong	1 share in the Target with nominal value of MOP1,000, representing 0.5% equity interest in the Target; and	AGTech Services	3,851,100
	1,500 shares in Macau Pass with nominal value of MOP100 each, representing 0.5% equity interest in Macau Pass	AGTech Investment	3,890,000
Mr. Vong Chak Kin	1,500 shares in Macau Pass with nominal value of MOP100 each, representing 0.5% equity interest in Macau Pass	AGTech Services	3,890,000
		Total:	778,000,000

Consideration

The maximum Consideration for the Sale Shares is HK\$778,000,000 (subject to downward adjustments), being the maximum aggregate amount of the Initial Consideration and the Deferred Consideration (as defined below), which shall be paid in cash in the following manner:

- (i) the Purchasers shall pay HK\$700,200,000 (the “**Initial Consideration**”) to the Sellers at Closing; and
- (ii) subject to the downward adjustment mechanism set out in the paragraph headed “Adjustments to the Deferred Consideration” and the fulfillment of the payment conditions set out in the paragraph headed “Conditions precedent to payment of the Deferred Consideration” below, an amount equal to HK\$77,800,000 (the “**Deferred Consideration**”) (or the balance thereof after the adjustment(s), if any) shall be paid to the Sellers on the date falling on the first anniversary after the Closing Date (or the next Business Day if such anniversary falls on a non-Business Day) (the “**Second Payment Date**”).

For the avoidance of doubt, no interest will be accrued on the Deferred Consideration. The Group intends to fund the Consideration by its internal cash resources.

The Consideration was arrived at after arm’s length negotiations among the Purchasers and the Sellers having taken into account, among other things, (i) the market leader position of Macau Pass as a payment service provider in Macau; (ii) the control premium for this rare opportunity to acquire the entire equity interests in the Target Group; (iii) the historical profitability of the Target Group, particularly the unaudited earnings before interest, tax, depreciation and amortization expenses (“**EBITDA**”) of approximately MOP86.5 million (equivalent to approximately HK\$84.0 million) for the trailing 12-month period ended April 30, 2021 (being the cut-off date of the latest unaudited management accounts of the Target Group for the purpose of the parties’ negotiations of the terms of the Acquisition (the “**April Cut-off Date**”)), which has been used to derive the valuation of the Target Group as discussed below; (iv) the anticipated improvement in the Target Group’s business performance following resumption of tourists activities in Macau; (v) the various expected synergies between the Target Group and the Group as discussed in more details in the paragraph headed “Reasons for and benefits of the Acquisition” below; (vi) the preliminary valuation of the entire equity interests of the Target Group of not less than HK\$778,000,000 as at the April Cut-off Date (the “**Preliminary Valuation**”); and (vii) the downward adjustment mechanism as set out in the paragraph headed “Adjustments to the Deferred Consideration” below to safeguard the interests of the Group.

The Preliminary Valuation was assessed by an independent valuer (the “**Valuer**”) by adopting the comparable companies method under the market approach. Under such method, the Valuer assessed the value of 100% equity interest in the Target Group based on the EBITDA of the Target Group for the trailing 12-month period ended the April Cut-off Date and the enterprise value-to-EBITDA (“**EV/EBITDA**”) multiples (after adjustments for control premium and lack of marketability discount) of an exhaustive list of comparable companies identified by the Valuer based on the following principal selection criteria:

- (i) being engaged in principal business similar to that of the Target Group, i.e. provision of electronic payment services, particularly acting as payment services providers and enabling merchants to accept electronic payments by a variety of payment methods such as debit card, credit card and/or digital wallet;
- (ii) being listed in major exchange markets;
- (iii) being profit-making in the trailing 12-month period ended the April Cut-off Date; and
- (iv) financial information being available to the public.

For the purpose of calculating the EBITDA of the Target Group and the comparable companies, foreign exchange gain or loss has been excluded as it is considered as a non-operating item not related to the performance of the underlying business operations of the companies under valuation. The Valuer considers such exclusion is generally accepted in market practice. The unaudited foreign exchange gain recognized by the Target Group, which has been excluded from the calculation of the EBITDA of the Target Group for the trailing 12-month period ended the April Cut-off Date, amounted to approximately MOP3.0 million (equivalent to approximately HK\$2.9 million).

The Valuer considers the EV/EBITDA multiple, which eliminates the differences in capital structure, taxation and depreciation and amortization methods across different comparable companies, to be an appropriate indicator of the fair value of the Target Group and is generally accepted in valuation of companies in the industry of the Target Group. The Preliminary Valuation is subject to finalization by the Valuer and a valuation report of the Target Group setting out details of the final valuation and the rationale of the valuation methodology adopted by the Valuer will be included in the circular in relation to the Acquisition to be dispatched to the Shareholders.

Having considered the above, the Directors concur with the valuation methodology and multiple adopted and the comparable companies selected by the Valuer, and are of the view that the valuation is fair and reasonable.

Adjustments to the Deferred Consideration

The Deferred Consideration payable is subject to the downward adjustments described below:

- (i) there shall be deducted from the Deferred Consideration the amount (if any) of any outstanding financial indebtedness of the Target Group as at the Relevant Time that are not expressly permitted by the Purchasers; and
- (ii) there shall be deducted from the Deferred Consideration the amount (if any) of any shortfall by which (i) the amount of the Operating Cash of Macau Pass does not satisfy the minimum Operating Cash requirement of MOP5 million, or (ii) the capital adequacy level of Macau Pass does not satisfy the Capital Adequacy Ratio Requirement, as at the Relevant Time.

For the avoidance of doubt, in the event that the Deferred Consideration falls short of the amount of deduction(s) as described above in this paragraph, the Existing Target Shareholder shall pay to the Purchasers the amount of such shortfall.

Closing Conditions

Closing is conditional upon the following Closing Conditions being satisfied (or, at the absolute discretion of the Purchasers, waived by the Purchasers) on or before the Long Stop Date:

- (i) the obtaining of all relevant regulatory consents, approvals, clearances and authorizations of any relevant governmental authorities in Hong Kong, Macau or elsewhere as are necessary by the Purchasers and the Company for the implementation of the Agreement (including, without limitation, shareholders' approval of the Purchasers and of the Company on, among other things, the transactions contemplated under the Agreement and other related documents);
- (ii) the Target Group receiving all relevant regulatory consents and approvals as are necessary in connection with the proposed change in shareholding of the Target Group (including, without limitation, Macau Pass having actually received the written approval of AMCM for implementation of the Acquisition and the proposed change in shareholding or control of Macau Pass);

- (iii) the minimum Operating Cash requirement of MOP5 million and the Capital Adequacy Ratio Requirement having been satisfied and the Target Group having no outstanding financial indebtedness (other than those expressly permitted by the Purchasers) as at the Relevant Time;
- (iv) as at Closing, none of the representations, warranties and undertakings given by the Existing Target Shareholder under the Agreement is untrue, inaccurate or misleading in any material respects;
- (v) the Sellers having complied with their respective covenants, undertakings and obligations under the Agreement;
- (vi) no decision, order or judgment having been issued or made by any government authority in Hong Kong, Macau or the PRC at any time prior to Closing that has the effect of making unlawful or otherwise prohibiting or restricting the transfer of the Sale Shares to the Purchasers; and
- (vii) no material adverse change on the Target Group until Closing, save as otherwise contemplated or permitted under the Agreement or any other related documents.

The Purchasers may, to such extent as they think fit and are legally entitled to do so, at any time jointly waive in writing any of the Closing Conditions set out in (iii) to (v) and (vii) above on such terms as they may decide.

If any of the Closing Conditions set out in (iii) to (v) and (vii) (which have not previously been waived by the Purchasers) have not been satisfied on or before 3:00 p.m. on the Long Stop Date, then the Purchasers may on that date, at their option (but without prejudice to any other right or remedy they may have), by notice to the Sellers:

- (i) waive the Closing Conditions which have not been satisfied;
- (ii) postpone the Long Stop Date to such other date as agreed between the Sellers and the Purchasers in writing; or
- (iii) terminate the Agreement, upon which the rights and obligations of the parties to the Agreement shall cease immediately save for any antecedent breaches of the terms thereof and the provisions of announcement and disclosure restrictions under the Agreement.

If any of the Closing Conditions set out in (i), (ii) and (vi) have not been satisfied on or before 3:00 p.m. on the Long Stop Date, then the Sellers and the Purchasers may:

- (i) within three (3) Business Days after the Long Stop Date, agree to postpone the Long Stop Date to such other date as agreed between the Sellers and the Purchasers in writing; or
- (ii) if the Sellers and the Purchasers fail to agree on the matters as referred to in sub-paragraph (i) above within three (3) Business Days after the Long Stop Date, then the Agreement shall be terminated in the manner set out in the sub-paragraph (iii) above in the preceding paragraph.

Conditions precedent to payment of the Deferred Consideration

The Purchasers' obligation to pay the Deferred Consideration to the Sellers is conditional upon the following conditions being satisfied (or, at the absolute discretion of the Purchasers, waived by the Purchasers) on or before the Second Payment Date:

- (i) delivery by the Existing Target Shareholder to the Purchasers of an original signed certificate of the Existing Target Shareholder confirming that the conditions precedent to payment of the Deferred Consideration have been satisfied (or waived by the Purchasers) not later than ten (10) Business Days before the Second Payment Date;
- (ii) the total revenue of Macau Pass for the Latest Period is not lower than that for the 12-month period immediately prior to the Latest Period by over 1%. For the avoidance of doubt, total revenue of Macau Pass for the purpose of this clause means the total revenue generated by Macau Pass from (a) transaction fee from payment card services, (b) transaction fee from e-wallet services, (c) commission income from acquiring services for other payment platforms, (d) sales and leasing of card reader and scanner payment terminals and payment equipment; and (e) sales of payment cards and provision of card handling services;
- (iii) the average monthly active users of the e-wallet services of Macau Pass for the Latest Period is not lower than that for the 12-month period immediately prior to the Latest Period by over 1%;

- (iv) none of the members of the Existing Target Shareholder Group has done anything that may lead to a suspension or revocation of the licenses and permits necessary for the current businesses of the Target Group;
- (v) for a period of one (1) year after the Closing Date, the Existing Target Shareholder Group will be retained by the Target Group as their advisers on a complimentary basis, whose main responsibilities will be:
 - (a) within a period of six (6) months after Closing, introduce to the Purchasers' management team the key clients of the Target Group and assist to maintain the business relationship between the key clients and the Target Group;
 - (b) advise the Target Group on matters relating to the material licenses and permits necessary for the current businesses of the Target Group upon request of the Purchasers and to the extent that the Existing Target Shareholder Group has any actual knowledge of such matters, with the aim of keeping such material licenses and permits valid and subsisting, provided that the Existing Target Shareholder Group has no obligation to ensure or guarantee about the validity and subsistence of such licenses and permits;
 - (c) advise the Target Group on any potential regulatory changes and requirements that would impact the businesses and licenses of the Target Group, to the extent that the Existing Target Shareholder Group has any actual knowledge of such regulatory changes and/or requirements; and
 - (d) provide supports and resources upon reasonable request of the Purchasers to the Target Group to facilitate a smooth transition of the Target Group's operations to the management team of the Purchasers after Closing, such that the businesses of the Target Group may be operated in a manner materially consistent with past practices before Closing.

Closing

Closing will take place on a date as the Sellers and the Purchasers may agree in writing, the earliest of which will be on or after the fifteenth (15th) Business Day following satisfaction or waiver (where applicable) of all Closing Conditions and such date being immediately preceded by three (3) consecutive Business Days.

If the respective Closing obligations of the parties to the Agreement are not complied with on the Closing Date, the Purchasers may by notice to the Sellers (in the event that the Sellers are unable or unwilling to comply with their obligations under the Agreement) or the Sellers may by notice to the Purchasers (in the event that the Purchasers are unable or unwilling to comply with their obligations under the Agreement):

- (i) postpone Closing to a date (being a Business Day) falling not more than 10 Business Days after the Long Stop Date;
- (ii) proceed to Closing as far as practicable (without limiting its rights under the Agreement); or
- (iii) terminate the Agreement, upon which the rights and obligations of the parties to the Agreement shall cease immediately save for any antecedent breaches of the terms thereof and the provisions of announcement and disclosure restrictions under the Agreement.

Upon Closing, the Target will become an indirect wholly-owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the financial statements of the Group.

Non-competition undertaking by the Existing Target Shareholder

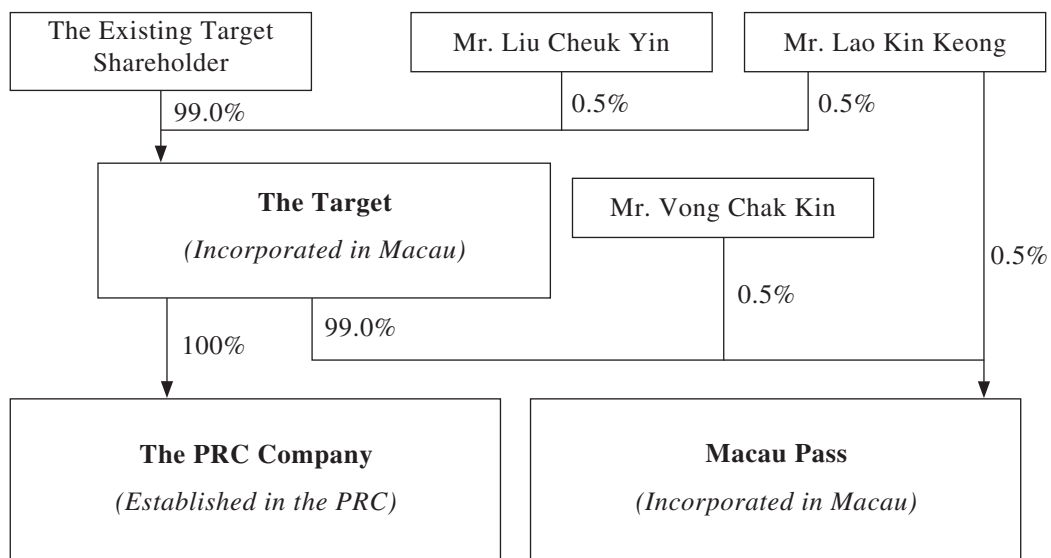
Pursuant to the Agreement, the Existing Target Shareholder undertakes to the Purchasers that the Existing Target Shareholder Group will not, without the written consent of the Purchasers, whether directly or indirectly and either alone or in conjunction with, or on behalf of, any other person, and whether as principal, shareholder, director, employee, agent, consultant, partner or otherwise:

- (i) for a period of three (3) years immediately following the Closing Date, engage in, have significant strategic influence over, or own or hold any majority shareholding in any business or person that provides services in Macau that are substantially the same as any of the principal business activities of the Target Group in Macau as at the date of the Agreement, or that directly or indirectly compete against such business of the Target Group; and
- (ii) for a period of two (2) years immediately following the Closing Date, either on its own account or in conjunction with or on behalf of any person, firm or company, employ or solicit or endeavor to entice away any key executives from the Target Group, whether or not such key executives would commit a breach of contract by reason of leaving service or office.

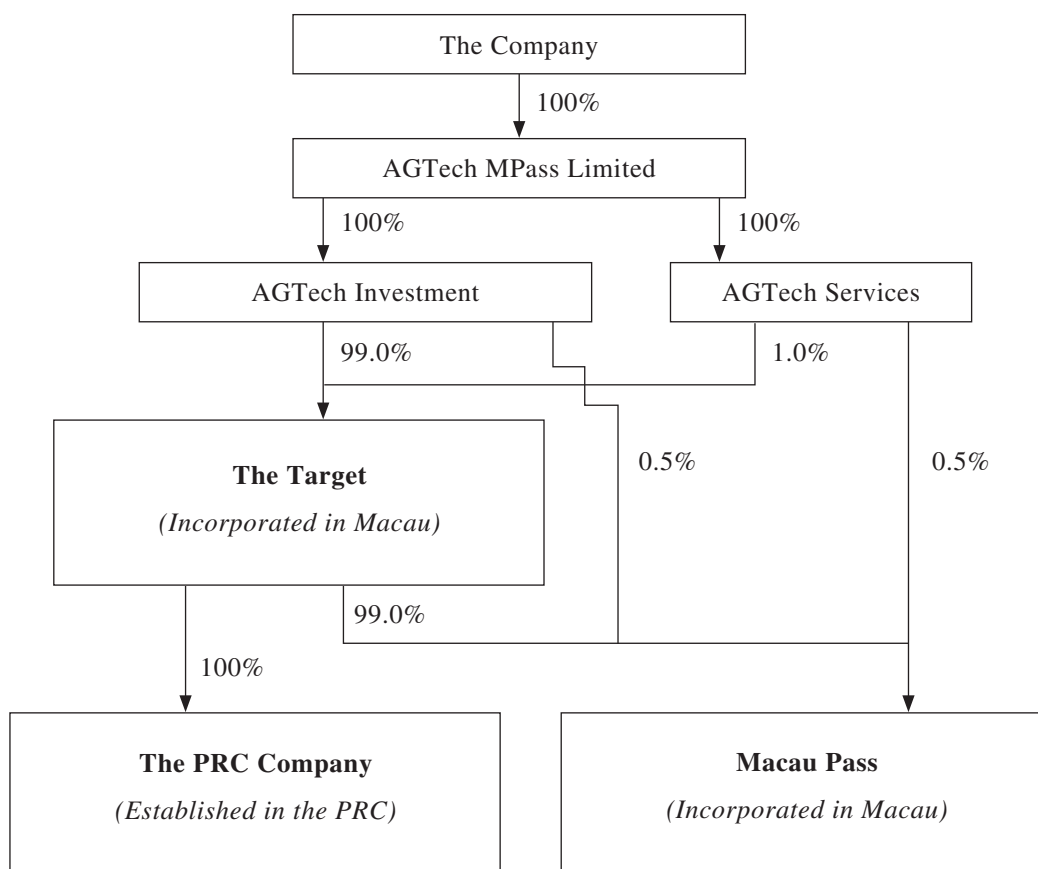
2. INFORMATION ON THE TARGET GROUP

Group structure

The diagram below depicts the group structure of the Target Group as at the date of this announcement:



The diagram below depicts the group structure of the Target Group immediately after Closing:



Business

The Target is an investment holding company with two operating subsidiaries, namely Macau Pass and the PRC Company. Macau Pass is the principal operating company of the Target Group while the PRC Company primarily acts as the technology and product development center to support the business development of Macau Pass.

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

Macau Pass currently operates four principal lines of business:

- (i) Physical payment card services and ancillary services: MP Card is the most common contactless smart card for payments in Macau. Launched in 2007, MP Card was initially used for bus fare payments in Macau. Its usage has since then been expanded into payments for other public transports, car parks, government services, retail consumptions, and food and beverage services. It can also be customized to include functions as door access card, staff badge or membership card. There are currently more than three million MP Cards in issue. Macau Pass receives commission income from merchants for processing transactions with payments made via MP Cards. Macau Pass also generates revenue from ancillary card services such as sales and management of physical MP Cards;
- (ii) e-wallet services: Macau Pass provides e-wallet services via a mobile app called “MPay”, which was launched in Macau in 2018. It is currently one of the leading e-wallets in Macau which supports online and offline payments covering different payment scenarios such as person-to-person transfer, telecommunication and utility bill payment, online ticketing, payment of car parking fees and payment of bus fares using QR code. MPay is also allowed by the People’s Bank of China for cross-border use in the PRC. Macau Pass receives commission income (based on a percentage of the transaction value) from merchants for processing transactions with payments made via MPay;

- (iii) Acquiring services: Macau Pass is a leading e-wallet acquirer in Macau. It supplies integrated payment terminals (see (iv) below) and provides acquiring services to merchants which enable merchants to accept different payment methods of other payment service providers, including but not limited to the “Alipay” e-wallet, the “AlipayHK” e-wallet and Ant Bank’s “Alipay (Macao)” e-wallet operated by the Alipay Entities and/or their affiliate(s), WeChat Pay and other e-wallets launched by certain other banks in Macau (collectively, the “**Other Payment Service Providers**”). This acquiring service benefits the merchants as it provides flexibility to customers of the merchants who may choose their preferred payment platforms at checkout. The application of such integrated payment system is also extended to self-service kiosks or vending machines of merchants. In consideration of Macau Pass providing such acquiring services, Macau Pass receives commission income (based on a percentage of the transaction value) from merchants for processing payment of the transactions and pays a portion of such commission (based on a percentage lower than the commission rate of the transaction value) as service fees to the Other Payment Service Providers. In case of payments involving cross-border transactions and depending on respective arrangements between Macau Pass and the Other Payment Service Providers, Macau Pass may also receive service income (based on a percentage of the transaction value) from certain Other Payment Service Providers for foreign exchange conversion; and
- (iv) Sale and leasing of payment terminals and equipment: Macau Pass also sells and leases card reader and scanner payment terminals, multi-functional payment terminals and payment equipment for vending machines to buses and/or merchants which accept the MP Cards, MPay or use Macau Pass’ acquiring services. The Target Group sources these payment terminals and equipment from independent suppliers.

License and approval

As advised by the legal advisers of the Company as to Macau law, Macau Pass has obtained the license required for operating as an “other credit institution” under AMCM for carrying out its principal businesses. The license has no expiration date and the change in control of the Target Group resulting from the Acquisition will not render the license invalid. Nevertheless, the Group is required to obtain prior approval for change in control or ownership of Macau Pass from AMCM for the Acquisition, which is one of the conditions precedent to Closing under Closing Condition (ii) stated above.

Financial information

Set out below are the financial information of the Target Group prepared by the Company in accordance with the Hong Kong Financial Reporting Standards based on the unaudited consolidated financial statements of the Target Group for the two years ended December 31, 2019 and 2020 provided by the Sellers, which may be subject to further audit adjustments after completion of audit by the reporting accountant engaged by the Company on such financial information:

	Year ended December 31,			
	2019		2020	
	<i>equivalent to approximately</i>		<i>equivalent to approximately</i>	
	<i>MOP'000</i>	<i>HK\$'000</i>	<i>MOP'000</i>	<i>HK\$'000</i>
Profit/(loss) before taxation	43,897	42,618	(10,730)	(10,417)
Profit/(loss) after taxation	38,720	37,592	(10,462)	(10,157)

The loss of the Target Group for the year ended December 31, 2020, as compared to the profit recorded for the year ended December 31, 2019, was mainly attributable to the drop in revenue from payment cards and acquiring services businesses, which were affected by (i) the outbreak of COVID-19 pandemic in early 2020 and the associated closure of border of Macau resulting in a decline in consumers and visitors spending; and (ii) the partial diversion of consumer spending from the MP Cards to the electronic consumer cards issued by Macau Pass to Macau residents under the electronic consumption voucher scheme (the “**E-voucher Scheme**”) launched in two phases by the Macau government in 2020 to stimulate local spending and the waiver of the transaction fee income by Macau Pass for the first phase of the E-voucher Scheme as a token of its social responsibility to sponsor the E-voucher Scheme.

With the COVID-19 pandemic being kept under control in Macau, the re-opening of the border between Macau and the PRC since the third quarter of 2020 and the gradual recovery of tourist activities in Macau, the boost in local spending brought about by the E-voucher Scheme which ran from May to December 2020 and the increasing popularity in using mobile payments in Macau, based on the unaudited financial statements of the Target Group obtained by the Company, the Target Group managed to return to a profit-making position for the trailing 12-month period ended the April Cut-off Date from its loss-making position for the year ended December 31, 2020. As the audit by the reporting accountant engaged by the Company on the financial statements of the Target Group has yet to be completed as at the date of this announcement, the audited financial information of the Target Group may differ from those shown above and will be disclosed in the circular in relation to the Acquisition to be dispatched to the Shareholders.

Prior to the date of the Agreement, the Target Group held certain assets and liabilities which were not related to the businesses of Macau Pass and the PRC Company. A reorganization has been completed before the date of the Agreement to exclude such assets and liabilities from the Target Group. As at December 31, 2020, the unaudited consolidated net assets of the Target Group amounted to approximately MOP81.9 million (equivalent to approximately HK\$79.5 million), which included certain assets and liabilities (other than those related to Macau Pass and the PRC Company) in the net amount of approximately MOP2.1 million (equivalent to approximately HK\$2.0 million). The aforesaid assets and liabilities of the Target Group (which are not related to Macau Pass and the PRC Company) contributed an aggregate net income of approximately MOP2.3 million (equivalent to approximately HK\$2.2 million) and net loss of approximately MOP0.15 million (equivalent to approximately HK\$0.15 million) to the net profit/(loss) of the Target Group for the year ended December 31, 2019 and 2020, respectively.

3. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is an integrated technology and services company engaged in the lottery and mobile games and entertainment market with a focus on China and selected international markets. Since the first half of 2021, the Group has also commenced to supply non-lottery hardware products (such as point-of-sale terminals) for use in the retail sector in the PRC.

The Directors are of the view that the Acquisition would create tremendous synergies to the Group's existing business, particularly for the mobile games and entertainment and supply of non-lottery hardware businesses, as well as broadening the revenue base of the Group through integrations along the value chain as explained below:

Expected synergies from the integration of the Group's games and entertainment business with the MPay e-wallet payment platform

In respect of its games and entertainment business, the Group designs, operates and/or provides online and mobile games and entertainment contents to several online or mobile shopping and payment platforms. For instance, the Group has previously cooperated with several online shopping platforms of the Alibaba Group and the Ant Group in the PRC to develop and operate various games and entertainment platforms, and is currently in collaboration with a mobile payment platform in India to develop and operate a non-lottery games and entertainment platform, as further described below.

Since 2017, the Group cooperated with the Taobao mobile channel of Alibaba Group and the Alipay mobile channel of Ant Group to operate several games and entertainment platforms. These platforms aimed at building up the user base of Taobao and Alipay as well as encouraging users' engagement in and consumptions at Taobao or payment using Alipay by offering the following major services: (a) online collection for free coupons from different merchants; or (b) various games and entertainment options; or (c) users' reward points redemption center. Users could collect for free or use their reward points to redeem coupons offered by participating merchants on these platforms for their products or services consumptions. The Group was entitled to receive commission income or technical service fee income from the aforesaid services.

The Group also pursued strategic business expansion overseas and currently holds a 45% equity investment in a joint venture (namely, Paytm First Games Private Limited) (the “**Paytm JV**”) established in 2017 with One97 Communications Limited (“**One97**”, together with its subsidiaries, the “**Paytm Group**”). One97 is the owner of a leading mobile payment platform, namely “Paytm”, in India. The Paytm JV is principally engaged in the development and operation of a mobile non-lottery games and entertainment platform, namely “Paytm First Games”, attached to the “Paytm” payment platform, with games content provided by the Group. The online games content provided by the Group to “Paytm First Games” have helped the Paytm Group to enhance user engagement in and loyalty to its “Paytm” payment platform, and to further broaden its revenue and customer base. The Group generates revenue from the Paytm JV for the provision of online game contents to the “Paytm First Games” platform for the enjoyment of the “Paytm” users and is entitled to share the profits (if any) of Paytm JV as its shareholder in accordance with its equity holding percentage.

With the experience obtained from the aforesaid cooperation and collaboration in the PRC and India, and in view of the ongoing digital development in the macro-environment, particularly the increasing popularity of online shopping and the usage of digital payment over traditional ways of payment, the Company considers it strategically sound for the Group to move upwards in the value chain to become an owner and operator of a payment platform to create synergies with its mobile games and entertainment business. The Target Group, which is a well-established and leading payment service provider in Macau with strong position across the payment card, e-wallet and acquiring services, represents a good investment opportunity for the Group to achieve the aforesaid strategy. The integration with an e-wallet operator provides the Group with its own platform to maximize the economic benefits that may be generated from its games and entertainment business. The Group may utilize its technical capabilities and experience to build a mobile games and entertainment platform attached to MPay (the “**Macau G&E Platform**”) which provides integrated features combining games and entertainment contents, online shopping and reward points redemption service for the enjoyment of the MPay users. The games and entertainment contents to be provided by the Group is expected to broaden the scope of services offered to users of MPay, thereby enhancing users’ stickiness and loyalty in using the MPay platform, stimulating purchases by the MPay users from the participating merchants on the Macau G&E Platform, and increasing the commission income that may be earned by Macau Pass. Through the operations of the Macau G&E Platform, it is anticipated that the Group would be able to access the online traffic volume from the MPay e-wallet payment platform and enjoy different streams of income generated around the Group’s games and entertainment business, including but not limited to:

- (i) technology service fee payable by Macau Pass for the Group's provision and maintenance of the online games and entertainment contents to the Macau G&E Platform, which shall be intra-group transactions following Closing;
- (ii) advertising income receivable from merchants for placing advertisements to promote their products on the Macau G&E Platform; and
- (iii) revenue generated through providing the reward points redemption service by the Group to the MPay users on the Macau G&E Platform. This new platform will encompass various reward schemes such as offering coupons or products to be provided by participating merchants to be procured by the Group. When MPay users purchase coupons or products on the Macau G&E Platform using funds maintained in their MPay accounts and/or reward points earned from either their spendings via MPay or playing the games on the platform, the Group shall be entitled to receive sales commissions from the merchants or sales revenue in situations where the Group makes purchases of coupons or products at discounted prices from the merchants and sells them to MPay users.

Expansion of coverage of the Group's non-lottery hardware business to the Macau retail market

The Group is one of the leading suppliers of lottery terminals in the PRC, and occupies the largest market share in sports lottery terminal market. Since the first half of 2021, the Group has commenced to supply non-lottery hardware products such as point-of-sale terminals for use in the PRC retail sector. Such terminals share similar technology and components underlying the lottery terminal hardware products supplied by the Group over the years. The supply of non-lottery hardware products by the Group to the retail sector is consistent with its business strategy to broaden the product spectrum of its hardware business. As Macau Pass also sells or leases payment terminals to its well-established client base of merchants in Macau, the Acquisition represents an expansion of the coverage of the non-lottery hardware business of the Group from the PRC retail sector to the Macau retail market.

Expansion of the Group's business coverage in the Macau market

Apart from its businesses in the PRC and the investment in India as explained above, the Company, through its 30% indirectly owned associated company, holds a 33.3% interest in Ant Bank in Macau. Ant Bank officially commenced operations in April 2019 and provides mobile payment services and financial banking services in Macau. It has launched the Alipay (Macao) e-wallet payment service in Macau in September 2019 and continues to expand into other online and offline payment scenarios, as well as to open and expand offline merchant service network through cooperation with local acquirers such as Macau Pass. Two Directors, namely Mr. Sun Ho and Mr. Ji Gang, are also directors of Ant Bank and have direct involvement and hands-on experience in the management of the business. Besides, Mr. Sun Ho had extensive experience in strategy, management, auditing and financial management of Chinese and international enterprises, while Mr. Ji Gang is currently the Vice President and Head of Strategic Investment of Ant Holdco, responsible for the global strategic investments for Ant Holdco and has many years of experience in investment and the internet industry. The Company also intends to retain certain key executives of the Target Group to continue to manage its operations after Closing. With their solid and relevant knowledge and experience in the financial and payment service markets in Macau, the Company believes that its directors and management team have the relevant and sufficient experience and expertise to manage and operate the businesses of the Target Group after Closing.

The Company considers that the Acquisition is consistent with the corporate strategy of the Group in pursuing overseas investments and globalizing its business portfolio, as well as strengthening its presence in the Macau market. It also represents a vertical integration opportunity for Macau Pass' acquiring service with the e-wallet payment services of Ant Bank, as described below.

Vertical integration with the Group's investment in Ant Bank

The Acquisition represents a vertical integration opportunity to consolidate the Target Group's business as a leading mobile e-wallet acquirer in Macau which provides acquiring services for, among others, the Ant Bank's Alipay (Macao) e-wallet payment service, thereby capturing additional source of revenue along the supply chain of mobile e-wallet payment services. Leveraging on the experience of the aforesaid two Directors in Ant Bank, the Acquisition is also a business expansion of the Group to engage further in the e-wallet payment services through acquiring the entire interests in the Target Group in addition to its minority interest held in Ant Bank, increasing the Group's exposure to the customer base in Macau.

Based on the above, the Directors consider that the terms of the Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

II. POSSIBLE CONTINUING CONNECTED TRANSACTIONS

As disclosed in the paragraph headed “Business” under the section headed “Information on the Target Group” in this announcement, Macau Pass provides acquiring services to merchants enabling them to accept different payment methods of other payment service providers such as the “Alipay” e-wallet, the “AlipayHK” e-wallet and Ant Bank’s “Alipay (Macao)” e-wallet operated by the Alipay Entities and/or their affiliate(s) (collectively, the “**Alipay E-Wallet(s)**”), such that their customers may choose their preferred payment platforms at checkout. Macau Pass receives commission income (based on a percentage of the transaction value) from the merchants for processing payment of the transactions and pays a portion of such commission (based on a percentage lower than the commission rate of the transaction value) as service fees (the “**Service Fees**”) to the other payment service providers such as the Alipay Entities.

Ali Fortune, the controlling shareholder of the Company, is indirectly held as to 60% by Alibaba Holding and as to 40% by Ant Holdco. Ant Holdco is indirectly held by Alibaba Holding as to 33% of its equity interest. Alipay is a wholly-owned subsidiary, and Alipay Singapore is an indirect wholly-owned subsidiary, of Ant Holdco. Ant Bank is an indirect 66.7%-owned subsidiary of Ant Holdco and its other 33.3% equity interest is held by a 30% indirectly owned associated company of the Company. Ant Holdco and the Alipay Entities are associates of Alibaba Holding and hence connected persons of the Company. As Macau Pass will become an indirect wholly-owned subsidiary of the Company upon Closing, the aforesaid payment of Service Fees by Macau Pass to the Alipay Entities in respect of its acquiring services will constitute continuing connected transactions (“**CCTs**”) for the Company under Chapter 20 of the GEM Listing Rules after Closing. To ensure that such existing business cooperation between Macau Pass and the Alipay Entities will comply with the requirements of the GEM Listing Rules with effect from Closing, on September 10, 2021, the Company entered into the Framework Agreement with the Alipay Entities to set out the terms and conditions of the future business cooperation (in respect of Macau Pass’ acquiring services) between Macau Pass and the Alipay Entities subject to and with effect from Closing. Details of the Framework Agreement are as follows:

1. FRAMEWORK AGREEMENT

Date

September 10, 2021

Parties

- (i) The Company (for itself and on behalf of its subsidiaries);
- (ii) Alipay (for itself and on behalf of its subsidiaries and affiliates);
- (iii) Alipay Singapore (for itself and on behalf of its subsidiaries and affiliates); and
- (iv) Ant Bank (for itself and on behalf of its subsidiaries and affiliates).

Alipay is principally engaged in the provision of internet payment, mobile phone payment, bank card acceptance, issuance and acceptance of prepaid cards (limited to online real-name payment accounts recharge) and related services. Alipay Singapore, via its operating subsidiaries, is principally engaged in the provision of cross-border digital payment and merchant acquiring services.

Ant Bank, officially commenced operations in April 2019, provides mobile payment services and financial banking services in Macau. It has launched the Alipay (Macao) e-wallet payment service in Macau in September 2019 and continues to expand into other online and offline payment scenarios, as well as to open and expand offline merchant service network through cooperation with local acquirers.

Duration and conditions precedent

Subject to the satisfaction of the conditions precedent under the Framework Agreement as set out below, the duration of such agreement shall commence on the Effective Date and end on December 31, 2023:

- (i) the Company having obtained the approval of the Board and the Independent Shareholders at the SGM by way of poll in relation to the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) in accordance with the GEM Listing Rules;

- (ii) each of the Company and the Alipay Entities having complied with all requirements as may be imposed by the relevant regulatory authorities (including the Stock Exchange) in relation to the Framework Agreement and the transactions contemplated thereunder, if any, and having obtained all authorizations, approvals and permits necessary for the performance of its respective obligations under the Framework Agreement and the transactions contemplated thereunder in accordance with all applicable legal and regulatory requirements (including the GEM Listing Rules); and
- (iii) the Group entering into the Agreement with the Target Group and the Sellers, and Closing having taken place in respect of the Agreement.

Acquiring service business cooperation

- (i) The operating entities of the Alipay Entities and the Target Group (i.e. Macau Pass) shall carry out their business cooperation in accordance with the specific execution agreements as described in paragraph (iv) below which shall set out their respective rights and obligations under such cooperation.
- (ii) Macau Pass shall provide acquiring services to the merchants (the “**MP Merchants**”) via Macau Pass’ payment terminals, merchant QR code or online payment gateway, enabling the MP Merchants to accept different third-party payment platforms including but not limited to the Alipay E-Wallets.
- (iii) The Alipay Entities shall provide the services of processing, authorization and settlement of payments made by users via the Alipay E-Wallets and such services shall include transactions initiated by either:
 - (a) the MP Merchants scanning the barcode or QR code generated in the relevant Alipay E-Wallet app installed on the users’ smartphones (or portable devices) with the point-of-sale terminals or app of the MP Merchants; or
 - (b) the users scanning the barcode or QR code displayed at the MP Merchants using the scanning feature in the relevant Alipay E-Wallet app installed on the users’ smartphones (or portable devices).

- (iv) For the purposes of setting out detailed terms of execution of the CCTs contemplated under the Framework Agreement, the operating entities designated by the Enlarged Group (i.e. Macau Pass) and the Alipay Entities to implement the business cooperation contemplated under such master framework agreement may from time to time enter into specific execution agreements (or supplemental agreements thereto) (collectively, the “**Specific Execution Agreements**”) which set out the detailed terms of execution in relation to the CCTs in accordance with the broad terms agreed in the Framework Agreement. The terms of the Specific Execution Agreements are expected to include, but not limit to:
- (a) details of the business cooperation and responsibilities of each party;
 - (b) the Service Fees payable by Macau Pass to the Alipay Entities;
 - (c) the fund settlement process adopted by the Alipay Entities;
 - (d) where applicable, any designated payment scenarios (such as vending machines, self-service kiosks, car parks, parking meters etc.) which are agreed to be included in the scope of the business cooperation;
 - (e) the right of the Alipay Entities to suspend or terminate their services if certain features of their services may be subject to a high risk of unauthorized payments or fraudulent transactions by a MP Merchant;
 - (f) the obligations of each party to comply with applicable laws for the operation of its business and the performance of its obligations under the Specific Execution Agreements, including laws on anti-corruption, anti-money laundering, counter-terrorism financing and sanctions;
 - (g) protection of personal information privacy;
 - (h) confidentiality obligations of each party; and
 - (i) governing law for the Specific Execution Agreements and dispute resolutions.

The pricing and other terms of the Specific Execution Agreements shall be negotiated on an arm’s length basis between the parties thereto and shall be determined in accordance with the pricing policy set out in the paragraph headed “Pricing policy and payment terms” and the Annual Caps set out in the paragraph headed “Historical transaction amounts and basis of determining the Annual Caps” below.

Pricing policy and payment terms

As a general principle, the pricing and other terms of the Framework Agreement and the Specific Execution Agreements in respect of the acquiring services of Macau Pass shall be determined in the ordinary and usual course of business on normal commercial terms (as defined under the GEM Listing Rules) and shall be negotiated on an arm's length basis between the parties thereto. The pricing for the Service Fees payable by Macau Pass to the Alipay Entities shall be within the normal range of such fees paid by Macau Pass in respect of its acquiring services to other payment service providers which are third parties independent of Macau Pass and its connected persons (which is currently in the region of 0.5% to 1.8% of the transaction value for processing payment of the transactions), and such pricing shall be set out clearly in the Specific Execution Agreements. The terms offered by Macau Pass to the Alipay Entities should be in line with and not more favorable than those offered to other payment service providers which are third parties independent of Macau Pass and its connected persons.

Where the Alipay Entities offer any concession on the Service Fees to other independent third-party acquirers in respect of similar transactions, they shall offer the same or no less favorable concession to Macau Pass.

The aggregate amount of payments processed/collected by the Alipay Entities from the users of the Alipay E-Wallets in respect of the transactions made by such users, less (i) any refunds to the users; (ii) any other amount that the Alipay Entities are entitled to withhold, deduct or set-off in accordance with the terms of the Specific Execution Agreements; and (iii) the Service Fees payable by Macau Pass to the Alipay Entities, shall be settled and remitted by the Alipay Entities to the designated bank account of Macau Pass within three working days from the date of transactions, unless the settlement amount involved falls short of the pre-agreed floor limit. In the event that the settlement amount involved falls short of the pre-agreed floor limit, such amount will be retained until the accumulated balance due to Macau Pass exceeds the pre-agreed floor limit, and such accumulated balance shall then be settled and remitted to Macau Pass accordingly.

2. HISTORICAL TRANSACTION AMOUNTS AND BASIS OF DETERMINING THE ANNUAL CAPS

Historical amounts of the Service Fees

Set out in the table below were the unaudited historical amounts of the Service Fees paid by Macau Pass to the Alipay Entities for the past three years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021 (collectively, the “Track Record Period”):

For the year ended December 31,			For the 6 months
2018	2019	2020	ended June 30,
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2021
			<i>HK\$'000</i>
29,905	46,808	28,408	43,557

Annual Caps for the Service Fees

The table below sets forth the Annual Caps for the Service Fees payable by Macau Pass to the Alipay Entities under the Framework Agreement for the period from the Effective Date and ending on December 31, 2021, and for the two years ending on December 31, 2022 and 2023:

For the period commencing from the Effective Date and ending on December 31, 2021	For the year ending December 31, 2022	For the year ending December 31, 2023
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
27,000	95,000	100,000

Basis of determining the Annual Caps

The Annual Caps for the Service Fees are determined mainly with reference to the projected amounts of payment transactions processed through the acquiring services provided by Macau Pass for the Alipay Entities which are estimated after taking into account factors including (i) the historical figures of the number and value of the online and offline transactions processed through the acquiring services provided by Macau Pass to merchants for accepting the Alipay E-Wallets during the Track Record Period; (ii) the Service Fee rates charged by the Alipay Entities to Macau Pass; (iii) the estimated growth in the number and value of the transactions processed through the acquiring services provided by Macau Pass to merchants for accepting the Alipay E-Wallets in light of (a) the resumption of tourists activities in Macau as the COVID-19 pandemic has been kept under control in the city; (b) the expansion of its network of merchants by Macau Pass in Macau; (c) the increase in per capita consumption of mainland Chinese tourists in Macau; and (d) the competition of acquiring services provided by other acquirers and banks in Macau.

3. REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT

As disclosed in the paragraph headed “Business” under the section headed “Information on the Target Group” in this announcement, it is one of the principal activities of Macau Pass to provide acquiring services to merchants to enable them to accept payments made via different payment methods of other payment service providers, including the Alipay E-Wallets. Certain continuing Service Fees were also paid by Macau Pass in its ordinary and usual course of business to the Alipay Entities during the Track Record Period. As Macau Pass shall become a wholly-owned subsidiary of the Company upon Closing, the transactions contemplated under the Framework Agreement, including the payment of Service Fees by Macau Pass to the Alipay Entities in respect of its acquiring services, will be in the ordinary and usual course of business of the Enlarged Group. Given the increasing usage of digital payment by customers in Macau with Alipay E-Wallets operated by the Alipay Entities which is a popular payment option, the entering into of the Framework Agreement enables the Enlarged Group to continue its business relationships with the Alipay Entities in compliance with the GEM Listing Rules.

In view of the above, the Board (excluding Mr. Feng Qing and Dr. Gao Jack Qunyao, the independent non-executive Directors who are members of Independent Board Committee and will express their views after taking into account the advice of Opus Capital Limited which has been appointed as the independent financial adviser to advise on the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)) is of the view that the terms of the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. INTERNAL CONTROL MEASURES FOR THE CCTS

Following Closing, the relevant team responsible for negotiating the terms of business cooperation with the Alipay Entities should submit the draft Specific Execution Agreement for review by the Company’s chief financial officer who will check to ensure that the terms offered by Macau Pass to the Alipay Entities are in line with and not more favorable than those offered to other payment service providers which are third parties independent of Macau Pass and its connected persons.

In addition, the Enlarged Group (including Macau Pass) will from time to time review the pricing basis of the Service Fees by comparing them against the services fees in respect of Macau Pass' acquiring services payable by Macau Pass to other independent third-party payment platforms for comparable services. The finance department of the Company will also from time to time conduct market researches, which may include obtaining the market information on the service fees payable by other acquiring services providers to other payment service providers comparable to the Alipay Entities to ensure that the pricing basis of the Service Fees is in line with normal market practices and no more favorable to the Alipay Entities than those available to independent third-party payment platforms under the same or similar conditions.

Furthermore, the Group has internal controls in place to monitor the utilization of the Annual Caps which require the submission of monthly reports on the accumulated amounts of the CCTs by the finance team to the Company's chief financial officer, the company secretary and the internal auditor. The company secretary shall promptly liaise with the business team as and when any of the Annual Caps has been 70% utilized in order to agree and implement measures to control and avoid exceeding any of the Annual Caps. The Framework Agreement includes a customary provision pursuant to which the Alipay Entities shall generally allow the auditors of the Company access to information necessary to report on the CCTs. The parties to the Framework Agreement have also agreed that they must abide by the GEM Listing Rules when performing their obligations under the terms of the Framework Agreement, including but not limited to the Annual Caps of the Service Fees payable by Macau Pass to the Alipay Entities as set out in the announcement or circular issued by the Company in accordance with the GEM Listing Rules. If the accumulated amounts of the CCTs are about to exceed the Annual Caps which will result in the Enlarged Group (including Macau Pass) being unable to perform its contractual obligations stipulated under the terms of the Framework Agreement and/or the Specific Execution Agreements (as the case may be), the Enlarged Group (including Macau Pass) shall be allowed to temporarily suspend the performance of its contractual obligations stipulated in such agreements until the Enlarged Group (including Macau Pass) complies with the GEM Listing Rules (including obtaining approval of the revised annual cap amount(s) for the CCTs), and such temporary suspension shall not constitute a breach of any provisions of such agreements by the Enlarged Group (including Macau Pass). The Company and the Alipay Entities have also agreed to amend or update the relevant terms of the Framework Agreement and/or the Specific Execution Agreements (as the case may be) in response to any future amendments to the GEM Listing Rules in respect of connected transaction requirements.

As part of the overall monitoring of the CCTs, sample checks will be conducted by the Group's internal audit department at least annually on, among other things, the pricing, payment terms and the utilization of the Annual Caps. In addition, the CCTs will be subject to annual review by the independent non-executive Directors and the auditors of the Company of their terms and the Annual Caps, and the Company is required to report the findings of such annual review in its annual report in compliance with the GEM Listing Rules.

III. GEM LISTING RULES IMPLICATIONS

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

Ali Fortune, the controlling shareholder of the Company holding 6,502,723,993 Shares (representing approximately 55.7% of the issued share capital of the Company as at the date of this announcement), is indirectly owned as to 60% and 40% by Alibaba Holding and Ant Holdco respectively. Ant Holdco is indirectly held by Alibaba Holding as to 33% of its equity interest. Alipay is a direct wholly-owned subsidiary, and Alipay Singapore is an indirect wholly-owned subsidiary, of Ant Holdco. Ant Bank is an indirect 66.7%-owned subsidiary of Ant Holdco and its other 33.3% equity interest is held by a 30% indirectly owned associated company of the Company. Ant Holdco and the Alipay Entities are associates of Alibaba Holding. By virtue of the aforesaid relationships, the Alipay Entities are connected persons of the Company, and therefore the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules. As the Annual Caps will exceed 5% of the relevant applicable percentage ratios and HK\$10,000,000 per annum, the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) will be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As (i) Ms. Hu Taoye, Mr. Yang Guang and Mr. Li Faguang are employees of the Alibaba Group; (ii) Mr. Sun Ho and Mr. Ji Gang are also directors of Ant Bank; (iii) Mr. Zou Liang is an employee of Ant Group; and (iv) Ms. Monica Maria Nunes is proposed to be appointed as a director of Macau Pass following Closing (subject to Closing and the approval from AMCM), each of these Directors is deemed or may be perceived to have a material interest in the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps), and had therefore abstained from voting on the Board resolution for approval of the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps). Ms. Monica Maria Nunes is also deemed or may be perceived to have a material interest in the Acquisition, and had therefore abstained from voting on the Board resolution for approval of the Agreement and the transactions contemplated thereunder.

The SGM will be convened and held by the Company to consider and, if thought fit, approve the resolutions in respect of the Agreement and the transactions contemplated thereunder, and the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps). As at the date of this announcement, (i) Ali Fortune is interested in 6,502,723,993 Shares (representing approximately 55.7% of the issued share capital of the Company); (ii) Mr. Sun Ho is interested in 2,052,408,000 Shares (representing approximately 17.58% of the issued share capital in the Company); (iii) Ms. Hu Taoye is interested in 384,000 Shares (representing less than 0.01% of the issued share capital in the Company); and (iv) Ms. Monica Maria Nunes is interested in 1,750,000 Shares (representing approximately 0.015% of the issued share capital in the Company). All of them shall abstain from voting on the resolution(s) in relation to the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) to be proposed at the SGM. In addition, Ms. Monica Maria Nunes shall abstain from voting on the resolution(s) in relation to the Agreement and the transactions contemplated thereunder to be proposed at the SGM. Mr. Zou Liang, Mr. Ji Gang, Mr. Yang Guang and Mr. Li Faguang do not hold any Shares as at the date of this announcement. Save for the aforesaid, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder has a material interest in the Agreement and/or the Framework Agreement and is required to abstain from voting on the resolutions to approve the Agreement and the transactions contemplated thereunder or the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) at the SGM.

In the event that Closing takes place and the proposed appointment of Ms. Monica Maria Nunes as a director of Macau Pass is approved by AMCM, the Company shall appoint a new independent non-executive Director in place of Ms. Nunes to ensure compliance with Rules 5.05, 5.05A and 5.06 of the GEM Listing Rules.

The Independent Board Committee, comprising two independent non-executive Directors, namely Mr. Feng Qing and Dr. Gao Jack Qunyao, has been established to give recommendation to the Independent Shareholders on the terms of the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps). The other independent non-executive Director, Ms. Monica Maria Nunes, is not included as a member of the Independent Board Committee by reason of her potential appointment as a director of Macau Pass following Closing (subject to Closing and the approval from AMCM) as explained above. Opus Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Agreement; (ii) details of the Framework Agreement and the Annual Caps; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps); (iv) a letter from the independent financial adviser, Opus Capital Limited, to advise the Independent Board Committee and the Independent Shareholders in the aforesaid regard; (v) the financial information of the Group; (vi) the financial information of the Target Group; (vii) the valuation report on the Target Group; (viii) the unaudited pro forma financial information of the Enlarged Group assuming Closing takes place; (ix) the notice convening the SGM; and (x) other information as required under the GEM Listing Rules, is expected to be dispatched to the Shareholders on or before October 31, 2021, which has been determined after taking into account of the estimated time required for the Company to prepare the relevant information for inclusion in the circular.

As Closing is subject to fulfilment or waiver (as the case may be) of the Closing Conditions, the Acquisition may or may not proceed. The Framework Agreement shall be effective upon fulfillment of certain conditions, including, among other things, the Closing having taken place, and therefore the CCTs may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

IV. DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchasers from the Sellers pursuant to the terms and conditions of the Agreement
“Agreement”	the conditional sale and purchase agreement dated September 10, 2021 entered into among the Company, the Purchasers, the Sellers and the Target Group in relation to the Acquisition
“AGTech Investment”	AGTech MPass Investment Limited, a company incorporated under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“AGTech Services”	AGTech MPass Services Limited, a company incorporated under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary 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)
“Ali Fortune”	Ali Fortune Investment Holding Limited, a company incorporated under the laws of the British Virgin Islands and the controlling shareholder of the Company
“Alipay”	支付寶(中國)網絡技術有限公司 (Alipay.com Co., Ltd.*), a company established in the PRC and a direct wholly-owned subsidiary of Ant Holdco
“Alipay Entities”	Alipay, Alipay Singapore and Ant Bank
“Alipay Singapore”	Alipay Singapore Holding Pte. Ltd., a company incorporated in Singapore and an indirect wholly-owned subsidiary of Ant Holdco

“AMCM”	Autoridade Monetária de Macau (the Monetary Authority of Macao)
“Annual Caps”	the maximum amounts of annual service fees payable by Macau Pass to the Alipay Entities in respect of the transactions contemplated under the Framework Agreement
“Ant Bank”	Ant Bank (Macao) Limited, a joint venture company incorporated under the laws of Macau which is held as to 66.7% by two indirect wholly-owned subsidiaries of Ant Holdco and as to 33.3% by a 30% indirectly owned associated company of the Company
“Ant Group”	Ant Holdco and its subsidiaries
“Ant Holdco”	螞蟻科技集團股份有限公司 (Ant Group Co., Ltd.) (formerly known as 浙江螞蟻小微金融服務集團股份有限公司 (Ant Small and Micro Financial Services Group Co., Ltd.)), a company organized under the laws of the PRC
“associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day(s) other than a Saturday or Sunday, on which banks are open in Hong Kong, Macau, the PRC and the British Virgin Islands to the general public for business
“Capital Adequacy Ratio Requirement”	the capital adequacy ratio of Macau Pass of not less than 12% or any other lower rate (which shall in no circumstances be lower than 8%) subject to further verbal guidance by AMCM during the process of change of control application to be made before Closing, as determined in accordance with the principles set out in the Agreement
“Closing”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Closing Conditions”	the conditions precedent to Closing
“Closing Date”	the date on which Closing takes place
“Company”	AGTech Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM of the Stock Exchange (Stock Code: 8279)

“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Consideration”	the consideration payable by the Purchasers to the Sellers for the Sale Shares pursuant to the Agreement
“controlling shareholder(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Director(s)”	director(s) of the Company
“Effective Date”	the date on which all conditions precedent under the Framework Agreement, details of which are set out in the paragraph headed “Duration and conditions precedent” under the section headed “Possible continuing connected transactions” in this announcement, having been satisfied
“Enlarged Group”	the Group as enlarged by the Target Group upon Closing
“Existing Target Shareholder”	Mr. Liu Hei Wan
“Existing Target Shareholder Group”	the Existing Target Shareholder, his two children, their respective spouse, and/or any entity controlled by them
“Framework Agreement”	the conditional business cooperation framework agreement dated September 10, 2021 entered into between the Company and the Alipay Entities in respect of the acquiring service business cooperation between Macau Pass and the Alipay Entities
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board (comprising the independent non-executive Directors, namely Mr. Feng Qing and Dr. Gao Jack Qunyao) established to advise the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)

“Independent Shareholders”	Shareholders other than Ali Fortune and its associates and other Shareholders (including the Directors, namely Mr. Sun Ho, Ms. Hu Taoye and Ms. Monica Maria Nunes) who have a material interest or is deemed or may be perceived to have a material interest in the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) and shall be required to abstain from voting on the relevant resolution(s) to be proposed at the SGM for approving the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Latest Period”	the 12-month period ending on the last day of the month immediately prior to the Closing Date
“Long Stop Date”	March 31, 2022 or such other date as agreed by the parties to the Agreement in writing
“Macau”	the Macao Special Administrative Region of the PRC
“Macau Pass”	Macau Pass S.A., a company incorporated under the laws of Macau and a 99%-owned subsidiary of the Target as at the date of this announcement
“Operating Cash”	the net cash and cash equivalent of Macau Pass in an amount equal to selected current assets minus selected current liabilities as specified in the Agreement. “Selected current assets” include other receivables, deposits and prepayments, trade receivables, cash at bank and in hand, bank deposits with original maturities of three months or less, and inventories; and “selected current liabilities” include floats balance due to card or account holders, card deposits due to cardholders, trade payables, other payables, and net amounts due from/to shareholders
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“PRC Company”	珠海橫琴中澳通電子支付技術有限公司 (Zhuhai Hengqin Zhonggaotong Electronic Payment Technology Co., Ltd.*), a company established under the laws of the PRC and a wholly-owned subsidiary of the Target as at the date of this announcement

“Purchasers”	together, AGTech Investment and AGTech Services
“Relevant Time”	0:00 a.m. (Macau time) on the Closing Date
“Sale Shares”	collectively, (i) three (3) issued shares with nominal value of MOP198,000, MOP1,000 and MOP1,000 in the capital of the Target respectively; and (ii) 3,000 issued shares with nominal value of MOP100 each in the capital of Macau Pass, representing all the issued shares in the capital of the Target and 1% equity interest in Macau Pass collectively held by the Sellers (with the Target holding a 99% equity interest in Macau Pass)
“Sellers”	together, the Existing Target Shareholder, Mr. Liu Cheuk Yin, Mr. Lao Kin Keong and Mr. Vong Chak Kin
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the resolutions in respect of the Agreement and the transactions contemplated thereunder, and the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Summary of Terms”	the summary of terms dated May 14, 2021 entered into among the Company, the Sellers and the Target Group in respect of the possible acquisition by the Group of the entire equity interests in the Target Group
“Target”	Macau Pass Holding Ltd., a company incorporated under the laws of Macau
“Target Group”	the Target and its subsidiaries (i.e. Macau Pass and the PRC Company)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“MOP” Macau patacas, the lawful currency of Macau

“%” per cent

In this announcement, amounts in MOP are translated into HK\$ on the basis of HK\$1 = MOP1.03. The conversion rate is for illustration purpose only and should not be taken as a representation that MOP could actually be converted into HK\$ at such rate or at all.

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

Hong Kong, September 10, 2021

* For identification purposes only

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 GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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