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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)**

**CONTINUING CONNECTED TRANSACTIONS –  
COOPERATION AGREEMENT  
IN RELATION TO  
THE PROVISION OF SERVICES  
FOR SALE OF SPORTS/WELFARE LOTTERY PRODUCTS  
IN 2022 AND 2023**

On December 17, 2021, CLM and ZCLM, each being an indirect wholly-owned subsidiary of the Company, entered into the Cooperation Agreement with Alibaba China, pursuant to which CLM and/or ZCLM shall cooperate with Alibaba China in relation to the sale of sports and/or welfare lottery products in the PRC via the retail shops (under the membership network of Alibaba China’s digital sourcing platform for retailers, i.e. “Lingshoutong” (零售通)) for a term of two years from January 1, 2022 to December 31, 2023.

Ali Fortune, the controlling shareholder of the Company, is indirectly held as to 60% by Alibaba Holding. Alibaba China, being an indirect wholly-owned subsidiary of Alibaba Holding, is accordingly an associate of Ali Fortune and a connected person of the Company. The Transactions thus constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As one or more applicable percentage ratios with respect to the highest Annual Cap for the Transactions are more than 0.1% but all of them are less than 5%, the Transactions are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

## **COOPERATION AGREEMENT**

On December 17, 2021, CLM and ZCLM, each being an indirect wholly-owned subsidiary of the Company, entered into the Cooperation Agreement with Alibaba China, the principal terms of which are set out below:

### **Date**

December 17, 2021

### **Parties**

- (i) CLM;
- (ii) ZCLM; and
- (iii) Alibaba China.

### **Duration**

The Cooperation Agreement shall commence on January 1, 2022 and end on December 31, 2023.

### **Services to be provided**

Pursuant to the Cooperation Agreement, CLM and/or ZCLM shall cooperate with Alibaba China in relation to the sale of sports and/or welfare lottery products in the PRC via the retail shops (under the membership network of Alibaba China's digital sourcing platform for retailers, i.e. "Lingshoutong" (零售通)). CLM and ZCLM shall be responsible for entering into agreements separately with various provincial China Sports Lottery Administration Centers and/or China Welfare Lottery Issuance and Administration Centers in the PRC (collectively, the "**Lottery Centers**"), and shall recommend to the Lottery Centers some retail shops (under the membership network of Lingshoutong), which shall meet the required standards of the Lottery Centers and shall be selected by Alibaba China to set up as lottery sales outlets (the "**Sales Outlets**"), to act as selling agents, or to provide services to CLM and/or ZCLM which act as selling agents, for the sale of sports and/or welfare lottery products in the PRC.

**Service fees and payment terms**

The service fees payable by CLM and/or ZCLM to Alibaba China under the Cooperation Agreement will be calculated as follows:

- (i) Where CLM and/or ZCLM act as selling agents by selling the lottery products through Sales Outlets and receives sales commission from Lottery Centers,

$$\begin{aligned} \text{Service fees payable} &= \text{(sales commission receivable by CLM and/or ZCLM} \\ \text{to Alibaba China} &\quad \text{from Lottery Centers for the sale of lottery products} \\ &\quad \text{(exclusive of taxes) – service fees payable to the Sales} \\ &\quad \text{Outlets + incentive fee payable by Alibaba China to} \\ &\quad \text{its business development personnel – other costs and} \\ &\quad \text{expenses payable by CLM and/or ZCLM)} \times 50\% \end{aligned}$$

The service fees payable to the Sales Outlets (which are not controlled or owned by the Alibaba Group) will be determined on a case-by-case basis with reference to (i) where applicable, the recommendations made by the relevant Lottery Centers, and/ or (ii) the mutual agreement between CLM/ZCLM and the Sales Outlets after arm’s length negotiations and taking into consideration, among other things, the nature and quantity of the relevant sports and/or welfare lottery products to be sold and the specific scope of services to be provided by the Sales Outlets to CLM/ZCLM.

- (ii) Where Sales Outlets act as selling agents and CLM and/or ZCLM receive service fees (including but not limited to sales channel management fees and promotion fees) from Lottery Centers,

$$\begin{aligned} \text{Service fees payable} &= \text{(service fees receivable by CLM and/or ZCLM from} \\ \text{to Alibaba China} &\quad \text{Lottery Centers (exclusive of taxes) + incentive fee} \\ &\quad \text{payable by Alibaba China to its business} \\ &\quad \text{development personnel – other costs and expenses} \\ &\quad \text{payable by CLM and/or ZCLM)} \times 50\% \end{aligned}$$

The incentive fee payable by Alibaba China to its business development personnel for expansion of sales channels will be calculated at an amount not exceeding RMB200 per Sales Outlet. Specific incentive schemes (including but not limited to the amount of incentive fee and the time of payment) will be mutually agreed by CLM/ZCLM and Alibaba China, depending on the actual circumstances of each province.

The above-mentioned net revenue sharing ratios on a 50:50 basis in calculating the service fees payable by CLM and/or ZCLM to Alibaba China under the Cooperation Agreement are determined with reference to (i) the revenue-sharing model that was previously adopted between a similar platform of Alibaba Group and its other business partners who were independent third parties; and (ii) the scale of potential customers that can be reached by utilizing the channels and networks of Alibaba Group and its expected traffic volume.

The service fees for the Transactions shall be settled on a monthly basis. CLM and ZCLM shall pay Alibaba China the service fees at the end of each month with respect to the Transactions conducted in the previous month.

### **ANNUAL CAPS**

The annual caps for the aggregate service fees payable by the Group to Alibaba China (the “**Fee Split**”) with respect to the Transactions for the years ending December 31, 2022 and 2023 are fixed at HK\$4.5 million and HK\$5.2 million, respectively.

The Annual Caps relating to the Transactions are determined with reference to the following principal factors:

- (1) the historical amounts of the Fee Split with respect to the transactions relating to the provision of services for sale of sports/welfare lottery products under the previous cooperation agreement dated December 13, 2019 (details of which were disclosed in the announcement of the Company dated November 16, 2021) (the “**2020/21 Transactions**”) for the year ended December 31, 2020 and the eleven months ended November 30, 2021, being approximately HK\$2.0 million and approximately HK\$2.9 million, respectively;
- (2) the projected Fee Split relating to the 2020/21 Transactions for the month of December 2021 of approximately HK\$0.4 million;
- (3) the projected annual growth rate of the Fee Split relating to the 2020/21 Transactions for the year ending December 31, 2021 (the “**2021 Growth Rate**”) as compared to the year ended December 31, 2020, after taking out the months of January to June in both 2020 and 2021 in the comparison to avoid the distortion by the anomalous effects of the COVID-19 pandemic present primarily in the first half of 2020 in the PRC lottery market; and
- (4) the projected annual growth rates of the Fee Split relating to the Transactions for the two years ending December 31, 2022 and 2023, with the growth rate for 2022 assumed to remain relatively stable with only a modest increment over the 2021 Growth Rate; whereas the growth rate for 2023 is assumed to rise at a lower rate.

## **INTERNAL CONTROL MEASURES**

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 Transactions by the finance team of the Group to the Group's chief financial officer, the company secretary and the person in charge of internal control function. The company secretary shall promptly liaise with the business team of the Group as and when the Annual Caps have been 70% utilized in order to agree and implement measures to control and avoid exceeding any of the Annual Caps. The Cooperation Agreement includes a customary provision pursuant to which Alibaba China shall, subject to applicable laws and regulations and prior written notice, generally allow the auditors of the Company access to information necessary to report on the Transactions. The parties to the Cooperation Agreement have also agreed that they must abide by the GEM Listing Rules when fulfilling their obligations under the agreement, including but not limited to the amounts of the Annual Caps for the Transactions. As part of the overall monitoring of the Transactions, sample checks would 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 Transactions would be subject to annual review by the independent non-executive Directors and the external auditors of the Company of their terms and annual cap amounts, and the Company is required to report the findings of such annual review in its annual report in compliance with the GEM Listing Rules.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION AGREEMENT**

Through the cooperation with the Sales Outlets, the Group is able to promote the sales of lottery products to more customers through Alibaba Group's physical new retail distribution channel and networks, thereby broadening the source of revenue from the Group's lottery distribution business.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Cooperation Agreement and the Annual Caps are fair and reasonable, the Transactions are on normal commercial terms and the entering into of the Cooperation Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

## **GEM LISTING RULES IMPLICATIONS**

Ali Fortune, the controlling shareholder of the Company, is indirectly held as to 60% by Alibaba Holding. Alibaba China, being an indirect wholly-owned subsidiary of Alibaba Holding, is accordingly an associate of Ali Fortune and a connected person of the Company. The Transactions thus constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As one or more applicable percentage ratios with respect to the highest Annual Cap for the Transactions are more than 0.1% but all of them are less than 5%, the Transactions are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As Ms. Hu Taoye, Mr. Yang Guang and Mr. Li Faguang are employees of the Alibaba Group, each of these Directors is deemed or may be perceived to have a material interest in the Cooperation Agreement. Accordingly, they abstained from voting on the resolution(s) passed by the Board to approve the Cooperation Agreement, the Transactions and the Annual Caps. Other than the aforesaid Directors, no other Directors have a material interest in the Cooperation Agreement or are required to abstain from voting on the resolution(s) passed by the Board approving the Cooperation Agreement, the Transactions and the Annual Caps.

## **INFORMATION ABOUT THE PARTIES**

### **The Company, the Group, CLM and ZCLM**

The Company was incorporated in Bermuda and its Shares are listed on GEM of the Stock Exchange. The Group is an integrated technology and services company engaged in the lottery and mobile games and entertainment market with a focus on the PRC and selected international markets. Since 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. As a member of the Alibaba Group, the Group is the exclusive lottery platform of Alibaba Group and Ant Group Co., Ltd. (螞蟻科技集團股份有限公司) and its subsidiaries.

Each of CLM and ZCLM is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company. Each of them is principally engaged in the provision of lottery management consultancy services, lottery sales and marketing services, and lottery distribution channel development.

### **Alibaba Holding, Alibaba Group and Alibaba China**

Alibaba Holding is a company incorporated in the Cayman Islands, with its American depositary 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).

Alibaba Group's mission is to make it easy to do business anywhere. Alibaba Group aims to build the future infrastructure of commerce and envisions that its customers will meet, work and live at Alibaba, and that it aspires to be a good company that will last for 102 years. Alibaba Group's businesses are comprised of commerce, cloud computing, digital media and entertainment and innovation initiatives.

Alibaba China is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of Alibaba Holding. It is principally engaged in the operation of Alibaba Holding's wholesale marketplaces, including Lingshoutong, a digital sourcing platform for retailers.

## DEFINITIONS

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

“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
“Alibaba China”	阿里巴巴(中國)網絡技術有限公司(Alibaba (China) Technology Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Alibaba Holding
“Alibaba Group”	Alibaba Holding and its subsidiaries from time to time
“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)
“Annual Cap(s)”	the maximum aggregate service fees payable by the Group to Alibaba China with respect to the Transactions for each of the financial years under the Cooperation Agreement
“associate”, “connected person”, “controlling shareholder”, “percentage ratio(s)”, “subsidiary(ies)”	each has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“CLM”	世紀星彩企業管理有限公司(China Lottery Management Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“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)

“Cooperation Agreement”	the cooperation agreement dated December 17, 2021 entered into among CLM, ZCLM and Alibaba China in relation to the cooperation among the parties for sale of sports and/or welfare lottery products in the PRC
“Director(s)”	director(s) of the Company
“Fee Split”	has the meaning as defined in the section headed “ANNUAL CAPS” of this announcement
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lottery Centers”	has the meaning as defined in the section headed “COOPERATION AGREEMENT – Services to be provided” of this announcement
“PRC”	the People’s Republic of China which, for the purpose of this announcement, refers to Mainland China only
“Sales Outlets”	has the meaning as defined in the section headed “COOPERATION AGREEMENT – Services to be provided” of this announcement
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the Cooperation Agreement
“ZCLM”	浙江世紀星彩企業管理有限公司(Zhejiang Century Star Lottery Enterprise Management Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company



“%”	per cent
“2020/21 Transactions”	has the meaning as defined in the section headed “ANNUAL CAPS” of this announcement
“2021 Growth Rate”	has the meaning as defined in the section headed “ANNUAL CAPS” of this announcement

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

Hong Kong, December 17, 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](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).*