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AGTech Holdings Limited

亞博科技控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8279)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022**

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

* *For identification purposes only*

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2022

- Revenue of the Group for the year under review amounted to approximately HK\$351.4 million (2021: approximately HK\$253.2 million), representing an increase of approximately 38.8% over 2021. For the year under review, revenue contributions were mainly derived from lottery and related business (including lottery hardware sales, provision of lottery distribution and ancillary services in Mainland China) of approximately HK\$171.2 million (2021: approximately HK\$253.2 million) and provision of electronic payment services in Macau of approximately HK\$180.2 million (2021: Nil). The decrease in revenue from lottery and related businesses by approximately HK\$82.0 million is mainly due to the decrease in Sports Lottery's tenders for android terminal in 2022 and the delay in lottery hardware tender and delivery as a result of the outbreak of epidemic in Mainland China in late 2022. Revenue from the electronic payment and related businesses of the newly acquired wholly-owned subsidiary of the Company in Macau, Macau Pass, of approximately HK\$176.7 million was consolidated into the Group's results with effect from March 24, 2022.
- Operating loss for the year was approximately HK\$129.7 million (2021: approximately HK\$65.8 million). Such increase in operating loss was mainly due to a combination of factors: (i) the increase in total revenue of the Group (offset by the related costs and expenses); (ii) the change from a foreign exchange gain of approximately HK\$21.9 million for the year ended December 31, 2021 to a foreign exchange loss of approximately HK\$23.1 million for the year under review; and (iii) the increase in the depreciation and amortization expenses by approximately HK\$46.0 million to approximately HK\$66.6 million for the year (2021: approximately HK\$20.6 million).
- The loss for the year was approximately HK\$131.1 million (2021: approximately HK\$63.1 million), representing an increase of approximately 107.9% over 2021 which primarily due to the above-mentioned increase in operating loss. In addition, there were a fair value loss on the convertible term loan facilities provided by the Group to its 45%-owned joint venture company in India, Paytm First Games Private Limited, of approximately HK\$39.9 million for the year (2021: approximately HK\$18.6 million) and an increase in net finance income by approximately HK\$27.3 million to approximately HK\$44.4 million (2021: approximately HK\$17.1 million).
- The Board does not recommend the payment of a final dividend for the year.

RESULTS

The Board announces the audited consolidated results of the Group for the year ended December 31, 2022, together with the comparative figures for the year ended December 31, 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	2	351,414	253,242
Other income		13,503	15,961
Net other (losses)/gains	4	(25,443)	13,331
Employee benefits expenses		(127,788)	(116,784)
Purchase of and changes in inventories		(62,718)	(119,772)
Depreciation and amortization expenses		(66,581)	(20,557)
Other operating expenses		(212,102)	(91,206)
Operating loss		(129,715)	(65,785)
Loss on fair value changes of financial assets at fair value through profit or loss		(39,901)	(18,564)
Imputed interest expense on deferred consideration		(4,148)	–
Net finance income		44,364	17,117
Loss before income tax		(129,400)	(67,232)
Income tax (expense)/credit	5	(1,688)	4,182
Loss for the year	6	(131,088)	(63,050)
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		(58,661)	14,843
Other comprehensive income for the year, net of tax		(58,661)	14,843
Total comprehensive income for the year		(189,749)	(48,207)

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
(Loss)/profit attributable to:			
Owners of the Company		(126,700)	(63,633)
Non-controlling interests		(4,388)	583
		<u>(131,088)</u>	<u>(63,050)</u>
Total comprehensive income attributable to:			
Owners of the Company		(182,881)	(50,164)
Non-controlling interests		(6,868)	1,957
		<u>(189,749)</u>	<u>(48,207)</u>
Loss per share			
Basic	7	(HK1.11 cents)	(HK0.55 cent)
Diluted	7	(HK1.11 cents)	(HK0.55 cent)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		34,295	4,293
Right-of-use assets		67,598	28,135
Investment properties		31,399	36,696
Goodwill		1,489,082	1,134,494
Other intangible assets		348,194	1,742
Deferred income tax assets		9,373	5,791
Investments accounted for using equity method		–	–
Financial assets at fair value through profit or loss		78,854	84,698
Other receivables, deposits and prepayments		16,882	14,895
		<u>2,075,677</u>	<u>1,310,744</u>
Current assets			
Inventories		33,072	22,380
Trade receivables	8	26,601	12,403
Other receivables, deposits and prepayments		263,090	98,003
Cash and bank balances		4,023,664	1,638,143
		<u>4,346,427</u>	<u>1,770,929</u>
Total assets		<u>6,422,104</u>	<u>3,081,673</u>
Current liabilities			
Trade payables	9	31,181	25,540
Accruals and other payables		1,718,736	95,476
Floats balance due to card or account holders		1,744,283	–
Contract liabilities		31,623	9,056
Card deposits due to cardholders		15,137	–
Current income tax liabilities		27	268
Deferred consideration payable		74,307	–
Lease liabilities		15,894	14,792
		<u>3,631,188</u>	<u>145,132</u>

	2022	2021
	HK\$'000	HK\$'000
Non-current liabilities		
Deferred income tax liabilities	43,759	4,907
Provision for warranties	27,680	29,775
Accruals and other payables	2,431	323
Lease liabilities	54,207	15,396
	<u>128,077</u>	<u>50,401</u>
Total liabilities	<u>3,759,265</u>	<u>195,533</u>
Net assets	<u>2,662,839</u>	<u>2,886,140</u>
Equity		
Share capital	23,344	23,344
Reserves attributable to owners of the Company	2,608,592	2,813,265
	<u>2,631,936</u>	<u>2,836,609</u>
Non-controlling interests	30,903	49,531
	<u>2,662,839</u>	<u>2,886,140</u>

1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through profit or loss, which are measured at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

New standards and amendments adopted by the Group

The following new standards and amendments have been adopted by the Group for the first time for the financial year beginning on January 1, 2022:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRS	Annual Improvements to HKFRSs 2018 - 2020
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021

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

2 REVENUE

Revenue represents the amounts received and receivable from lottery hardware sales (including provision of related after-sales services), provision of lottery distribution and ancillary services in Mainland China, provision of electronic payment services in Macau (including provision of payment card services and ancillary services, e-wallet services and acquiring services for other payment platforms), games and entertainment and marketing technical services, non-lottery hardware sales and lease income of lottery hardware, payment terminals and equipment in Mainland China and Macau and is analysed as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Lottery		
(i) Lottery hardware sales	102,009	168,154
(ii) Lottery distribution through physical channels and ancillary services	63,410	42,883
(iii) Lottery games and systems	–	67
Electronic payment		
(i) Provision of payment card services and ancillary services	87,949	–
(ii) Provision of e-wallet services	32,401	–
(iii) Provision of acquiring services for other payment platforms	52,505	–
Games and entertainment and marketing technical services	5,387	21,566
Non-lottery hardware sales	2,425	20,572
Subtotal	346,086	253,242
Lease income of lottery hardware, payment terminals and equipment	5,328	–
Total	351,414	253,242

3 SEGMENT INFORMATION

The executive Directors have been identified as the chief operating decision maker (“CODM”). The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. On March 24, 2022, the Group acquired the Macau Pass Group which is principally engaged in the provision of payment card services, e-wallet services, acquiring services, as well as sales and leasing of card reader and scanner payment terminals in Macau, and it is considered as a new operating and reportable segment by the CODM. In light of the business acquired on March 24, 2022, the Group reorganized its internal reporting structure which resulted in changes to the composition of its reporting segments by line of businesses, which are (i) Lottery operation; (ii) Electronic payment and related services, respectively. The CODM is of the view that the revised presentation of the operating segment information better reflects the Group’s operations and this is consistent with the internal information regularly reviewed by the CODM for the purposes of resources allocation and assessment of performance. Prior period segment disclosures have been revised to conform with the current period’s presentation.

Principal activities of the Group's reportable segments are as follows:

Lottery operation – sales and leasing of lottery hardware (including provision of related after-sale services), provision of lottery distribution and ancillary services in Mainland China; and other related services.

Electronic payment and related services – provision of payment card services and ancillary services; provision of e-wallet services; provision of acquiring services for other payment services providers; sale and leasing of payment terminals and equipment; and other related services in Macau.

Segment results represent the profit earned or loss incurred by each segment without allocation of results attributable to net finance income, income tax, depreciation and amortization expenses, net other gains/losses, gain or loss on fair value changes of financial assets at fair value through profit or loss, imputed interest expense on deferred consideration, unallocated other income and unallocated expenses (the “**Adjusted EBITDA**”). Unallocated expenses mainly includes corporate and head office expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Information regarding the above reportable segments is reported as below:

(a) **Segment revenue and results**

For the year ended December 31

	Lottery operation		Electronic payment and related services		Total	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment revenue						
Recognized at a point in time	104,337	188,726	162,062	–	266,399	188,726
Recognized over time	65,240	64,516	14,447	–	79,687	64,516
Lease income of lottery hardware, payment terminals and equipment	1,597	–	3,731	–	5,328	–
Total Revenue	171,174	253,242	180,240	–	351,414	253,242
Adjusted EBITDA	1,894	(14,997)	(11,842)	–	(9,948)	(14,997)
Net finance income					44,364	17,117
Depreciation and amortization expenses					(66,581)	(20,557)
Net other (losses)/gains					(25,443)	13,331
Loss on fair value changes of financial assets					(39,901)	(18,564)
Imputed interest expense on deferred consideration					(4,148)	–
Unallocated other income					3,521	3,586
Unallocated expenses					(31,264)	(47,148)
Loss before income tax					(129,400)	(67,232)

(b) **Segment assets and liabilities**

There was no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

(c) **Geographical information**

The Group's operations are mainly located in the Mainland China and Macau.

The Group's revenue from external customers by location of operations and information about its non-current assets* by location of assets are detailed below:

	Revenue from external customers		Non-current assets*	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Mainland China	171,174	235,131	1,129,314	1,213,689
Macau	180,240	–	852,646	–
Hong Kong	–	–	5,490	6,566
Others	–	18,111	–	–
	<u>351,414</u>	<u>253,242</u>	<u>1,987,450</u>	<u>1,220,255</u>

* Non-current assets represent non-current assets other than financial assets at fair value through profit or loss and deferred income tax assets.

Information about major customers

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

	2022 HK\$'000	2021 HK\$'000
Customer A	47,427	N/A*
Customer B	N/A*	39,284
Customer C	N/A*	32,133
Customer D	N/A*	25,330
	<u>47,427</u>	<u>96,747</u>

* The corresponding customer did not contribute over 10% to the Group's revenue in 2021 or 2022.

4 NET OTHER (LOSSES)/GAINS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss on fair value changes of investment properties	(2,331)	(8,434)
Foreign exchange (loss)/gain	(23,096)	21,918
Reversal of loss allowance/(loss allowance) on		
– loan to a joint venture	–	263
– amount due from a joint venture	–	(1,282)
– trade and other receivables	205	–
– cash and bank balances	(304)	–
Gain on disposals of property, plant and equipment	83	866
	<u>(25,443)</u>	<u>13,331</u>

5 INCOME TAX EXPENSE/(CREDIT)

Taxation has been calculated on the estimated assessable profit for the year at the rates prevailing in the countries in which the members of the Group operate.

No provision for Hong Kong profits tax and Macau complementary tax has been made, as there were no assessable profits arising in or derive from Hong Kong and Macau for the both years.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
– PRC EIT on assessable profit for the year	180	176
– Adjustments in respect of prior years	32	(1,977)
– Withholding tax on dividend paid (<i>note</i>)	7,127	–
Deferred tax:		
– Origination and reversal of temporary differences	(5,651)	(2,381)
Income tax expense/(credit)	<u>1,688</u>	<u>(4,182)</u>

Note:

Withholding tax is charged at 10% on dividend declared by subsidiary in Mainland China and payable to its holding company in Hong Kong.

6 LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Share-based payments		
– Directors and eligible employees	1,931	9,757
Auditor's remuneration		
– Audit services	2,640	1,800
– Audit-related services	21	2,500
	<u>26,618</u>	<u>12,403</u>

7 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company for the year ended December 31, 2022 of approximately HK\$126,700,000 (2021: loss of approximately HK\$63,633,000) by the weighted average number of ordinary shares outstanding during the year of approximately 11,672,342,000 (2021: approximately 11,672,342,000) shares and excluding the weighted average number of shares held for share award scheme of approximately 237,023,000 (2021: approximately 155,184,000) shares.

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share awards. For the share awards, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share awards.

For the years ended December 31, 2022 and 2021, the computation of the diluted loss per share does not assume the vesting of the outstanding share awards, as they would decrease the diluted loss per share.

8 TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	26,618	12,403
Loss allowance	(17)	–
	<u>26,601</u>	<u>12,403</u>

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	24,178	11,122
31 to 60 days	755	1,056
61 to 90 days	159	145
91 to 120 days	560	–
121 to 365 days	672	39
Over 365 days	294	41
	<u>26,618</u>	<u>12,403</u>

9 TRADE PAYABLES

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	28,418	24,544
31 to 60 days	141	61
61 to 90 days	32	–
91 to 120 days	91	175
121 to 365 days	720	–
Over 365 days	1,779	760
	<u>31,181</u>	<u>25,540</u>

10 DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2021: Nil).

ABOUT THE GROUP

AGTech was incorporated in Bermuda and its Shares are listed on GEM (Stock Code: 8279). AGTech is an integrated technology and services company engaged in electronic payment services, lottery, mobile games and entertainment and marketing technical services and non-lottery hardware supply markets with a focus on Mainland China and Macau. As a member of the Alibaba Group, the Group is the exclusive lottery platform of Alibaba Group and Ant Group.

AGTech's businesses are broadly divided into four principal categories:

- (i) Lottery:
 - (a) lottery hardware sales;
 - (b) lottery distribution through physical channels and ancillary services;
- (ii) Electronic payment:
 - (a) provision of payment card services and ancillary services;
 - (b) provision of e-wallet services;
 - (c) provision of acquiring services for other payment platforms;
- (iii) Games and entertainment and marketing technical services; and
- (iv) Non-lottery hardware supply (including sales and leasing).

AGTech is an associate member of the World Lottery Association (WLA) and the Asia Pacific Lottery Association (APLA).

CORPORATE STRATEGY AND OBJECTIVES

AGTech is committed to evolving its business into a comprehensive electronic payment services, lottery, mobile games and entertainment content and technology provider to customers around the world.

As the exclusive lottery platform of Alibaba Group and Ant Group, lottery technology and services will continue to be AGTech's domain expertise. The Group continues to leverage its lottery industry experience and innovation to support lottery authorities in areas including physical channel expansion, innovative hardware, marketing services and promotions.

Building on the past experiences of the Group in designing, operating and/or providing online and mobile games and entertainment contents to several online or mobile shopping and payment platforms, the Group will strive to integrate its core competencies into its electronic payment business in Macau, with a view to not only strengthening its presence in Macau, but also broadening its business coverage in complementary sectors including but not limited to e-commerce, entertainment and advertising or marketing technical services and expanding its presence beyond Macau.

The Group will continue to utilize its research and development capabilities in respect of lottery hardware to extend its hardware product offering to non-lottery hardware for the retail sector, with a view to broadening the product spectrum of its hardware business. At the same time, the Group will also integrate and optimize its technical capabilities in the POS (point of sales) payment terminals market and provide better services for merchants in Macau.

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

INDUSTRY OVERVIEW

The Macau Electronic Payment Market

According to the Statistics and Census Service of the Government of Macau (the DSEC), a total of approximately 5.7 million tourists visited Macau in 2022, representing a decrease of approximately 26.0% over 2021, of which approximately 5.1 million tourists were from Mainland China, representing a decrease of approximately 27.5% over 2021. Such decreases were mainly due to the outbreak of the COVID-19 pandemic in Mainland China throughout March to May 2022 and towards the year end in 2022, in addition to Macau's outbreak in late June 2022 which subsequently led to a temporary shutdown of all non-essential businesses in July 2022. In 2023, Macau is gradually recovering from the COVID-19 pandemic and reopening to the world. With most travel restrictions recently lifted and the resumption of electronic visa application for Mainland China tourists to visit Macau, an increase in incoming visitors will be an important driver for Macau's economic recovery.

Electronic payments are defined as non-cash transactions processed through digital channels. The electronic payment market in Macau is growing rapidly with the increase in the number of mobile payment transactions in recent years. According to the statistics of the AMCM*, the number of mobile payment transactions in Macau increased from approximately 193 million in 2021 to approximately 266 million in 2022, representing a year-over-year increase of approximately 37.8%. In addition, the total transaction value rose from approximately MOP18.52 billion in 2021 to approximately MOP25.86 billion in 2022, representing a year-over-year increase of approximately 39.6%.

It is worth noting that, despite the outbreak of the COVID-19 pandemic in both Mainland China and Macau at different times during 2022 which led to a decrease in the number of visitors to Macau, there was still a significant growth in the mobile payment market in Macau in 2022, which was attributable to the support for electronic payment by the government of Macau in the following ways:

- (i) the government of Macau facilitated the promotion of electronic payment by launching the “Simple Pay” service in 2021, which is an integrated payment system that allows merchants to accept various types of electronic payment methods in Macau by a single payment terminal or a QR code. Over 90% of merchants in Macau have upgraded to the Simple Pay system since launch; and
- (ii) in order to stimulate domestic demand and ease financial pressure faced by local residents and businesses, the government of Macau has launched the third round of “Electronic Consumption Benefits Plan” which ran from June 1, 2022 to February 28, 2023, entitling each qualified Macau resident to receive a start-up fund of MOP5,000 and a discount grant of MOP3,000 through one of the eight locally-registered mobile payment platforms (including MPay) or the electronic consumption card. The government of Macau has further announced an additional living subsidy start-up fund of MOP8,000, which will run from October 28, 2022 to June 30, 2023.

The government’s support for electronic payment has contributed to the digital transformation of Macau and the development of Macau’s electronic payment market.

* *Source: AMCM*

Lottery

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

According to MOF figures*, PRC annual lottery sales in 2022 amounted to approximately RMB424.6 billion, representing an increase of approximately 13.8% over 2021. Of this, Welfare Lottery amounted to approximately RMB148.1 billion, representing an increase of approximately 4.1% compared to 2021. Sports Lottery achieved sales of approximately RMB276.5 billion, representing an increase of approximately 19.7% compared to 2021.

* *Source: Ministry of Finance of the PRC*

Games and Entertainment and Marketing Technical Services

China's digital adaption in the consumer sector, especially in the e-commerce space, has seen significant and continued growth in recent years. With the emergence of innovative marketing channels and platforms, digital technology and products are expected to further integrate with consumers.

According to the latest statistical report on China's internet development released by the China Internet Network Information Center ("CNNIC")*, there were over 1.06 billion internet users in China as of December 2022, with internet penetration rate reaching 75.6% of the population. In the third quarter of 2022, banks processed 27.0 billion online payments worth RMB660 trillion, increased 0.77% and 12.47% year-on-year respectively. Mobile payment services amounted to 43.5 billion transactions, increased 11.56% year-on-year, worth RMB125 trillion, decreased 1.36% year-on-year.

Integrated digital infrastructure has enabled cashless transactions and shopping platforms to become a unique customer experience, and this acceleration has created opportunities in the digital marketing space.

* Source: CNNIC: *"The 51th Statistical Report on China's Internet Development (March 2023)"*

BUSINESS REVIEW

Hardware

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

The Group primarily supplies to Sports Lottery and has hardware deployed in multiple provinces, cities, municipalities and autonomous regions across China. The Group is one of the leading suppliers in China of lottery terminals. The Group continues to focus on research and development in order to broaden and improve its product spectrum and develop new hardware ranges.

During the year under review, the Group won multiple lottery hardware tenders to supply lottery terminals to the Sports Lottery Administration Centres in Guangxi Zhuang Autonomous Region, Yunnan province, Sichuan province, Jiangsu province, Hainan province, Hubei province, Inner Mongolia Autonomous Region, Guangdong province and Fujian province of the PRC. The Group will continue to pursue tenders to supply to the lottery and other hardware markets.

Lottery Distribution and Ancillary Services

Expansion of physical channels and lottery distribution

The Group currently distributes lottery (including lotto, sports lottery and instant scratch tickets) by expanding its physical lottery sales channels in China, which are mostly retail sales outlets operated by Alibaba Group. During 2022, the Group generated revenue from the distribution of lottery through retail sales outlets, representing an increase of approximately 58% over the corresponding period in 2021. Such increase was mainly attributable to the increase in average lottery sales volume per sales outlet as a result of the Group's continuous efforts in expanding its network of collaborating retail sales outlets for lottery distribution with an increase of approximately 23% in the number of such outlets over the corresponding period in 2021.

Lottery Resources Channel Operations and Platform Services

The Group has successfully launched its dedicated lottery resources channel on Taobao and Alipay. While this lottery resources channel has not conducted any internet lottery sales, it serves as a one-stop platform for many lottery-related services and resources, providing online users in China an easy access to information and resources that address various lottery needs.

The content on the lottery resources channel includes displaying of certain historical and current lottery products results. Further, the channel compiles the locations of nearby lottery retail channels, paving the way for further integration of online and offline resources in the future. With the addition of sports event information and paid contents, the Group has been expanding its offerings of tools and products according to market demands and users' needs. Personalized suggestions of sports events information were provided based on users' demands and habits, thus a surge of number of active users was recorded.

During the Qatar World Cup held throughout November and December of 2022, daily active users increased by approximately 140% as compared to the previous major event the UEFA Euro in 2020. Through this channel, the Group hopes to build on its online presence and maximize the value of its business partnership with Alibaba Group and Ant Group, in addition to preparation for any potential policy approval and authorization of online distribution of lottery products in the future.

Electronic Payment

An indirect wholly-owned subsidiary of the Company, Macau Pass, is a leading payment service provider in Macau and is an “other credit institution” licensed under AMCM. It is principally engaged in payment card and ancillary services, e-wallet services and acquiring services.

Payment card services and ancillary services

The “Macau Pass Card” (the “**MP Card(s)**”) is the most common contactless smart card for payments in Macau. There are currently more than 4.5 million cumulative MP Cards in issuance. The MP Card can be used for bus fare payments, payments for other public transports, car parks, government services, retail consumption, food and beverage services. Starting from May 24, 2022, passengers of the Macau’s Light Rail Transit can also use their MP Cards for fare payment. The MP Card can also be customized to include functions such as door access card, staff badge or membership card. Macau Pass receives commission income from merchants for processing transactions with payments made via MP Cards, and also generates revenue from ancillary card services such as sales and management of MP Cards.

In order to stimulate domestic demand and ease financial pressure faced by local residents and businesses, the government of Macau has launched a third round of “Electronic Consumption Benefits Plan” which ran from June 1, 2022 to February 28, 2023, entitling each qualified Macau resident to receive a start-up fund of MOP5,000 and a discount grant of MOP3,000 through one of the eight locally-registered mobile payment platforms (including MPay) or the electronic consumption card. The government of Macau has further announced an additional living subsidy start-up fund of MOP8,000, which will run from October 28, 2022 to June 30, 2023.

Macau Pass continues to support and promote the latest round of economic aid through its three customer service centers by providing assistance to services such as registration and activation. An increase of approximately 25% on active card usage was observed during the month of launch of the third round of “Electronic Consumption Benefits Plan”.

E-wallet services

The Group provides e-wallet services via a mobile app called “MPay”, 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. Through co-operation with designated banking partners, MPay is also allowed by the People’s Bank of China for offline cross-border use in the PRC. The Group receives commission income (based on a percentage of the transaction value) from merchants for processing transactions with payments made via MPay.

In November 2022, MPay cooperated with Alipay+ (a suite of global cross-border digital payment and marketing solutions launched by Ant Group) and has officially become a payment partner of Taobao (Macao, China) to provide electronic payment services to its users. Residents in Macau and other registered users who are not Mainland Chinese residents can now use MPay to make payments in Macau patacas directly when shopping online with Taobao (Macao). MPay has also launched a new wallet function, namely “Group Red Packets” during December 2022 to allow a personalized feature for sending red packets for the Chinese New Year.

As one of the leading mobile payment e-wallets in Macau, MPay will continue to explore on strategic cooperation with the Alibaba Group and Ant Group to further develop and create more diverse business scenarios within the e-commerce and digital media and entertainment landscape, in addition to exploring commercialization opportunities within the Macau electronic payment ecosystem. Registered users of MPay account for over 90% of local residents.

Acquiring services

The Group supplies integrated payment terminals 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**”). The Group 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.

Games and Entertainment and Marketing Technical Services

Online non-lottery games, entertainment content, and marketing technical services

The Group is dedicated to evolving its business into a comprehensive mobile games, entertainment content and marketing technical services provider to customers around the world. The Group has been active in building its online presence and customer-base through various online channels by offering various types of proprietary non-lottery games and entertainment content. The Group has launched a series of initiatives and events throughout the year, such as providing online ticketing payment services to the finale of “Street Dance of China Season 5”, which was held in Macau on October 29, 2022. Providing marketing services and convenient payment experience will be beneficial for the Group to participate in the cultural and entertainment market.

The Group continues to assist merchants to attract customers, enhance brand exposure and increase online transactions. In response to the latest round of economic stimulus by the government of Macau and as one of the eight locally-registered mobile payment platforms, MPay has launched a series of electronic consumption promotions via the use of its e-wallet services, where users can get random discounts or payment rebates, as well as win prizes and earn loyalty points, mCoins, for redemption of merchant coupons and other exclusive offers on its platform.

Non-lottery Hardware Supply

In addition to lottery hardware supplies, expansion to other consumer sectors has been a focus for the Group. With a view to broadening product spectrum of its hardware business utilizing the research and development capability of the Group and in view of the fact that many of the hardware supplies for the retail market share similar technology and components underlying the lottery hardware products supplied by the Group throughout many years, the Group has extended its hardware product offering to smart hardware in the retail sector.

Sale and Leasing of Payment Terminals and Equipment

The Group 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 the Group’s acquiring services.

International Market

Strategic expansion in selected overseas markets

(i) Paytm First Games Private Limited in India:

A joint venture company of the Group with One97 Communications Limited (“**One97**”), namely, Paytm First Games Private Limited (the “**JV**”), developed and operated its mobile games and entertainment platform, namely “Paytm First Games”, in India. One97 is the owner of Paytm, which is a leading mobile payment platform in India. Paytm First Games offers players a unique online experience with popular games content such as rummy, poker, fantasy sports games, and other card games.

The business has continued to grow, with revenue in 2022 increasing by approximately 40% as compared to 2021. Paytm First Games will strive to continue to grow its user base, further monetizing this unique platform and capitalizing on the significant potential of the fast-growing mobile games and entertainment market in India.

(ii) Ant Bank in Macau:

Ant Bank is a joint venture company held as to 66.7% by two indirectly wholly-owned subsidiaries of Ant Holdco and as to 33.3% by a 30% indirectly owned associated company of the Company. Ant Bank officially commenced operations in April 2019, with a business scope of providing mobile payment services and financial banking services such as deposit, loan and remittance services to residents and small and medium-sized enterprises (“**SMEs**”) of Macau. The chairman and CEO of the Company, Mr. Sun Ho, and the non-executive Director, Mr. Ji Gang, are also directors of the Ant Bank.

In September 2019, Ant Bank officially launched the Alipay (Macao) e-wallet payment service in Macau. In addition to its e-wallet payment service, Ant Bank provides internet financial products in Macau and brings contactless online financial services to Macau residents and SMEs. In terms of financial services for SMEs, Ant Bank has leveraged Ant Group’s practical experience of focusing on inclusive financial services to provide credit loan services for Macau SMEs engaged in retailing, catering and trading services.

BUSINESS OUTLOOK

As a leading payment service provider in Macau, the Group strives to contribute to the local fintech development and smart city transformation for Macau and the Greater Bay Area through offering its contactless smart card, e-wallet and multipurpose e-payment system. The Group is committed to enabling consumers and small businesses with access to technology and sustainable payment experiences. Through enhancing infrastructure and platform, it is the Group's aim to support the digital transformation of financial services in the Greater Bay Area and beyond.

Macau Pass will continue to work closely with the government of Macau and provide assistance to merchants and residents via any future round of "Electronic Consumption Benefits Plan" or other relief measures to SMEs promulgated by the government of Macau from time to time in order to ease the impact of the COVID-19 pandemic on the local economy. With most travel restrictions lifted and the resumption of electronic visa application for Mainland China tourists to visit Macau, an increase in incoming visitors will be an important driver for Macau's economic recovery. The Group will also explore on strategic cooperation with Alibaba Group to further develop and create more diverse business scenarios within the e-commerce and digital media and entertainment landscape, in addition to exploring commercialization opportunities within the Macau electronic payment ecosystem and cultural and entertainment market.

The Group will continue to build on its market presence in the Chinese lottery industry. As the exclusive lottery business platform of Alibaba Group and Ant Group, the Group strives to further align and benefit from synergies created through cooperation with Alibaba Group and Ant Group.

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

The Group continues to operate the lottery resources channel on Taobao and Alipay to serve as a one-stop platform on lottery related information for existing and potential customers. With the addition of a wider variety of sports events and interactive entertainment to its lottery resources channel, the Group will continue to customize features to improve on user experience and engagement after a successful World Cup campaign. The Group will continue to leverage and explore opportunities for collaboration with Alibaba Group's retail ecosystem to enhance on lottery distribution models, and make efforts to provide high-quality payment channels for offline lottery channels to help improve the service capacity of lottery institutions. The Group believes that the integration of lottery services and products through physical retail distribution channel and networks will continue to create synergy and opportunities in the future.

Transition to other consumer sectors presents an opportunity for the further development of the Group's hardware business. The hardware supplied for the retail market share similar technology and components that underlie the lottery hardware products supplied by the Group throughout the years. The Group believes its hardware division continues to be well positioned to take advantage of such opportunities should they arise. The Group will continue to integrate and optimize its technical capabilities in the POS (point of sales) payment terminals market and provide better services for merchants in Macau.

The Group will continue to prioritize its strategic projects, namely its joint venture investment, Paytm First Games, as well as its indirect investment, the Ant Bank. The Group will continue to dedicate its commitment and support to grow its business to further capitalize on diversification opportunities.

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

REVIEW OF OPERATING RESULTS

Revenue and Profitability

Revenue of the Group for the year under review amounted to approximately HK\$351.4 million (2021: approximately HK\$253.2 million), representing an increase of approximately 38.8% over 2021. For the year under review, revenue contributions were mainly derived from lottery and related business (including lottery hardware sales, provision of lottery distribution and ancillary services in Mainland China) of approximately HK\$171.2 million (2021: approximately HK\$253.2 million) and provision of electronic payment services in Macau of approximately HK\$180.2 million (2021: Nil).

For revenue derived from lottery and related businesses, the decrease by approximately HK\$82.0 million to approximately HK\$171.2 million for the year under review was mainly due to a combination of factors: (i) the increases in revenue from the provision of lottery distribution and ancillary services by approximately HK\$20.5 million as a result of the Group's continuous effort in expanding its network of collaboration with retail sales outlets for lottery distribution; (ii) the decrease in revenue from the sales of lottery hardware by approximately HK\$66.1 million mainly due to the decrease in Sports Lottery's tenders for android terminal in 2022 and the delay in lottery hardware tender and delivery as a result of the outbreak of the COVID-19 pandemic in Mainland China towards the year end in 2022, (iii) the decrease in sales of non-lottery hardware by approximately HK\$18.3 million as a result of completion of a non-lottery hardware supply project in 2021 which was not recurring in 2022; and (iv) the decrease in revenue from the games and entertainment and marketing technical services business by approximately HK\$19.7 million, primarily due to the decrease in revenue from the provision of online game contents by the Group to the JV as the JV successfully established its own research and development center in Beijing, the PRC and the Group no longer provides the JV with the technical and operational support for its fantasy sports games. As a result of the aforesaid mentioned decrease in sales of lottery hardware, there was a corresponding decrease in purchases of and changes in inventories by approximately HK\$57.1 million to approximately HK\$62.7 million for the year (2021: approximately HK\$119.8 million).

Revenue from the electronic payment and related businesses of the newly acquired wholly-owned subsidiary of the Company in Macau, Macau Pass, of approximately HK\$176.7 million was consolidated into the Group's results with effect from March 24, 2022. As a result of the outbreak of the COVID-19 pandemic in Macau and Mainland China with tightened travel restriction in the second half of 2022, and Macau's ongoing government policy to request financial institutions including Macau Pass to exempt the transaction acquiring fee charged to small and medium enterprises until the end of February 2023 in order to continuously support those enterprises, the Group's profitability of electronic payment business was seriously affected during the year. In response to AMCM's guidance, Macau Pass had rebated the transaction handling fees charged to small and medium enterprises of approximately HK\$38.8 million since March 24, 2022.

There was an increase in other operating expenses of the Group by approximately HK\$120.9 million to approximately HK\$212.1 million for the year (2021: approximately HK\$91.2 million), mainly due to the inclusion of other operating expenses of the Macau Pass Group, such as service fees paid to other payment service providers of approximately HK\$62.5 million and marketing expenses of approximately HK\$45.8 million including costs of the promotion campaigns relating to the 2022 Electronic Consumption Benefits Plan in Macau and costs incurred for e-wallet services' customer loyalty programme.

Employee benefits expenses increased by approximately 9.4% to approximately HK\$127.8 million (2021: approximately HK\$116.8 million) for the year despite the inclusion of the Macau Pass Group's employee benefits expenses as the Group implemented workforce restructuring in 2021 for costs control to maintain its competitive position.

Operating loss for the year was approximately HK\$129.7 million (2021: approximately HK\$65.8 million). Such increase in operating loss was mainly due to a combination of factors: (i) the increase in total revenue (offset by the related costs and expenses) of the Group as mentioned above; (ii) the change from a foreign exchange gain of approximately HK\$21.9 million for the year ended December 31, 2021 to a foreign exchange loss of approximately HK\$23.1 million for the year under review as a result of the depreciation of Renminbi against Hong Kong dollars during the year; and (iii) the increase in the depreciation and amortization expenses by approximately HK\$46.0 million to approximately HK\$66.6 million for the year (2021: approximately HK\$20.6 million), mainly due to the consolidation of the depreciation and amortization expenses of the Macau Pass Group into the financial statements of the Group and amortization expenses on the fair value of identifiable intangible assets, i.e. brand name, customer and business relationships arising from the acquisition of the Macau Pass Group.

The loss for the year was approximately HK\$131.1 million (2021: approximately HK\$63.1 million), representing an increase of approximately 107.9% over 2021 which was primarily due to the above-mentioned increase in operating loss. In addition, there were a fair value loss on the convertible term loan facilities provided by the Group to its 45%-owned joint venture company in India, Paytm First Games Private Limited, of approximately HK\$39.9 million for the year (2021: approximately HK\$18.6 million), mainly due to an increase in market interest rates during the year, and an increase in net finance income by approximately HK\$27.3 million to approximately HK\$44.4 million (2021: approximately HK\$17.1 million) mainly due to the consolidation of net finance income of the Macau Pass Group into the financial statements of the Group.

Impacts of the COVID-19 pandemic on the Group

As a result of the COVID-19 outbreak in 2022 in the PRC, there were decrease and delays in lottery hardware tenders and delivery which led to a drop in the Group's lottery hardware revenue by approximately 39.3% for the year ended December 31, 2022.

Nevertheless, the Group continued to maintain a healthy financial position as at December 31, 2022. Net cash (defined as total cash and cash equivalents less total debts, which include trade payables, accruals and other payables (excluding current portion of provision for warranty of HK\$9,241,000), contract liabilities, floats balance due to card or account holders, card deposits due to cardholders, deferred consideration payable and lease liabilities) as at December 31, 2022 amounted to approximately HK\$336.6 million. The Group did not have any bank borrowings, and liquidity ratio (defined as current assets divided by current liabilities) of the Group as at December 31, 2022 stood at approximately 1.2, which continuously reflected the adequacy of financial resources of the Group.

In view of the fact that the net proceeds from the Subscription remained to be used by the Group amounted to only approximately HK\$88.8 million as at September 30, 2022 and the net proceeds previously allocated to "Hardware, Lottery Games & Systems", "Investment project(s) and acquisition(s)" and "General corporate purposes" have been utilized in full, the Company considered that it would be more effective in terms of fund management to reallocate all the remaining net proceeds from the Subscription in "Games and Entertainment" to just "General corporate purposes". In addition, as the Group has been prudent in its spending and business expansion under the persistent COVID-19 pandemic situation and implemented restructuring since 2021 for costs control to maintain its competitive position, the usage of the net proceeds has been kept at a slower pace than expected. Accordingly, the Company considered it necessary to further postpone the deadline of usage of all the remaining net proceeds from the Subscription from December 31, 2022 to December 31, 2023.

Liquidity and financial resources

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and meet its short-term and long-term funding requirements. The total assets and net current assets of the Group as at December 31, 2022 were approximately HK\$6,422.1 million and approximately HK\$715.2 million respectively (2021: approximately HK\$3,081.7 million and approximately HK\$1,625.8 million respectively). Current liabilities of the Group as at December 31, 2022 were approximately HK\$3,631.2 million (2021: approximately HK\$145.1 million). As at December 31, 2022, the Group had no available banking facilities. There were no bank borrowings of the Group as at December 31, 2022 (2021: Nil). The liquidity ratio (defined as current assets divided by current liabilities) of the Group as at December 31, 2022 was approximately 1.2 (2021: 12.2) which continuously reflected adequacy of financial resources of the Group. All credit institutions incorporated in Macau shall observe a capital adequacy ratio as stipulated by the notice issued by AMCM. Apart from that, the Group is not subject to any externally imposed capital requirements.

Capital structure and foreign exchange risk

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

As at December 31, 2022, there were no bank borrowings of the Group (2021: Nil). The gearing ratio (defined as bank borrowings divided by equity) of the Group as at December 31, 2022 was therefore not applicable (2021: Not applicable).

As at December 31, 2022, cash and cash equivalents carried effective interest (per annum) ranging from 0.001% to 3.98% respectively (2021: cash and cash equivalents and fixed deposits held at bank with original maturity over three months carried effective interest (per annum) ranging from 0.001% to 3.6% and 0.49% respectively).

As at December 31, 2022, majority of the Group's bank deposits were denominated in US\$, MOP, HK\$ and RMB. RMB-denominated bank deposits were primarily held by the entities of which functional currency is RMB. MOP-denominated bank deposits were primarily held by the entities of which functional currency is MOP. Since MOP is pegged to HK\$ and HK\$ is pegged to US\$, there is no significant foreign exchange risk in respect to US\$ and MOP during the year under review. As at December 31, 2022, the Group's entity with functional currency of Hong Kong dollar had net monetary assets denominated in INR of approximately HK\$78.9 million (as at December 31, 2021: approximately HK\$84.7 million) which the related foreign exchange risk has not been hedged. Substantially all of its revenue-generating operations, monetary assets and liabilities of the Group are conducted or transacted in functional currencies. The Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during the year under review. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Contingent liabilities and capital commitment

As at December 31, 2022, the Group did not have any material contingent liabilities and capital commitment that constituted “notifiable transactions” under Chapter 19 of the GEM Listing Rules.

Significant investments, material acquisitions and disposals during the year under review

Save for the completion of acquisition of the Macau Pass Group on March 24, 2022 as announced by the Company on the same date, there were no significant investments, material acquisitions and disposals that constituted “notifiable transactions” under Chapter 19 of the GEM Listing Rules during the year under review.

Employees’ information and remuneration policies

As at December 31, 2022, the Group had 333 (2021: 131) employees in Mainland China, Macau and Hong Kong . Total staff costs (excluding Directors’ emoluments) for the year ended December 31, 2022 amounted to approximately HK\$119.6 million (2021: approximately HK\$108.2 million).

The Group’s remuneration policies are formulated on the basis of performance and experience of individual employees and are in line with local market practices. In addition to salary, the Group also offers to its employees other fringe benefits including year-end bonus, discretionary bonus, Share Option Schemes, Share Award Scheme, contributory provident fund, social security fund, medical benefits and training (including on-the-job training, in-house and external training seminars).

Charges on Group’s assets

As at December 31, 2022, bank deposits of approximately HK\$2.1 million (as at December 31, 2021: approximately HK\$Nil) were held in designated bank accounts to secure letters of guarantee granted to the Group.

As at December 31, 2022, a sum of approximately HK\$6.5 million (as at December 31, 2021: approximately HK\$11.6 million) was held by trustees of the Company for purchases of award Shares under the Share Award Scheme. Such sum was not available for general use by the Group.

In addition, as at December 31, 2022, a restricted bank deposit was held for performance guarantees provided by a Macau bank in favor of the Macau government for service projects of Macau Pass to the extent of approximately HK\$19,000. The bank guarantees are secured by the restricted bank deposit provided by the Group amounting to approximately HK\$19,000.

Save as disclosed above, as at December 31, 2022, there was no charge on the assets of the Group.

Future plans for material investments and acquisition of capital assets

As at December 31, 2022, there was no specific plan for material investments and acquisition of capital assets that is required to be disclosed pursuant to Rule 17.10 of the GEM Listing Rules and the inside information provisions under Part XIVA of the SFO.

Significant changes to financial position

Inventories of the Group amounted to approximately HK\$33.1 million as at December 31, 2022 (as at December 31, 2021: approximately HK\$22.4 million). Inventory turnover period increased from 69 days in 2021 to 162 days in 2022 mainly due to the increase of finished goods as at December 31, 2022 to meet the demand for the committed orders for the upcoming first half of 2023 as a result of the postponed delivery of lottery hardware products caused by the outbreak of the COVID-19 pandemic towards the year end in 2022.

Trade receivables of the Group amounted to approximately HK\$26.6 million as at December 31, 2022 (as at December 31, 2021: approximately HK\$12.4 million). Debtor turnover period increased slightly from 17 days in 2021 to 20 days in 2022.

Goodwill of the Group increased to approximately HK\$1,489.1 million as at December 31, 2022 (as at December 31, 2021: approximately HK\$1,134.5 million), primarily due to the recognition of goodwill arising from the acquisition of the Macau Pass Group in March 2022 of approximately HK\$418.3 million and partially offset by the currency translation difference of approximately HK\$63.7 million.

Other intangible assets of the Group amounted to approximately HK\$348.2 million (as at December 31, 2021: approximately HK\$1.7 million). The increase in balance is mainly due to the recognition of identifiable intangible assets, i.e. brand name, customer and business relationships of approximately HK\$347.1 million arising from the acquisition of the Macau Pass Group in March 2022.

Financial assets at fair value through profit or loss in the sum of approximately HK\$78.9 million as at December 31, 2022 (as at December 31, 2021: approximately HK\$84.7 million) represents the convertible term loan facilities in the maximum amount of INR1,319.4 million (or approximately HK\$137.3 million) (as at December 31, 2021: approximately HK\$103.3 million) which had been provided by the Group to and fully utilized by the JV. A fair value loss of such financial assets of approximately HK\$39.9 million was recognized in 2022 (2021: approximately HK\$18.6 million).

The Group entered into an engagement with the Macau government as one of the registered payment platforms for the Electronic Consumption Benefits Plan (the “**ECBP**”). Floats balance due to card or account holders represents the balances of prepayment and the start-up fund under ECBP from MP Card or account holders, and card deposits due to cardholders represent the deposits from MP Card holders. Such balances were consolidated into the financial statements of the Group following completion of the acquisition of the Macau Pass Group in March 2022 (2021: Nil).

Deferred consideration payable in relation to the acquisition of the Macau Pass Group amounted to approximately HK\$74.3 million as at December 31, 2022 (as at December 31, 2021: HK\$Nil). During the year under review, an imputed interest expense on deferred consideration of approximately HK\$4.1 million was recorded for the outstanding deferred consideration payable which represented the unwinding of discount on the liability.

The current portion of accruals and other payables increased from approximately HK\$95.5 million as at December 31, 2021 to approximately HK\$1,718.7 million as at December 31, 2022, primarily due to the consolidation of accruals and other payables of the Macau Pass Group into the financial statements of the Group. In particular, the balance includes the outstanding living subsidy and outstanding third round of funds under the 2022 Electronic Consumption Benefits Plan in Macau to be distributed to the registered card/MPay users of approximately HK\$1,355.9 million.

The current portion of other receivables, deposits and prepayments increased from approximately HK\$98.0 million as at December 31, 2021 to approximately HK\$263.1 million as at December 31, 2022, primarily due to the consolidation of the other receivables, deposits and prepayments of the Macau Pass Group into the financial statements of the Group.

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

Details of the principal risks and uncertainties facing the Group, the risk management measures deployed by the Group to mitigate such risks and the Group's compliance with relevant laws and regulations will be set out in the Directors' Report of the annual report of the Company for the year ended December 31, 2022.

Significant event after the reporting period

As of the date hereof, there was no significant event affecting the Group after December 31, 2022.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS – 2023 TECHNOLOGY SERVICES FRAMEWORK AGREEMENT

On December 29, 2022, Beijing AGTech, being a wholly-owned subsidiary of the Company, entered into a technology services framework agreement (the “**2023 Technology Services Framework Agreement**”) with Alibaba Cloud, pursuant to which Beijing AGTech will and will procure the Group to, where applicable, enter into specific agreements with Alibaba Cloud and its subsidiaries and/or affiliates for the provision of technology services and resources (including authorisation for the use of cloud computing technologies and e-commerce technologies, and the provision of other technology services and support based on the business needs and operational requirements of the Group, including the provision of information technology infrastructure and hardware such as servers and data rooms) by Alibaba Cloud and its subsidiaries and/or affiliates to the Group for a term from January 1, 2023 to December 31, 2024.

Prior to entering into the 2023 Technology Services Framework Agreement, the Group had purchased technology services and resources of the same nature as the aforesaid ones from Alibaba Cloud and its subsidiaries and/or affiliates pursuant to a framework agreement dated December 20, 2019 entered into between Beijing AGTech and Alibaba Cloud (the “**2020 Technology Services Framework Agreement**”) which expired on December 31, 2022. The Group renewed the procurement of the aforesaid technology services and resources from Alibaba Cloud and its subsidiaries and/or affiliates by way of the 2023 Technology Services Framework Agreement, reflecting the Group’s strategy of utilising a range of technology services and resources to enhance its product and service offerings so as to improve the user experiences of its customers.

The Company expects that the maximum aggregate fees payable to Alibaba Cloud and its subsidiaries and/or affiliates by the Group under the 2023 Technology Services Framework Agreement will not be more than HK\$4,200,000 for the year ending December 31, 2023 and HK\$6,500,000 for the year ending December 31, 2024. These annual caps have been primarily estimated with reference to: (i) the historical amounts of the aggregate fees paid to Alibaba Cloud and its subsidiaries and/or affiliates by the Group under the 2020 Technology Services Framework Agreement for the year ended December 31, 2020, the year ended December 31, 2021 and the eleven-month period ended November 30, 2022, being approximately HK\$3,160,000, HK\$2,150,000 and HK\$1,508,000, respectively; (ii) the Group’s expected demand and rate of usage for the above-mentioned technology services and resources during the term of the 2023 Technology Services Framework Agreement; (iii) the applicable rates of services currently published by Alibaba Cloud on its official website(s); and (iv) the discount rates historically offered by Alibaba Cloud and its subsidiaries and/or affiliates to third parties. It is expected that, as a result of the Group’s business growth and launch of new initiatives in the coming financial years (especially due to the Group’s newly acquired electronic payment business in Macau), the demand for the aforesaid technology services and resources will increase and will lead to an increase in the annual caps as compared to the historical amounts.

Ali Fortune, the controlling shareholder of the Company, is indirectly held as to 60% by Alibaba Holding. Accordingly, Alibaba Cloud, being a consolidated entity of Alibaba Holding, is an associate of Ali Fortune and therefore a connected person of the Company. The transactions contemplated under the 2023 Technology Services Framework Agreement 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 of fees payable to Alibaba Cloud and its subsidiaries and/or affiliates by the Group under the 2023 Technology Services Framework Agreement are more than 0.1% but all of them are less than 5%, the transactions contemplated under the 2023 Technology Services Framework Agreement 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. Further details of the renewal of the continuing connected transactions under the 2023 Technology Services Framework Agreement are set out in the announcement of the Company dated December 29, 2022.

USE OF PROCEEDS FROM THE SUBSCRIPTION

The net proceeds from the Subscription (the “**Net Proceeds**”) received by the Company upon its completion amounted to approximately HK\$2.38 billion.

The Company announced various re-allocations (the “**2020 Re-allocations**”) of the Net Proceeds that remained as at March 31, 2020 together with their reasons in the Company's first quarterly results announcement for the three months ended March 31, 2020, and such re-allocations had been implemented since then. As disclosed in the section headed “USE OF PROCEEDS FROM THE SUBSCRIPTION” on pages 131 to 134 of the annual report of the Company for the year ended December 31, 2021, Net Proceeds in the sum of approximately HK\$222.2 million remained as at December 31, 2021.

During the year ended December 31, 2022, approximately HK\$181.3 million in total was used by the Group for the business divisions of the Group and for investment, acquisition and general corporate purposes in the manner as set out in the table below. Net Proceeds in the sum of approximately HK\$40.9 million remained as at December 31, 2022, which were placed in the bank accounts of the Group.

In view of the fact that the Net Proceeds remained to be used by the Group amounted to only approximately HK\$88.8 million as at September 30, 2022 and the Net Proceeds previously allocated to the categories (ii), (iv) and (v) in the table below have been utilized in full, the Company considered that it would be more effective in terms of fund management to reallocate all the remaining Net Proceeds in category (i) to just category (v) for general corporate purposes (the “**2022 Re-allocations**”), rather than further breaking them down into all five categories as shown in the table below. In addition, as the Group has been prudent in its spending and business expansion under the persistent COVID-19 pandemic situation and implemented restructuring since 2021 for costs control to maintain its competitive position, the usage of the Net Proceeds has been kept at a slower pace than expected. Accordingly, the Company considered it necessary to further postpone the deadline of usage of all the remaining Net Proceeds from December 31, 2022 to December 31, 2023.

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2021	Amount of Net Proceeds actually used during the year ended December 31, 2022	Amount of Net Proceeds reallocated in/(out) under the 2022 Re-allocations	Amount of Net Proceeds remained to be used as at December 31, 2022	Actual application of Net Proceeds during the year ended December 31, 2022 (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(i) Games and Entertainment:	approximately HK\$52.7 million (or approximately 23.7% of total remaining as at December 31, 2021)	approximately HK\$5.0 million	(approximately HK\$47.7 million) <i>(Note 1)</i>	Nil	The Net Proceeds were used in item (i)(c).
(a) development, operation and promotion of the Chinese card game, GuanDan, and Two-on-One Poker					No material difference from intended usage noted following the 2020 Re-allocations and 2022 Re-allocations.
(b) development, operation and promotion of the mind sports, leisure games and entertainment					
(c) research and development (“R&D”) of games and entertainment content that are not subject to the applicable lottery laws and regulations in the PRC or other overseas markets					
(d) expansion and development of the Group’s R&D capability in technology development for games and systems					
(e) payment of marketing fees to merchants to promote and boost online activities by online users					

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2021	Amount of Net Proceeds actually used during the year ended December 31, 2022	Amount of Net Proceeds reallocated in/(out) under the 2022 Re-allocations	Amount of Net Proceeds remained to be used as at December 31, 2022	Actual application of Net Proceeds during the year ended December 31, 2022 (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(ii) Hardware, Lottery Games & Systems:	approximately HK\$9.4 million (or approximately 4.2% of total remaining as at December 31, 2021)	approximately HK\$9.4 million	Nil	Nil	The Net Proceeds were used in items (ii)(a), (ii)(b) and (ii)(e).
(a) operation and development of lottery hardware and terminal production					No material difference from intended usage noted following the 2020 Re-allocations and 2022 Re-allocations.
(b) operation and development of lottery software systems					
(c) development of ancillary parts for lottery hardware and terminal production					
(d) investment for lottery games					
(e) sourcing, manufacturing, operation and development of smart hardware and ancillary equipment and provision of related after-sales maintenance services					
(iii) Lottery Distribution:	approximately HK\$95.1 million (or approximately 42.8% of total remaining as at December 31, 2021)	approximately HK\$73.4 million	Nil	approximately HK\$21.7 million	The Net Proceeds were used in item (iii)(c).
(a) sales, marketing and distribution of virtual lottery games					No material difference from intended usage noted following the 2020 Re-allocations and 2022 Re-allocations.
(b) sales, marketing and distribution of instant scratch lottery games					The Net Proceeds allocated to "Lottery Distribution" are expected to be used on or before December 31, 2023.
(c) sales, marketing and distribution of other categories of lottery games					
(d) online sales, marketing and distribution of lottery products (including but not limited to the future cooperation with Taobao and Alipay)					

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2021	Amount of Net Proceeds actually used during the year ended December 31, 2022	Amount of Net Proceeds reallocated in/(out) under the 2022 Re-allocations	Amount of Net Proceeds remained to be used as at December 31, 2022	Actual application of Net Proceeds during the year ended December 31, 2022 (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(iv) Investment project(s) and acquisition(s):	approximately HK\$0.9 million (or approximately 0.4% of total remaining as at December 31, 2021)	approximately HK\$0.9 million	Nil	Nil	The Net Proceeds were used in item (iv)(d).
(a) potential investment project(s) in overseas markets in areas of lottery business and games and entertainment business					No material difference from intended usage noted following the 2020 Re-allocations and 2022 Re-allocations.
(b) potential acquisition(s) of businesses engaged in lottery business and games and entertainment business					
(c) capital investments in the Group's joint venture company established with One97 Communications Limited in India					
(d) funding provided by the Group to support business expansion and ongoing operation in overseas markets					
(v) General corporate purposes:	approximately HK\$64.1 million (or approximately 28.9% of total remaining as at December 31, 2021)	approximately HK\$92.6 million	approximately HK\$47.7 million (Note 2)	approximately HK\$19.2 million	The Net Proceeds were used in items (v)(a) and (v)(b).
(a) staff costs and other administrative expenses of the Group (including the costs relating to the Share Award Scheme)					No material difference from intended usage noted following the 2020 Re-allocations and 2022 Re-allocations.
(b) general working capital of the Group					The Net Proceeds allocated to "General corporate purposes" are expected to be used on or before December 31, 2023.
Grand total:	approximately HK\$222.2 million	approximately HK\$181.3 million	Nil	approximately HK\$40.9 million	

Notes:

1. The remaining Net Proceeds of approximately HK\$47.7 million previously allocated to "Games and Entertainment" were re-allocated to "General corporate purposes" pursuant to the 2022 Re-allocations.
2. The total amount of Net Proceeds re-allocated to "General corporate purposes" in the sum of approximately HK\$47.7 million represents the Net Proceeds re-allocated from "Games and Entertainment" as stated in Note 1 above.

AUDIT COMMITTEE

During the year under review, the audit committee of the Company (the “**Audit Committee**”) comprised independent non-executive Directors, namely, Mr. Chow Siu Lui (appointed on January 24, 2022), Ms. Monica Maria Nunes (resigned on January 24, 2022), Mr. Feng Qing and Dr. Gao Jack Qunyao. Mr. Chow Siu Lui is the current chairman of the Audit Committee. The consolidated financial statements of the Group for the year ended December 31, 2022 have been reviewed and commented on by the Audit Committee.

The figures of the Group’s consolidated profit or loss and other comprehensive income, consolidated statement of financial position and the related notes for the year ended December 31, 2022 as set out in this announcement have been agreed by the Company’s external auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year ended December 31, 2022. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PricewaterhouseCoopers on this announcement.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry with all Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding Directors’ securities transactions during the year under review.

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

SHARE OPTIONS

A share option scheme of the Company was approved by the Shareholders at the special general meeting held on December 23, 2014 (the “**2014 Scheme**”) and was adopted by the Company on the same date in place of the former share option scheme of the Company adopted on November 18, 2004 (the “**2004 Scheme**”) (which had expired on November 17, 2014 and all options granted under the 2004 Scheme had lapsed in 2019). Particulars of the Company’s Share Option Schemes (including the terms thereof and details of the share options granted thereunder) and details of movements in the share options under such schemes during the year under review will be set out in the notes to the consolidated financial statements of the Group in the annual report of the Company for the year ended December 31, 2022.

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

During the year ended December 31, 2022, no options were granted by the Company pursuant to the Share Option Schemes. No options were exercised, cancelled and lapsed during the year ended December 31, 2022. As at January 1, 2022 and December 31, 2022, the total number of Shares still available for grant under the 2014 Scheme (excluding, for the purpose of calculating the “scheme mandate limit”, any options granted under the 2014 Scheme but forfeited or expired in accordance with the terms of such scheme) shall be 313,309,485 Shares and 313,309,485 Shares respectively, representing approximately 2.7% and 2.7% of the Company’s issued share capital as at that date respectively.

As at January 1, 2022 and December 31, 2022, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Schemes was Nil (2021: Nil), representing Nil% (2021: Nil%) of the Company’s issued share capital as at that date.

The remaining life of the 2014 Scheme is less than three years as at the date of this announcement.

GRANT OF AWARD SHARES PURSUANT TO SHARE AWARD SCHEME

As disclosed in the announcement of the Company dated March 17, 2017, the Company adopted the Share Award Scheme on March 17, 2017 (the “**Adoption Date**”). The Share Award Scheme is aimed to allow the Company to grant award Shares to selected participants so as to (i) attract skilled and experienced personnel for the future development and expansion of the Group by providing them with the opportunity to acquire equity interest in the Company, and/or (ii) incentivize the Group’s employees to remain with the Group and motivate the Group’s employees to strive for the future development and expansion of the Group.

During the year under review, on August 12, 2022, the Company granted a total of 46,568,900 award Shares to nine eligible persons, including one director of a subsidiary of the Company and eight employees of the Group under the Share Award Scheme. The 46,568,900 award Shares granted represent approximately 0.40% of the issued share capital of the Company as at the date hereof. On November 9, 2022, the Company granted a total of 18,000,000 award Shares to 35 eligible persons who are employees of the Group and independent of the Company and its connected persons under the Share Award Scheme. The 18,000,000 award Shares granted represent approximately 0.15% of the issued share capital of the Company as at the date hereof.

During the year under review, the trustee of the Share Award Scheme (the “**Trustee**”) has purchased a total of 81,624,000 Shares on the Stock Exchange at a total consideration of approximately HK\$23.6 million to satisfy award Shares granted under the Share Award Scheme.

During the year under review, 64,568,900 award Shares were granted by the Company pursuant to the Share Award Scheme, 23,863,500 award Shares were vested in the grantees and 10,780,000 award Shares were forfeited.

All of the 64,568,900 award Shares were granted by way of acquisition of existing Shares through on-market transactions by the Trustee. The Board shall cause to pay the Trustee the purchase price and the related expenses from the Company's cash resources. The Trustee shall purchase from the market the relevant number of award Shares and shall hold the award Shares on trust for the relevant selected participants until they are vested in such selected participants and delivered in accordance with the terms of the Share Award Scheme. There is no condition, performance target or lock up restriction attached to the award Shares.

In the event that the Board elects to issue new Shares to satisfy any award Shares to be granted under the Share Award Scheme in the future, the maximum number of new Shares so issued shall be limited to 3% of the total issued Shares as at the Adoption Date (i.e. 315,426,263 Shares). The total number of issued Shares as at the Adoption Date was 10,514,208,770.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance in order to uphold the transparency of the Group and safeguard interests of the Shareholders.

The Company has adopted the applicable code provisions in the Corporate Governance Code (the “Code”) as set out in Appendix 15 of the GEM Listing Rules.

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

- (a) under code provision C.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The roles of chairman and CEO of the Company were performed by the executive Director, Mr. Sun Ho, during the year under review. The Company considered that the combination of the roles of chairman and CEO could effectively facilitate the formulation and implementation of the strategies of the Company. The Company considered that under the supervision of its Board and especially its independent non-executive Directors, a balancing mechanism existed so that the interests of the Shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement;

- (b) under code provision B.2.2 of the Code, every Director should be subject to retirement by rotation at least once every three years. However, pursuant to the Bye-laws, the chairman of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. During the year under review, the chairman of the Board was not subject to retirement by rotation as the Board considered that the continuity of the office of the chairman provided the Group with strong and consistent leadership and was of great importance to the smooth operations of the Group. The Company considered that the performance of the chairman was already under the supervision of the entire Board (especially the independent non-executive Directors), and checks and balances existed so that the interests of the Shareholders were adequately and fairly represented;
- (c) under code provision C.2.7 of the Code, the chairman of the Board should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors. During the year under review, the chairman of the Board did not hold such kind of private meetings with the independent non-executive Directors. The chairman of the Board considered that it was unnecessary as it would be more transparent to let the independent non-executive Directors speak out their views to all other Directors in full Board meetings which would be held at least four times a year. Besides, the chairman of the Board, being an executive Director himself, always welcomes all independent non-executive Directors to directly communicate with him via his email or phone to discuss any matters of the Company from time to time;
- (d) under code provision C.1.5 of the Code, each Director should disclose to the Company, among other things, an indication of the time involved by him/her in his/her offices held in other public companies or organisations and other significant commitments. During the year under review, no such disclosure was made by the Directors to the Company. As the Board had adopted a corporate governance practice that each Director's contributions to the Group would be reviewed and discussed at the Board meeting annually (the "**Annual Contributions Review**"), the Board considered that assessing the time spent by each Director on his/her commitments outside the Group was not necessary for the purposes of the Annual Contributions Review and that the disclosure of the time spent by a Director in performing his/her duties did not necessarily indicate accurately the efficiency of such Director and the effectiveness of his/her work, and may therefore be misleading;

- (e) under code provision E.1.2(c) of the Code, the remuneration committee should review and recommend to the Board for approval of the specific remuneration packages of senior management. The remuneration committee of the Company had reviewed its scope of duties and considered that the delegated responsibility to review and recommend to the Board to approve the specific remuneration packages of senior management should be vested in the executive Directors who have a better understanding of the level of expertise, experience and performance expected of the senior management in the daily business operations. Notwithstanding the foregoing, the remuneration committee would continue to be primarily responsible for the review and recommendation of the remuneration packages of the Directors;

- (f) under code provision E.1.5 of the Code, the Company should disclose details of any remuneration payable to members of senior management by band in its annual report. The Company did not make such disclosure in its annual report as the Board considered that (i) the remuneration of any newly appointed “chief executive” (as defined under the GEM Listing Rules) would have already been disclosed in the announcement previously issued by the Company in respect of such appointment in accordance with GEM Listing Rule 17.50(2)(g); (ii) the five highest paid employees within the Group had already been disclosed in the notes to the consolidated financial statements of the Group in the annual report, and (iii) giving further details of remuneration for each and every senior management staff would result in particulars of excessive length and no additional value to the Shareholders, whilst at the same time may impair the flexibility of the Group in its negotiations of remuneration packages for senior management staff (especially those who are not Directors or chief executives of the Group and hence are not supposed to be subject to the aforesaid disclosure requirement under GEM Listing Rule 17.50(2)(g)) should it need to find replacement staff or recruit additional senior personnel in the future; and

- (g) under code provision F.1.1 of the Code, the Company should have a policy on payment of dividends and should disclose it in its annual report. The Company did not have such policy and did not make such disclosure in its annual report as the Board considered that it would be premature to decide on its dividend policy as the Company did not have any distributable reserves calculated under the laws of Bermuda, and even if the Company will have sufficient distributable reserves to pay its dividends in the future, the Board has yet to assess the funding requirements of the Group (for instance, its working capital needs and capital expenditure) at that time before the Company could decide on the amount of dividends or proportion of net profits that it would be in a position to distribute to the Shareholders.

The above deviations (a) to (g) were similarly disclosed on pages 25 to 27 of the Company’s annual report for the year ended December 31, 2021, and on pages 57 to 60 of the Company’s interim report for the six months ended June 30, 2022.

CONTINUING CONNECTED TRANSACTIONS (“CCTs”)

During the year ended December 31, 2022, the Group continued to be engaged in the following CCTs, details of which had been disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules:

CCTs with Alibaba Group:

(a) **Payment of service fees by CLM and/or ZCLM to 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 Lingshoutong**

On December 17, 2021, CLM and ZCLM, each being an indirect wholly-owned subsidiary of the Company, entered into a cooperation agreement (the “**LST 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. 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. 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 service fees payable by CLM and/or ZCLM to Alibaba China under the LST Cooperation Agreement shall 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, service fees payable to Alibaba China = (sales commission receivable by CLM and/or ZCLM from Lottery Centers for the sale of lottery products (exclusive of taxes) – service fees payable to the Sales Outlets + incentive fee payable by Alibaba China to its business development personnel – other costs and expenses payable by CLM and/or ZCLM) x 50%.

The service fees payable to the Sales Outlets (which are not controlled or owned by the Alibaba Group) shall 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, service fees payable to Alibaba China = (service fees receivable by CLM and/or ZCLM from Lottery Centers (exclusive of taxes) + incentive fee payable by Alibaba China to its business development personnel – other costs and expenses payable by CLM and/or ZCLM) x 50%.

The incentive fee payable by Alibaba China to its business development personnel for expansion of sales channels shall 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) shall 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 LST Cooperation Agreement are determined with reference to (1) 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 (2) the scale of potential customers that can be reached by utilizing the channels and networks of Alibaba Group and its expected traffic volume.

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 ended 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 under the LST Cooperation Agreement 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.

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 CCTs 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. Further details of these CCTs are set out in the announcement of the Company dated December 17, 2021.

(b) Payment of service fees by the Group (including Beijing AGTech) to Alibaba Cloud and its subsidiaries in respect of the provision of technology services and resources

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

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

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

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

The Group offers a range of products and services along the entire value chain of the lottery and mobile games and entertainment business in the PRC and selected global markets. The procurement of the technology services from Alibaba Cloud under the 2020 Technology Services Framework Agreement reflects the Group's strategy of utilising a range of technology services and resources to enhance its offerings so as to improve the user experiences of its domestic and international customers. For details of these CCTs, please refer to the announcements of the Company dated December 20, 2019 and December 17, 2020.

CCTs with Ant Group:

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 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 and hence members of the Alipay Entities Group are connected persons of the Company under the GEM Listing Rules.

Upon completion of the acquisition of the entire equity interest in Macau Pass Holding Ltd. and 1% equity interest in Macau Pass by two indirect wholly-owned subsidiaries of the Company pursuant to the sale and purchase agreement dated September 10, 2021 (the "**Acquisition**") on March 24, 2022, members of the Macau Pass Group (including Macau Pass) became indirect wholly-owned subsidiaries of the Company. Accordingly, any continuing transactions between the Macau Pass Group (including Macau Pass) and the Alipay Entities Group constitute CCTs for the Company under Chapter 20 of the GEM Listing Rules with effect from March 24, 2022.

(a) Payment of MP Acquiring Service Fees by Macau Pass to Alipay Entities

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 (collectively, the “**Alipay E-Wallets**”) 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 (the “**MP Acquiring Service Fees**”) to the other payment service providers such as the Alipay Entities. On September 10, 2021, the Company entered into a framework agreement (the “**MP Acquiring Service Framework Agreement**”) with the Alipay Entities to set out the terms and conditions of the business cooperation (in respect of Macau Pass’ acquiring services) between Macau Pass and the Alipay Entities with effect from March 24, 2022.

Given the increasing usage of digital payment by customers in Macau with Alipay E-Wallets operated by the Alipay Entities being a popular payment option, the entering into of the MP Acquiring Service Framework Agreement enables the Group (including Macau Pass) to continue its business relationships with the Alipay Entities in compliance with the GEM Listing Rules with effect from March 24, 2022.

The pricing for the MP Acquiring Service Fees payable by Macau Pass to the Alipay Entities under the MP Acquiring Service Framework Agreement shall be within the normal range of such fees payable by Macau Pass in respect of its acquiring services to other third party payment service providers independent of Macau Pass and its connected persons (which was in the region of 0.5% to 1.8% of the transaction value for processing payment of the transactions at the date of the MP Acquiring Service Framework Agreement). The MP Acquiring Service Framework Agreement is for a term commencing on March 24, 2022 and ending on December 31, 2023, and is subject to the maximum amounts of MP Acquiring Service Fees payable by Macau Pass to the Alipay Entities thereunder of HK\$95,000,000 for the year ended December 31, 2022 and HK\$100,000,000 for the year ending December 31, 2023 respectively. The aforesaid annual caps 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 three years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021; (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 the resumption of tourists activities in Macau as the COVID-19 pandemic has

been kept under control in the city; the expansion of its network of merchants by Macau Pass in Macau; the increase in per capita consumption of mainland Chinese tourists in Macau; and the competition of acquiring services provided by other acquirers and banks in Macau.

As the aforesaid annual caps in respect of the MP Acquiring Service Fees exceed 5% of the relevant applicable percentage ratios and HK\$10 million per annum, the MP Acquiring Service Framework Agreement and the transactions contemplated thereunder (including the relevant annual caps) are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The MP Acquiring Service Framework Agreement and the transactions contemplated thereunder (including the relevant annual caps) were duly approved by the independent Shareholders at the special general meeting of the Company held on November 18, 2021. Further details of the MP Acquiring Service Framework Agreement are set out in the circular of the Company dated October 29, 2021.

(b) Payment of service fees in respect of MP Payment Related Services and Referral Services by Alipay Entities to Macau Pass

On July 13, 2022, the Company entered into a framework agreement (the “**MP Payment and Related Services Framework Agreement**”) with the Alipay Entities, pursuant to which the Company and the Alipay Entities may from time to time enter into or procure their respective subsidiaries and/or affiliated companies to enter into specific execution agreements for the provision to each other of the services specified in the MP Payment and Related Services Framework Agreement (subject to the approval of the relevant regulatory authorities) for a term commencing from July 13, 2022 to December 31, 2023. Set out below are those services specified in the MP Payment and Related Services Framework Agreement which are subject to the reporting, announcement and annual review requirements under Chapter 20 of the GEM Listing Rules:

(i) MP Payment Related Services

Macau Pass shall provide clearing and settlement services to the Alipay Entities Group via acquiring platforms of Alipay Entities outside Macau (including but not limited to Macau Pass participating as a business partner of the Alipay+ Solution for online or offline business scenarios) (the “**Alipay Acquiring Services**”) and foreign exchange settlement services related to its acquiring business in Macau to the Alipay Entities Group (the “**MP Acquiring Business Foreign Exchange Settlement Services**”, together with the Alipay Acquiring Services, are referred to as the “**MP Payment Related Services**” hereinafter).

The pricing basis of the service fees in respect of the Alipay Acquiring Services payable by the Alipay Entities Group to Macau Pass shall be within the range of 0.1% to 1.8% of the transaction amount, which are determined based on a number of factors, including but not limited to the countries, regions, industries of merchants involved in the cross-border transactions, the monthly transaction volume and whether the transaction is conducted online or offline, and shall be within the normal range of service fees payable by the Alipay Entities Group to other independent third party payment service providers.

The pricing basis of the service fees in respect of the MP Acquiring Business Foreign Exchange Settlement Services payable by the Alipay Entities Group to Macau Pass shall be within the range of 0.1% to 0.6% of the transaction amount, which are determined based on the actual business situation and shall be within the normal range of service fees payable by the Alipay Entities Group to other independent third party payment service providers.

(ii) Referral Services

Macau Pass shall provide users referral services to the Alipay Entities Group (including referral of individual customers and merchants) via online or offline channels, including but not limited to referring MPay users to open, authenticate and link new account at Ant Bank via MPay, and purchase or enter into deposits, loans or other financial products or services provided by Ant Bank (collectively, the “**Referral Services**”).

The service fee payable by the Alipay Entities Group to Macau Pass for successful account opening at Ant Bank shall be in the range of MOP50 to MOP300 for each new account of Ant Bank opened via the referral by Macau Pass. Where a user referred by Macau Pass has successfully purchased or entered into deposits, loans or other financial products or services provided by Ant Bank, the pricing basis of the Referral Services fees payable by the Alipay Entities Group to Macau Pass are determined based on the terms of the relevant specific execution agreements between the parties, the scope of the services, the scale and costs of the events or cooperation, which shall be within the range of 0.1% to 0.25% of the transaction amount as fund withdrawal handling fees for such services and shall be within the normal range of service fees chargeable by Macau Pass to other independent third party banks.

The annual caps of service fees payable by the Alipay Entities Group to Macau Pass under the MP Payment and Related Services Framework Agreement are:

- HK\$11,250,000 for the period from March 24, 2022 to December 31, 2022 and HK\$12,300,000 for the year ending December 31, 2023 respectively in respect of the MP Payment Related Services; and
- HK\$1,750,000 for the period from July 13, 2022 to December 31, 2022 and HK\$7,280,000 for the year ending December 31, 2023 respectively in respect of the Referral Services.

The above annual caps of the service fees in respect of the MP Payment Related Services are determined primarily with reference to the expected demand of the Alipay Entities Group for such services during the term of the MP Payment and Related Services Framework Agreement; the rates of service fees charged by Macau Pass; and certain buffer for additional services that may be required by the Alipay Entities Group.

The above annual caps of the service fees in respect of the Referral Services are determined primarily with reference to the estimated number of users that may be referred to Ant Bank by Macau Pass who will successfully open an account with Ant Bank or purchase or enter into deposits, loans or other financial products or services provided by Ant Bank during the term of the MP Payment and Related Services Framework Agreement; the rates of service fees charged by Macau Pass; and the estimated average amount of deposit that each referred user will place in the account opened at Ant Bank.

As one or more applicable percentage ratios with respect to the highest annual cap of the service fees payable by the Alipay Entities Group to the Group for each of the MP Payment Related Services (which is inclusive of the services fees payable under the prior agreements in relation to the MP Acquiring Business Foreign Exchange Settlement Services) and the Referral Services under the MP Payment and Related Services Framework Agreement are more than 0.1% but all of them are less than 5%, the transactions under the MP Payment and Related Services Framework Agreement 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.

The Board considers that the transactions under the MP Payment and Related Services Framework Agreement will foster closer cooperation between the Group (in particular, Macau Pass) and the Alipay Entities Group in respect of the Group's business in Macau and Macau Pass' cross-border payment business outside Macau or in the Guangdong-Hong Kong-Macau Greater Bay Area, thereby enhancing the source of revenue of the Group. For details of these CCTs, please refer to the announcement of the Company dated July 13, 2022.

CCTs with Past Directors Group of Macau Pass:

Pursuant to Rule 20.07(2) of the GEM Listing Rules, a person who was a director of the Group in the last 12 months shall be regarded as a “connected person” of the Company. Accordingly, the past directors of Macau Pass until their resignation as such on March 24, 2022 (the “**Past Directors**”) and their respective associates (collectively, the “**Past Directors Group**”, including but not limited to Transportes Urbanos de Macau, S.A.R.L. (“**TRANSMAC**”) and Macao Clever Catering Management Company Limited (“**MCC**”), each of which is controlled as to over 30% by some of the Past Directors and is therefore an associate of such Past Directors) are regarded as connected persons of the Company until March 23, 2023, and any continuing transactions between the Macau Pass Group (including Macau Pass) and the Past Directors Group (the “**Past Directors Transactions**”) constitute CCTs for the Company until March 23, 2023.

It is anticipated that the transaction amounts of the Past Directors Transactions will exceed the de minimis threshold if the Group continues to conduct those transactions pursuant to the existing agreements. Therefore, the Past Directors Transactions will be subject to annual review and disclosure requirements and the Company has set annual caps for such transactions pursuant to Chapter 20 of the GEM Listing Rules.

As (i) the Past Directors Transactions are CCTs between the Group and connected persons at the subsidiary level of the Company (i.e. the Past Directors Group) on normal commercial terms, (ii) the Board (including the independent non-executive Directors) has approved the Past Directors Transactions, and (iii) the independent non-executive Directors have confirmed that the terms of the Past Directors Transactions are fair and reasonable, on normal commercial terms or better and in the interest of the Company and its shareholders as a whole, the Past Directors Transactions are only subject to the reporting and announcement requirements, but are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 20.99 of the GEM Listing Rules.

The Macau Pass Group has a good and longstanding business relationship with the Past Directors Group. The Past Directors Transactions form part of the Macau Pass Group's ordinary and important business activities, which will allow the Macau Pass Group to capitalise on its industry experience and expertise and will continue to generate stable revenue.

Details of the Past Directors Transactions are set out below:

(a) Transactions with TRANSMAC (the “TRANSMAC Transactions”)

Macau Pass (an indirect wholly-owned subsidiary of the Company) and TRANSMAC (a member of the Past Directors Group) entered into an agreement (the “**Fare Collection System Services Agreement**”) on November 1, 2020 (as amended and supplemented by an agreement dated December 1, 2020) in relation to the leasing of fare collection machines and the provision of fare collection and clearing services and ancillary services for the electronic fare collection system (collectively, the “**Fare Collection System Services**”).

The term of the Fare Collection System Services Agreement commenced from November 1, 2020 and is renewable automatically for one year upon expiry of each one-year term until December 31, 2026 on which day the Fare Collection System Services Agreement will be terminated automatically, unless either party serves a notice for termination of such agreement at least six months prior to the expiry of each one-year term. The Board wishes to reiterate that TRANSMAC will cease to be a connected person of the Company after March 23, 2023 and the TRANSMAC Transactions will not be subject to any disclosure and/or shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules after such date.

The rental fee payable by TRANSMAC to Macau Pass for leasing of the fare collection machines is calculated based on (i) such number of fare collection machines as stated in the Fare Collection System Services Agreement or the actual number of fare collection machines actually leased to TRANSMAC, whichever is the higher; and (ii) a monthly rental fee of MOP350 (equivalent to approximately HK\$340) for each fare collection machine. The service fee payable by TRANSMAC to Macau Pass with respect to the provision of fare collection and clearing services and ancillary services for the electronic fare collection system is calculated primarily based on the number of transactions conducted on public buses of TRANSMAC, and a sliding fee scale corresponding to the number of transactions so conducted with reference to the pricing policy indicated by Transport Bureau in Macau, which is the standard market term applicable to the bus operators in Macau.

The annual caps for the aggregate of rental fees and service fees payable by TRANSMAC to Macau Pass with respect to the TRANSMAC Transactions for the two periods from March 24, 2022 to December 31, 2022 and from January 1, 2023 to March 23, 2023 are fixed at MOP10,700,000 (equivalent to approximately HK\$10,380,000) and MOP3,600,000 (equivalent to approximately HK\$3,490,000), respectively. Such annual caps are determined with reference to: (1) the historical aggregate amount of the rental fees and service fees with respect to the TRANSMAC Transactions for the year ended December 31, 2021, being approximately MOP10,964,000 (equivalent to approximately HK\$10,640,000); (2) the expected growth in the number of the TRANSMAC Transactions; (3) the expected growth in number of fare collection machines to be leased to TRANSMAC to support more payment tools for use on its buses such as the Transport QR Code (乘車碼) of MPay and other e-wallets; and (4) certain buffer for additional service fees that may be charged by Macau Pass in relation to the provision of the Fare Collection System Services.

(b) Transactions with MCC (the “MCC Transactions”)

Macau Pass (an indirect wholly-owned subsidiary of the Company) and MCC (a member of the Past Directors Group) entered into an agreement (the “**MCC Online Payment Agreement**”) on May 11, 2020 (as amended and supplemented by an agreement dated September 10, 2021) in relation to the establishment of payment gateway on “mFood”, which is an online food and beverage delivery platform owned and operated by MCC. Under the MCC Online Payment Agreement, Macau Pass has agreed to provide MCC with online payment services which enable merchants on the mFood platform to accept payment methods of various payment service providers, such that their customers may choose their preferred payment methods at checkout.

The term of the MCC Online Payment Agreement commenced from May 11, 2020, and will end two years after completion of the Acquisition, being March 23, 2024. The Board wishes to reiterate that MCC will cease to be a connected person of the Company after March 23, 2023 and the MCC Transactions will not be subject to any disclosure and/or shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules after such date.

The service fee payable by MCC to Macau Pass for its provision of online payment services ranges from 0.7% to 0.8% of the transaction amount of the payment processed for the mFood platform, depending on the payment methods chosen by the customers at checkout. Where the transaction amount is settled through redemption of reward points held by the MPay users on the mFood platform, the service fee payable by MCC to Macau Pass shall be 1.2% of the transaction amount so settled in accordance with a cooperation framework agreement entered into between MCC and Macau Pass on July 6, 2022 (the “**Reward Points Redemption Cooperation Agreement**”), which agreement was terminated on August 31, 2022.

The aggregate annual caps for the service fees (inclusive of the aforesaid 0.7%-0.8% and 1.2% of the transaction amount respectively) payable by MCC to Macau Pass with respect to the MCC Transactions for the two periods from March 24, 2022 to December 31, 2022 and from January 1, 2023 to March 23, 2023 are fixed at MOP7,500,000 (equivalent to approximately HK\$7,280,000) and MOP3,500,000 (equivalent to approximately HK\$3,400,000), respectively. Such aggregate annual caps are determined primarily with reference to: (1) the historical amount of the service fees with respect to the MCC Transactions for the year ended December 31, 2021, being approximately MOP2,397,000 (equivalent to approximately HK\$2,330,000); and (2) the expected fast growth in the number and transaction volume of the MCC Transactions based on the rapid business growth of MCC over each quarters of the past 12 months and, in particular, the growth of over 30% in revenue generated from the MCC Transactions in the first quarter of 2022 as compared to the fourth quarter of 2021.

Further details of the Past Directors Transactions have been disclosed in the announcements of the Company dated June 20, 2022 and August 8, 2022.

Assessment of compliance with the annual caps

During the year ended December 31, 2022, the actual transaction amounts in respect of the CCTs described above were as follows:

CCTs with Alibaba Group	Total amount (HK\$'000)
(a) Payment of service fees by CLM and/or ZCLM to 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 Lingshoutong under the LST Cooperation Agreement	4,120 <i>Note 1</i>
(b) Payment of service fees by the Group (including Beijing AGTech) to Alibaba Cloud and its subsidiaries in respect of the provision of technology services and resources under the 2020 Technology Services Framework Agreement	1,873 <i>Note 2</i>
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Notes:

1. The aggregate amount of these transactions amounted to approximately HK\$4,120,000 for the year ended December 31, 2022, which fell below the annual cap amount of HK\$4,500,000 for such year.
2. The aggregate amount of these transactions amounted to approximately HK\$1,873,000 for the year ended December 31, 2022, which fell below the annual cap amount of HK\$4,800,000 for such year.

CCTs with Ant Group	Total amount <i>(HK\$'000)</i>
(a) Payment of MP Acquiring Service Fees by Macau Pass to Alipay Entities under the MP Acquiring Service Framework Agreement	19,594 <i>Note 3</i>
(b) Payment of service fees by Alipay Entities to Macau Pass in respect of MP Payment Related Services under the MP Payment and Related Services Framework Agreement	6,255 <i>Note 4</i>
(c) Payment of service fees by Alipay Entities to Macau Pass in respect of Referral Services under the MP Payment and Related Services Framework Agreement	Nil <i>Note 5</i>
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Notes:

3. The aggregate amount of these transactions amounted to approximately HK\$19,594,000 for the year ended December 31, 2022, which fell below the annual cap amount of HK\$95,000,000 for such year.
4. The aggregate amount of these transactions amounted to approximately HK\$6,255,000 for the period from March 24, 2022 to December 31, 2022, which fell below the cap amount of HK\$11,250,000 for such period.
5. The aggregate amount of these transactions amounted to approximately HK\$Nil for the period from July 13, 2022 to December 31, 2022, which fell below the cap amount of HK\$1,750,000 for such period.

CCTs with Past Directors Group of Macau Pass	Total amount (HK\$'000)
(a) Payment of rental fees and service fees by TRANSMAC to Macau Pass with respect to the TRANSMAC Transactions under the Fare Collection System Services Agreement	6,987 <i>Note 6</i>
(b) Payment of service fees by MCC to Macau Pass with respect to the MCC Transactions under the MCC Online Payment Agreement and the Reward Points Redemption Cooperation Agreement	4,348 <i>Note 7</i>
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Notes:

6. The aggregate amount of these transactions amounted to approximately MOP7,196,000 (equivalent to approximately HK\$6,987,000) for the period from March 24, 2022 to December 31, 2022, which fell below the cap amount of MOP10,700,000 (equivalent to approximately HK\$10,380,000) for such period.
7. The aggregate amount of these transactions amounted to approximately MOP4,478,000 (equivalent to approximately HK\$4,348,000) for the period from March 24, 2022 to December 31, 2022, which fell below the cap amount of MOP7,500,000 (equivalent to approximately HK\$7,280,000) for such period.

Annual review of CCTs

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

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

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

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

During the year ended December 31, 2022, the Company reviewed its related party transactions and confirmed that, save as disclosed above, there was no connected transaction or continuing connected transaction of the Company which was required to be disclosed pursuant to Chapter 20 of the GEM Listing Rules. Save as disclosed above, none of the related party transactions to be set out in the notes to the consolidated financial statements of the Group in the annual report of the Company for the year ended December 31, 2022 were such transactions required to be disclosed pursuant to Chapter 20 of the GEM Listing Rules.

INTERESTS IN COMPETING BUSINESS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this announcement, based on information that is publicly available to the Company and within the knowledge of the Directors, the Company maintained sufficient public float of the Shares, representing no less than 25% of the total issued Shares as required under the GEM Listing Rules.

DEFINITIONS

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

“Ali Fortune”	Ali Fortune Investment Holding Limited, a company incorporated in 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 Cloud”	阿里雲計算有限公司 (Alibaba Cloud Computing Ltd.*) is a company established in the PRC with limited liability and a consolidated entity of Alibaba Holding
“Alibaba Group”	Alibaba Holding and its subsidiaries
“Alibaba Holding”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, with its American depository shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA) and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988)
“Alipay”	支付寶（中國）網絡技術有限公司 (Alipay.com Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of Ant Holdco
“Alipay Entities”	Alipay, Alipay Singapore and Ant Bank
“Alipay Entities Group”	the Alipay Entities together with their respective direct and indirect subsidiaries from time to time
“Alipay Singapore”	Alipay Singapore Holding Pte. Ltd., a company incorporated in Singapore and an indirect wholly-owned subsidiary of Ant Holdco
“Alipay+ Solution”	a suite of global cross-border digital payment and marketing solutions launched by Ant Group
“AMCM”	Autoridade Monetária de Macau (Monetary Authority of Macao)

“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
“Beijing AGTech”	北京亞博科技有限公司 (Beijing AGTech Co., Ltd*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Bye-law(s)”	the bye-law(s) of the Company
“CEO”	chief executive officer
“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” or “AGTech”	AGTech Holdings Limited, a company incorporated in Bermuda as an exempted company with limited liability, the Shares of which are listed on GEM
“Director(s)”	the director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

“India”	The Republic of India
“Macau”	the Macao Special Administrative Region of the PRC
“Macau Pass”	Macau Pass S.A., a company incorporated under the laws of Macau and an indirect wholly-owned subsidiary of the Company
“Macau Pass Group”	Macau Pass Holding Ltd. (an indirect wholly-owned subsidiary of the Company) and its subsidiaries (including Macau Pass)
“MOF”	the Ministry of Finance of China
“MOP”	Macau patacas, the lawful currency of Macau
“MPay”	the e-wallet operated by Macau Pass
“PRC” or “China”	the People’s Republic of China
“province(s)”	province(s), municipality(ies) and autonomous region(s) of the PRC unless otherwise specified, and “provincial” shall be construed accordingly
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Share Award Scheme”	the share award scheme of the Company adopted on March 17, 2017
“Share Option Schemes”	the share option schemes of the Company adopted on November 18, 2004 and December 23, 2014 respectively
“Shareholder(s)”	holder(s) of the Share(s)
“Sports Lottery”	the national sports lottery of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for 4,817,399,245 new Shares and convertible bonds of the Company in the aggregate principal amount of HK\$712,582,483 by Ali Fortune, which was completed on August 10, 2016

“Taobao”	淘寶（中國）軟件有限公司 (Taobao (China) Software Co., Ltd.*), a company established in the PRC and a subsidiary of Alibaba Holding
“US\$”	United States dollars, the lawful currency of the United States of America
“Welfare Lottery”	the national welfare lottery of China
“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

Notes:

1. In this announcement, the exchange rates of HK\$1.1657 to RMB1.00, INR1 to HK\$0.099 and MOP1 to HK\$0.9710 have been used for reference only.
2. The English translation of the Chinese company names in this announcement are included for reference only and should not be regarded as the official English translation of such Chinese company names.
3. In the event of any inconsistency, the English text of this announcement shall prevail over the Chinese text.

* *For identification purposes only*

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

Hong Kong, March 22, 2023

As at the date of this announcement, the Board comprises (i) Mr. Sun Ho and Ms. Hu Taoye as executive Directors; (ii) Mr. Liu Zheng, Mr. Li Jie, Mr. Ji Gang and Mr. Zou Liang as non-executive Directors; and (iii) Mr. Feng Qing, Dr. Gao Jack Qunyao and Mr. Chow Siu Lui as independent non-executive Directors.

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

This announcement will remain on the “Latest Listed Company Information” page of the GEM website operated by the Stock Exchange at www.hkexnews.hk 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.