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AGTech
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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)

RE-ALLOCATION IN USE OF PROCEEDS

This announcement is made by AGTech Holdings Limited (the "**Company**", and its subsidiaries collectively, the "**Group**") pursuant to Rule 17.10(2)(a) of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "**GEM Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the circular dated 25 May 2016 of the Company in relation to, among other things, the Subscription and the Whitewash Waiver (the "**Whitewash Circular**"). Capitalised terms used herein shall have the same meanings as those defined in the Whitewash Circular unless otherwise specified.

As disclosed in the Whitewash Circular, the net proceeds from the Subscription received by the Company from the Subscriber upon completion of the Subscription (the "**Completion**") amounted to approximately HK$2,380 million (the "**Net Proceeds**").

STATUS OF USE OF THE NET PROCEEDS

As disclosed in the section headed "USE OF PROCEEDS" on pages 45 to 51 of the Whitewash Circular, the Net Proceeds were intended to be used to fund the existing operations and future development of the Company's existing principal businesses. The Company has disclosed the amount of the Net Proceeds actually utilized and the material deviations between the intended use and the actual use of the Net Proceeds in its subsequent quarterly, interim and annual reports.

From 10 August 2016 (being the date of Completion) up to and including 31 January 2018, approximately HK$348 million in total has been used by the Group in each of the business divisions of the Group and for general corporate purposes in the manner as set out in Table 1 below. The explanations for material deviations from the intended use of the Net Proceeds are substantially the same as disclosed in the section headed "Use of proceeds from the Subscription" on pages 19 to 26 of the 2017 third quarterly report of the Company. Net Proceeds in the sum of approximately HK$2,032 million remained as at 31 January 2018 (the "**Remaining Net Proceeds**").

Table 1: Status of use of Net Proceeds as originally disclosed in the Whitewash Circular

Business divisions of the Group, or general corporate purposes, to which the Net Proceeds are intended to be allocated	**Amount intended to be used (as disclosed in the Whitewash Circular)**	**Amount actually used from 10 August 2016 up to and including 31 January 2018**	**Remaining Net Proceeds**
(i) Games & Systems			
(a) capital investment in ongoing development of new lottery games to be introduced to the market pending regulatory approval	approximately HK$300 million	Nil	approximately HK$300 million
(b) research and development ("**R&D**") of new lottery products of the Group	approximately HK$300 million	approximately HK$12 million	approximately HK$288 million
(c) expansion and development of the Group's R&D capability in technology development for games and systems	approximately HK$150 million	approximately HK$122 million	approximately HK$28 million
(d) acquisition of lottery systems and lottery games or companies which have such systems and games	approximately HK$400 million to HK$800 million	Nil	approximately HK$400 million
(e) funding the remaining consideration for the Score Value Transaction contingent upon certain performance targets	approximately HK$50 million	approximately HK$30 million	approximately HK$20 million
Sub-total for "Games & Systems"	**approximately HK$1,200 million**	**approximately HK$164 million**	**approximately HK$1,036 million**
(ii) Hardware			
R&D activities to upgrade the Group's hardware products with more sophisticated technology that are supplied to customers based on a revenue-sharing model	**approximately HK$120 million**	**approximately HK$10 million**	**approximately HK$110 million**

Business divisions of the Group, or general corporate purposes, to which the Net Proceeds are intended to be allocated	Amount intended to be used (as disclosed in the Whitewash Circular)	Amount actually used from 10 August 2016 up to and including 31 January 2018	Remaining Net Proceeds
(iii) Distribution			
(a) expansion of offline sales and distribution business	approximately HK$100 million	approximately HK$57 million	approximately HK$43 million
(b) marketing and advertising campaigns for its existing offline lottery games	approximately HK$100 million	Nil	approximately HK$100 million
(c) acquisitions of online and offline distributors	approximately HK$250 million	Nil	approximately HK$250 million
(d) online sales and distribution of lottery products (including but not limited to the future cooperation with Taobao (China) Software Co., Ltd. and Alipay.com Co., Ltd.)	approximately HK$400 million	Nil	approximately HK$400 million
Sub-total for "Distribution"	**approximately HK$850 million**	**approximately HK$57 million**	**approximately HK$793 million**
(iv) General corporate purposes			
(a) repayment of existing debts of the Group	approximately HK$60 million	approximately HK$45 million	approximately HK$15 million
(b) general working capital of the Group	approximately HK$150 million	approximately HK$72 million	approximately HK$78 million
Sub-total for "General corporate purposes"	**approximately HK$210 million**	**approximately HK$117 million**	**approximately HK$93 million**
Grand total:	**approximately HK$2,380 million**	**approximately HK$348 million**	**approximately HK$2,032 million**

RE-ALLOCATION IN THE USE OF THE REMAINING NET PROCEEDS

Since Completion took place on 10 August 2016, the Group has been undergoing various major business developments, including but not limited to: (i) launching new initiatives in the games and entertainment business, (ii) entering into framework agreement with Alibaba Group on sales and distribution of lottery products and other services, and purchase of technology services, (iii) entering into procurement framework agreement with Alibaba Group on procurement transactions, (iv) entering into framework agreement with Alipay on the Group's provision of online activities and services on the online platforms of Alipay, and (v) expanding its business in India by forming a joint venture company with One97 Communications Limited ("**Paytm Holding**"). In addition, the Group's new lottery games are still pending approval from the PRC lottery authorities. Meanwhile, the Group will continue to closely monitor government policy developments with respect of lottery in the PRC, and will remain well placed to take advantage of lottery sales via online (internet and mobile) channels as and when they are approved by the PRC lottery authorities and the Group has received the appropriate authorisations.

Having considered the above factors and the explanations for the material deviations from the intended usage of the Net Proceeds as disclosed in the 2017 third quarterly report of the Company, the Board has concluded that it would be necessary and appropriate to re-allocate the Remaining Net Proceeds so as to redirect the resources towards the current business divisions of the Group and to improve the efficiency and effectiveness of the use of such Net Proceeds for the business development of the Group.

Accordingly, the Remaining Net Proceeds shall be re-allocated in the manner as shown in Table 2 below:

Table 2: Re-allocation in use of the Remaining Net Proceeds

Business divisions of the Group, or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated	**Amount intended to be allocated and used**	**Amount reallocated from the use as originally disclosed in the Whitewash Circular**
(i) Games and Entertainment:	**approximately HK$746 million** (or approximately 37% of Remaining Net Proceeds)	**approximately HK$300 million** from Games & Systems in item (i)(a) of Table 1; **approximately HK$246 million** from Games & Systems in item (i)(b) of Table 1; and **approximately HK$200 million** from Games & Systems in item (i)(d) of Table 1
(a) development, operation and promotion of the Chinese card game, Guan Dan, and Two-on-One Poker		
(b) development, operation and promotion of the mind sports, leisure games and entertainment		
(c) R&D of games and entertainment content that are not subject to the applicable lottery laws and regulations in 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 general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated	Amount intended to be allocated and used	Amount reallocated from the use as originally disclosed in the Whitewash Circular
(ii) Lottery Hardware, Lottery Games & Systems:	**approximately HK$200 million** (or approximately 10% of Remaining Net Proceeds)	**approximately HK$42 million** from Games & Systems in item (i)(b) of Table 1;
(a) operation and development of lottery hardware and terminal production		
(b) operation and development of lottery software systems		**approximately HK$28 million** from Games & Systems in item (i)(c) of Table 1;
(c) development of ancillary parts for lottery hardware and terminal production		**approximately HK$20 million** from Games & Systems in item (i)(e) of Table 1; and
(d) investment for lottery games		
(e) funding the remaining consideration for the Score Value Transaction contingent upon certain performance targets		**approximately HK$110 million** from Hardware in item (ii) of Table 1
(iii) Lottery Distribution:	**approximately HK$300 million** (or approximately 15% of Remaining Net Proceeds)	**approximately HK$43 million** from Distribution in item (iii)(a) of Table 1;
(a) sales, marketing and distribution of virtual lottery games		
(b) sales, marketing and distribution of instant scratch lottery games		**approximately HK$100 million** from Distribution in item (iii)(b) of Table 1; and
(c) sales, marketing and distribution of other categories of lottery games		**approximately HK$157 million** from Distribution in item (iii)(d) of Table 1
(d) online sales, marketing and distribution of lottery products (including but not limited to the future cooperation with Taobao (China) Software Co., Ltd. and Alipay.com Co., Ltd.)		

Business divisions of the Group, or general corporate purposes, to which the Remaining Net Proceeds are intended to be allocated	Amount intended to be allocated and used	Amount reallocated from the use as originally disclosed in the Whitewash Circular
(iv) Investment project(s) and acquisition(s): (a) potential investment project(s) in overseas markets in areas of lottery business and games and entertainment business (b) potential acquisition(s) of businesses engaged in lottery business and games and entertainment business (c) capital investments in the Group's joint venture company established with Paytm Holding in India (d) funding provided by the Group to support business expansion and ongoing operation in overseas markets	**approximately HK$450 million** (or approximately 22% of Remaining Net Proceeds)	**approximately HK$200 million** from Games & Systems in item (i)(d) of Table 1; and **approximately HK$250 million** from Distribution in item (iii)(c) of Table 1
(v) General corporate purposes: (a) staff costs and other administrative expenses of the Group (including the costs relating to the share award scheme of the Company) (b) general working capital of the Group	**approximately HK$336 million** (or approximately 16% of Remaining Net Proceeds)	**approximately HK$243 million** from Distribution in item (iii)(d) of Table 1; and **approximately HK$93 million** from General corporate purposes in items (iv)(a) and (iv)(b) of Table 1
Grand total:	**approximately HK$2,032 million**	

The Directors (including the independent non-executive Directors) consider that the re-allocation in the use of the Remaining Net Proceeds from the Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

The Hong Kong Special Administrative Region
of the PRC, 9 February 2018

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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market ("**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 Company Announcements" page of the GEM website operated by the Stock Exchange at www.hkgem.com for at least seven days from the day of its posting and will be published on the website of the Company at www.agtech.com.

* *For identification purpose only*