

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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



AGTech Holdings Limited

亞博科技控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8279)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

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 Main Board. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

* For identification purposes only

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2017

- Revenue of the Group for the year under review amounted to approximately HK\$302.2 million (2016: approximately HK\$251.5 million), representing an increase of approximately 20.2% over 2016. Revenue contributions were mainly derived from lottery hardware, lottery games and systems, provision of distribution and ancillary services, games and entertainment business in the PRC. The revenue growth was primarily driven by new development in the Group's games and entertainment business.
- The loss for the year under review was approximately HK\$370.3 million (2016: profit of HK\$332.7 million). The change from profit to loss for the year was mainly attributable to several non-cash and non-operating items related to the convertible bonds and contingent consideration payables.
- During the year under review, employee benefits expenses were approximately HK\$265.4 million (2016: approximately HK\$156.3 million). The increase was mainly due to the recruitment of staff across the Group to enhance its technical capability to cope with the business growth and expansion.
- The Board does not recommend the payment of a final dividend for the year.

RESULTS

The Board announces the audited results of the Group for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	<i>Note</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Revenue	2	302,210	251,492
Other income		2,901	3,920
Net other gains/(losses)	4	29,882	(12,123)
Employee benefits expenses		(265,438)	(156,319)
Purchase of and changes in inventories		(80,971)	(129,161)
Depreciation expense		(4,157)	(4,735)
Other operating expenses		(227,011)	(220,704)
Operating loss		(242,584)	(267,630)
(Loss)/Gain on fair value changes of convertible bonds		(123,969)	408,077
Gain on fair value changes of contingent consideration payables		13,764	119,696
Write-back of contingent consideration payables		–	79,345
Net finance cost		(5,956)	(1,590)
Share of results of investments accounted for using equity method		–	(3)
(Loss)/Profit before income tax		(358,745)	337,895
Income tax expense	5	(11,578)	(5,230)
(Loss)/Profit for the year	6	(370,323)	332,665
Other comprehensive income:			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Currency translation differences		67,204	(68,840)
Other comprehensive income for the year, net of tax		67,204	(68,840)
Total comprehensive income for the year		(303,119)	263,825

		2017	2016
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
(Loss)/Profit attributable to:			
Owners of the Company		(365,664)	332,989
Non-controlling interests		(4,659)	(324)
		<u>(370,323)</u>	<u>332,665</u>
Total comprehensive income attributable to:			
Owners of the Company		(301,124)	264,628
Non-controlling interests		(1,995)	(803)
		<u>(303,119)</u>	<u>263,825</u>
(Loss)/Earning per share			
Basic	7	(HK3.33 cents)	HK4.71 cents
Diluted	7	(HK3.42 cents)	(HK1.30 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		5,421	7,447
Investment properties		54,041	49,100
Goodwill		1,120,548	1,067,388
Other intangible assets		1,742	1,742
Deferred income tax assets		6,840	7,950
Investments accounted for using equity method		291	—
Other receivables, deposits and prepayments		4,934	6,580
		1,193,817	1,140,207
Current assets			
Inventories		10,071	18,801
Trade receivables	8	49,178	25,584
Other receivables, deposits and prepayments		111,550	80,587
Cash and bank balances		2,624,253	2,769,172
		2,795,052	2,894,144
Total assets		3,988,869	4,034,351
Current liabilities			
Trade payables	9	5,327	18,418
Accruals and other payables		166,014	100,172
Current income tax liabilities		3,636	2,700
Amounts due to fellow subsidiaries		9,532	—
Secured bank borrowings		—	44,957
Contingent consideration payables		147,504	62,471
		332,013	228,718

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current liabilities		
Convertible bonds	900,190	1,329,881
Deferred income tax liabilities	5,502	5,212
Provision for warranties	45,600	52,998
Contingent consideration payables	—	113,797
	<u>951,292</u>	<u>1,501,888</u>
Total liabilities	<u>1,283,305</u>	<u>1,730,606</u>
Net assets	<u>2,705,564</u>	<u>2,303,745</u>
Equity		
Share capital	22,494	20,990
Reserves attributable to owners of the Company	<u>2,635,880</u>	<u>2,246,882</u>
	2,658,374	2,267,872
Non-controlling interests	<u>47,190</u>	<u>35,873</u>
Total equity	<u>2,705,564</u>	<u>2,303,745</u>

1 BASIS OF PREPARATION

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

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

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2017:

Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKAS 7	Disclosure Initiative

The adoption of these amendments did not have any significant impact on the amounts recognised in prior or current periods and is not likely to affect future periods.

2 REVENUE

Revenue represents the amounts received and receivable from sales of lottery hardware (including provision of after-sale services), lottery games and systems, provision of distribution and ancillary services, games and entertainment primarily in the People’s Republic of China (“PRC”) for the year, and is analysed as follows:

	2017 HK\$’000	2016 HK\$’000
Lottery hardware	162,321	212,270
Lottery games and systems	27,255	16,041
Provision of distribution and ancillary services	18,703	23,181
Games and entertainment	93,931	–
	<u>302,210</u>	<u>251,492</u>

3 SEGMENT INFORMATION

Information reported to the executive Directors, being the chief operating decision-maker (“CODM”), for the purposes of resources allocation and assessment of performance focuses specifically on the revenue analysis by principal categories of the Group’s business and the profit or loss of the Group as a whole.

Accordingly, the CODM have determined that the Group has one sole operating segment. The information regarding revenue derived from the principal businesses described above is set out in Note 2.

Additional disclosure in relation to segment information is not presented as the CODM assess the performance of the sole operating segment identified based on the consistent information as disclosed in the consolidated financial statements.

The total segment profit or loss is equivalent to profit or loss for the year as shown in the consolidated statement of profit or loss and other comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the consolidated statement of financial position.

Geographical information

The Group's operations are mainly located in the PRC.

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

	Revenue from external customers		Non-current assets*	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
PRC	300,404	249,108	1,185,192	1,130,554
Hong Kong	—	—	1,785	1,703
Others	1,806	2,384	—	—
	<u>302,210</u>	<u>251,492</u>	<u>1,186,977</u>	<u>1,132,257</u>

* Non-current assets excluded deferred income tax assets.

Information about major customers

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

	2017 HK\$'000	2016 HK\$'000
Customer A	N/A*	66,525
Customer B	62,347	44,016
Customer C	46,460	32,223
	<u>108,807</u>	<u>142,764</u>

* The corresponding customer did not contribute over 10% to the Group's revenue in 2017.

4 NET OTHER GAINS/(LOSSES)

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Gain on fair value changes of investment properties	1,183	–
Allowance for impairment of other receivables, deposits and prepayments	(435)	(7,082)
Impairment charge of goodwill	–	(2,857)
Foreign exchange gain/(loss)	29,043	(2,100)
Gain/(loss) on disposals of property, plant and equipment	91	(76)
Loss on winding-up of a joint venture	–	(8)
	<u>29,882</u>	<u>(12,123)</u>

5 INCOME TAX EXPENSE

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.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax:		
– PRC Enterprise Income Tax on assessable profit for the year	8,088	4,448
– Adjustments in respect of prior years	1,744	1,692
Deferred tax:		
– Origination and reversal of temporary differences	1,746	(910)
Income tax expense	<u>11,578</u>	<u>5,230</u>

6 (LOSS)/PROFIT FOR THE YEAR

(Loss)/Profit for the year has been arrived at after charging:

	2017 HK\$'000	2016 HK\$'000
Share-based payments		
– Directors and eligible employees	59,610	25,387
– Other eligible participants	36,890	61,189
Marketing expenses	51,447	3,284
Operating lease rental payments	16,622	14,862
Auditor's remuneration		
– Audit services	1,900	1,100
– Audit-related services	400	–
PRC individual income tax ("IIT") in respect of the exercise of share options (<i>Note</i>)	–	53,898
	<u> </u>	<u> </u>

Note:

During the year ended 31 December 2016, the Group agreed an arrangement with the relevant PRC tax authorities and settled the under-withheld IIT in respect of the exercise of share options by its PRC employees totalling approximately HK\$53,898,000.

7 (LOSS)/EARNING PER SHARE

(a) Basic

Basic loss or earning per share is calculated by dividing the loss attributable to owners of the Company for the year ended 31 December 2017 of approximately HK\$365,664,000 (2016: profit of approximately HK\$332,989,000) by the weighted average number of ordinary shares outstanding during the year of approximately 11,034,885,000 shares (2016: approximately 7,063,295,000 shares) and excluding the weighted average number of shares held for share award scheme of approximately 55,930,000 shares (2016: nil).

(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 four categories of dilutive potential ordinary shares: convertible bonds, contingent considerations, share options and share awards. The convertible bonds are assumed to have been converted into ordinary shares, and the loss or profit attributable to owners of the Company is adjusted to eliminate the relevant interest expense and fair value changes. The contingent considerations are assumed to have been settled in ordinary shares, and the loss or profit attributable to owners of the Company is adjusted to eliminate the relevant fair value changes.

For the year ended 31 December 2017, the computation of the diluted loss per share does not assume the conversion of the outstanding convertible bonds, the exercise of the outstanding share options and the vesting of the outstanding share awards as they would decrease the loss per share.

For the year ended 31 December 2016, the computation of the diluted loss per share does not assume the exercise of the outstanding share options, as it would increase the earning per share.

	2017 HK\$'000	2016 <i>HK\$'000</i>
(Loss)/Profit attributable to owners of the Company used in calculating basic loss or earning per share	(365,664)	332,989
Adjustments for:		
– Interest expense on convertible bonds	–	9,874
– Gain on fair value changes of convertible bonds	–	(408,077)
– Gain on fair value changes of contingent consideration payables settled by issue of shares	(14,189)	(40,539)
	<u>(379,853)</u>	<u>(105,753)</u>
Loss attributable to owners of the Company used in calculating diluted loss per share	<u>(379,853)</u>	<u>(105,753)</u>
	2017 Number of shares (in thousand)	2016 Number of shares (in thousand)
Weighted average number of ordinary shares used in calculating basic loss or earning per share	10,978,955	7,063,295
Adjustments for:		
– Assumed conversion of convertible bonds	–	951,390
– Assumed settlement of contingent considerations	117,642	125,000
	<u>11,096,597</u>	<u>8,139,685</u>
Weighted average number of ordinary shares used in calculating diluted loss per share	<u>11,096,597</u>	<u>8,139,685</u>

8 TRADE RECEIVABLES

At 31 December 2017, the ageing analysis of trade receivables based on the date of the relevant invoice or demand note was as follows:

	2017 HK\$'000	2016 <i>HK\$'000</i>
0 to 30 days	24,914	23,815
31 to 60 days	11,926	1,228
61 to 90 days	3,217	13
91 to 120 days	3,392	473
121 to 365 days	5,729	55
	<u>49,178</u>	<u>25,584</u>

9 TRADE PAYABLES

At 31 December 2017, the ageing analysis of the trade payables based on invoice date was as follows:

	2017 HK\$'000	2016 <i>HK\$'000</i>
0 to 30 days	2,785	14,347
31 to 60 days	858	373
61 to 90 days	8	378
91 to 120 days	3	20
121 to 365 days	1,197	2,789
Over 365 days	476	511
	5,327	18,418

10 DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2016: Nil).

DISCUSSION AND ANALYSIS OF THE GROUP'S RESULTS AND BUSINESS

About the Group

AGTech was incorporated in Bermuda and its Shares are listed on GEM (Stock Code: 8279). AGTech is an integrated technology and services company engaged in the lottery and mobile games and entertainment market with a focus on China and select international markets. A member of the Alibaba Group with around 400 employees, AGTech is the exclusive lottery platform of Alibaba Group and Ant Financial Group.

AGTech's businesses are broadly divided into two categories:

- Lottery (including games and systems, hardware and distribution); and
- Games and Entertainment.

AGTech is a Gold Contributor of the World Lottery Association (WLA), an associate member of the Asia Pacific Lottery Association (APLA), an official organiser and operator of the competition card games Guan Dan and Two-on-One poker in China, and an official partner of the International Mind Sports Association (IMSA).

Corporate Strategy and Objectives

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

In view of the potential approval and authorisation of online distribution of regulated lottery products in China, beginning in 2017, the Group began leveraging our technical know-how, operating experience and in-house capabilities to expand our business in the games and entertainment industry, actively building our online presence and customer-base, leveraging on Alibaba Group and Ant Financial Group's vast portfolio of networks and channels. The Group will continue to develop differentiated proprietary games and entertainment platforms with the goal of integrating unique games and entertainment content with various resources on e-commerce and e-payment platforms, ultimately creating an innovative business model to increase the Group's commercial value.

Looking forward, AGTech will continue pursuing opportunities abroad, globalising our business by offering our proprietary systems and platforms, as well as operational and technical expertise, and strategically working with leading local partners in overseas markets such as India, South East Asia and beyond.

Nonetheless, lottery technology and services have been and will continue to be AGTech's domain expertise. To this end, we continue to support both of China's legal lottery operators, namely the Welfare Lottery and the Sports Lottery, across the full value chain by bringing together industry expertise, innovative technology and infrastructure, as well as management and operating experience into the Chinese lottery market. The Group believes that it is well positioned to receive the appropriate authorisation in online (internet and mobile) distribution of lottery products as and when approved by the lottery authorities.

Importantly, we will continue focusing on innovations in physical lottery channel distributions, seeking out suitable third party partners to expand our retail network, and leveraging our position as the exclusive lottery platform of Alibaba Group and Ant Financial Group, all of which are expected to help broaden the reach of lottery products in China. We believe that our position in both existing and potential new lottery channels is strengthened as we continue to improve upon the appeal and access of lottery products to the end consumers in China, thereby helping to expand the lottery industry as a whole.

INDUSTRY OVERVIEW

Lottery*

PRC annual lottery sales in 2017 set a new record high of approximately RMB427 billion, increasing 8.1% over 2016. Despite the significant size of today's China lottery market, the penetration rate of regulated lottery in China remains comparatively low by international standards. Given that lottery participation in China is well below that of developed markets such as Europe and the United States, there is enormous potential for future growth in China's legal lottery market.

There are two legal lottery operators in the PRC: the national welfare lottery (Welfare Lottery) and the national sports lottery (Sports Lottery). For 2017, Welfare Lottery and Sports Lottery grew 5.1% and 11.4%, representing 50.9% and 49.1% of the total market respectively.

The Welfare Lottery and the Sports Lottery have five main product categories: lotto type lottery game product that are either traditional in nature with a daily or weekly draw pattern as well as modern high frequency games featuring multiple draws per hour ("Lotto"), sport betting ("Sports"), video lottery terminal ("VLT"), a keno product ("Keno") and instant scratch cards ("Scratch"). In 2017, with the exception of Scratch, all of the lottery products enjoyed year on year sales growth, with Sports as the stand-out product growing 21.4% over 2016. The Scratch declined 13.6%, continuing several years of decline. Overall, Lotto remains by far the largest category, representing 61.6% of the overall market, followed by Sports, VLT, Scratch and Keno.

* *Source: Ministry of Finance of the PRC*

Games and Entertainment

The proliferation of smartphones in the PRC over the last several years, coupled with ever improving content across games categories, has increased mobile games consumption significantly. New technologies, improved network infrastructure, less expensive access to high-speed data, enhanced mobile devices have all contributed to the increase of mobile content consumption, thereby driving impressive levels of innovation in mobile games and entertainment content.

As such, over 74%* of total smartphone users are now smartphone gamers in the PRC, lagging only behind Korea in terms of penetration, as mobile gaming spread across age and gender demographics. In fact, according to the latest 2017 Global Mobile Games Industry White Paper, China has become the largest mobile game market in the world, with total revenue reaching approximately RMB92.8 billion*.

* *Statistica, Google trends*

India

We believe India currently holds the world's fastest growing active online users, with mobile driving the content consumption boom. According to surveys by Internet and Mobile Association of India, Indian internet user base reached approximately 481 million in 2017, and is expected to reach approximately 500 million by June 2018*. Further, according to a joint report released by India's National Association of Software and Services (NASSCOM) and App Annie, in 2016 mobile game downloads in India totaled approximately 1.6 billion, which put India fifth in the world.

* *Jointly published in July 2017 by Game Publishers Association Publications Committee, Games Research Center and International Data Corporation*

BUSINESS REVIEW

Games and Entertainment

Online non-lottery games and entertainment content

The Group is dedicated to evolving our business into a comprehensive lottery, mobile games and entertainment content and technology provider to customers around the world. With this in mind, and in view of the potential approval and authorisation of online distribution of regulated lottery products, the Group has been active in building our online presence and customer-base through various online channels by offering various types of proprietary non-lottery games and entertainment content. The Group is able to leverage our technical know-how and operating expertise in lottery to create various games and entertainment content and platforms, integrating different and unique resources and elements of e-commerce and e-payment platforms, to create a fun and healthy experience that aims to enrich online users' experience.

As such, during 2017, the Group successfully launched the games and entertainment platform on the Taobao mobile channel, uniquely combining various online games and entertainment with e-commerce resources. During this first year of operation, the Group was primarily focused on building up our user base as well as encouraging their engagement throughout the platform. As such, the Group was active in offering different types of attractive games and entertainment content and merchandise to users, with the goal of optimizing the overall value proposition of the platform. In addition, we carried out various marketing and promotional activities, such as those during Alibaba's marquee Double 11 shopping festival, as well as various free-to-play promotions and in-game marketing activities, which generated positive engagement and participation from users. While we are encouraged by online users' positive reception thus far, during the fourth quarter and continuing thereafter, having operated the platform for a period of time and gained substantial first-hand operating experience, and based on market and customer feedback, we implemented various adjustments and measures aimed at improving the overall quality as well as the sustainability of the platform.

In addition, the Group became one of the strategic partners and organisers of the China Competition Two-on-One Poker Championship in early 2017, marking the Group's official entry into the mind sports field of the China sports industry. Moreover, the Group is an official partner of the IMSA, which is an internationally recognised association of different mind sports federations with the goal of promoting and educating the public on the merits and benefits of participating in these mind sports. As a recognition of the Group's work in this area, Mr. Sun Ho, Chairman and CEO of the Group, was appointed as Chairman of the IMSA Advisory Board in May 2017. As such, the Group has begun distributing and is continuing to seek various channels of distribution of our casual and competition poker platform, including the mobile Alipay channel, which is consistent with our goal of establishing and building our online customer base, while demonstrating our commitment to developing and raising awareness and popularity of mind sports in China.

We continue to believe that our businesses in the Games and Entertainment division are complementary to our regulated lottery activities, and they are synergistic from a business model, market development, technical infrastructure and user experience perspective. While we are encouraged with the progress in our Games and Entertainment division thus far, given that many of the initiatives are relatively new, this division faces inherent short-term adjustments and fluctuations associated with new business initiatives. The Group will continue to refine and improve the value proposition of this new business in order to achieve sustainable scalability and growth over the long term.

International Market

Strategic expansion in selected markets overseas

2017 marked an important milestone for the Group's business overseas, as we announced our first strategic expansion in India. In July 2017, the Group announced our joint venture agreement with One97 Communications Limited to create a high quality mobile entertainment experience tailored to the Indian consumers. One97 Communications Limited is the parent company of Paytm, India's leading mobile payment platform. This cooperation is expected to enable both companies to tap into the significant potential of the fast growing mobile entertainment market in India.

Through this cooperation, the Group has leveraged its operating experience and technical expertise, and along with Paytm, successfully launched the mobile games and entertainment platform, Gamepind, in January 2018. This unique mobile games and entertainment platform offers online users with a unique online experience combining casual games and online shopping, seamlessly integrating with Paytm's leading mobile payment platform in India.

Through this joint venture, the Group expands its business to India, the second most populous country in the world, and lays the foundation for future collaborations for the Group as it continues to globalise its business by strategically working with leading local partners in selected overseas markets.

Lottery Distribution

The sales and distribution of lottery games and products

The Lottery Distribution division is active in expanding and broadening the reach of lottery to end consumers by developing unique and innovative products as well as distribution channels and networks under applicable lottery laws and regulations. To this end, we continue to work with suitable third party partners as well as the Group's shareholders, Alibaba Group and Ant Financial Group, to achieve this goal.

SF Lottery

Importantly, as a testament to the Group's ability to deliver innovation in lottery, the Group successfully launched the SF Express-themed instant scratch lottery ("**SF-Themed Instant Scratch Lottery**") in July 2017, by working with the relevant lottery authorities while bringing third party partners and their resources to the lottery industry. SF-Themed Instant Scratch Lottery, a unique innovation in the lottery industry, was launched by SF Lottery, a joint venture established by the Group with SF Holding. SF Lottery designed this unique lottery offering in conjunction with NSLAC, and received approval from the MOF. In July 2017, the SF-Themed Instant Scratch Lottery was successfully launched, initially in four cities in the Guangdong, Jiangsu, Hunan and Jiangxi provinces. Since then, we have continued to offer this innovative product to additional cities across those provinces.

The SF-Themed Instant Scratch Lottery is the first product that is able to achieve comprehensive penetration and integration of the lottery business with a logistics network in China. SF Lottery distributes this product through the relevant channel resources of SF Holding and provides services such as logistics and distribution, lottery maintenance and prize management. This will not only help to enhance the efficiency of logistics and delivery of the SF-Themed Instant Scratch Lottery, but will also be complementary to the NSLAC's existing system for instant scratch lottery. Moreover, SF Lottery's innovative self-service redemption model provides instant scratch lottery players with a brand new redemption experience, complementing the redemption in traditional physical stores and enhancing the experience of instant scratch lottery services for the public. The cross-sector cooperation and innovative model is a positive development across product supply, channel expansion, referral of users and revenue streams.

Alibaba Retail Channels

The Group continues to explore new ways to collaborate with Alibaba Group's network of physical retail stores in order to develop new physical lottery distribution models, further broadening the reach of lottery products to existing consumers and reaching a new customer base. These retail networks include Rural Taobao, a physical network of rural locations in China, and Alibaba's small retail format Ling Shou Tong (零售通), as well as Alibaba's franchised model stores, T-Mall Franchise Convenience Stores. We believe that the integration of innovative lottery products with physical retail network will create room for more opportunities in the future.

Lastly, thanks to its position as the exclusive lottery platform of Alibaba Group and Ant Financial Group, the Group remains well placed to take advantage of lottery sales via online (internet and mobile) channels as and when they are approved by China lottery authorities and the Group receives the appropriate authorisation. To this end, the Group continues to closely monitor policy developments with respect to the government approval of lottery sales online. To date, in line with the relevant lottery regulations, the Group has not conducted any internet lottery sales or maintained any website to conduct such sales.

Lottery Games and Systems

The development and supply of lottery games, underlying software and advanced supporting systems

The Lottery Games and Systems division has a reserve of rich and attractive lottery content designed to fulfill the demands of the market and players.

Lucky Racing and e-Ball Lottery

AGT, which is owned as to 51% by the Group and as to 49% by Ladbroke Group (one of the world's largest sports betting companies), supplies China's only virtual sports lottery platform to Sports Lottery and has successfully launched two virtual sports games in the country. AGT's motor racing-themed virtual game "Lucky Racing" ("幸運賽車") was launched in Hunan Province in 2011 while its football themed game "e-Ball Lottery" ("e球彩") was launched in Jiangsu Province during 2013. "Lucky Racing" and "e-Ball Lottery" are virtual sports lottery games that are broadcasted to lottery shops via a central server and cable television, allowing customers to bet on computer generated car races or football matches respectively. To date, "Lucky Racing" and "e-Ball Lottery" have been successfully launched in traditional dedicated Sports Lottery shops in Hunan and Jiangsu provinces. We are encouraged by the continued increase in popularity of these games throughout the year, leading to an almost 70% year-on-year growth in revenues. Since both games are approved lottery products as defined by MOF, we believe that both "Lucky Racing" and "e-Ball Lottery" could be introduced via the internet and mobile channel across China (subject to regulatory approval).

Other Lottery Games

In addition to virtual sport lottery games, the Group has several initiatives to introduce other new types of lottery games in China, including a mobile smart phone lottery game and system and a high frequency numbers-based lottery game and system, as and when they are approved by the relevant lottery authorities.

Lottery Hardware

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

AGTech's Lottery Hardware division supplies both the Welfare Lottery and Sports Lottery and has lottery hardware deployed in multiple provinces, cities and municipalities across China. The Group is a leading manufacturer and supplier in China of both paper scratch card sales hardware (instant ticket verification terminals, "IVT(s)") and traditional lottery terminals.

In view of the anticipated technology development in the hardware market, the Group believes that effective research and development activities are essential to ensure that the Group's lottery hardware business remains up-to-date and equipped with competitive technology. The Group's Lottery Hardware division plans to focus on research and development, increase its domestic market share and broaden its product spectrum with new hardware ranges.

BUSINESS OUTLOOK

Through our games and entertainment and casual and competition poker platforms, we hope to continue growing our online presence, and maximising the value of our business partnership with Alibaba Group and Ant Financial Group, in anticipation of the potential approval and authorisation of online distribution of lottery products in the future. These developments mark a major milestone for the Group and present exciting opportunities in the coming years for our Games and Entertainment division.

Looking forward, in our games and entertainment platform, we aim to continue to invest our resources to improving the overall quality as well as the sustainability of the platform, with the goal of creating a healthy and entertaining online experience to our customers.

In addition, through our casual and competition poker platform, the Group marks its official entry into the mind sports field of the China sports industry. Looking forward, to further raise popularity of mind sports, as well as promote our poker game, the Group plans on engaging in more focused marketing and promotional efforts. These efforts may include organising offline tournaments to attract existing and potential mind sports players, and in turn raising awareness of our poker game and helping to drive demand.

The Group is also leveraging on our existing products and technology on our games and entertainment platform to develop additional sports-related online entertainment offerings in order to capitalise on the growing trends in the sports entertainment sector as a whole. We believe having a robust sports-related entertainment and media solution will help the Group capture opportunities in the sports sector in general, as well as nationally popular sporting events such as World Cup going forward.

Notably, the Group announced our first significant international strategic expansion in July 2017 via a joint venture agreement with the owner of Paytm, India's leading mobile payment platform. Since then, in January 2018, the joint venture successfully launched Gamepind, an innovative mobile platform offering a host of popular and exciting social and casual games, accessible through Paytm's app by its 300 million and growing customers, as well as through its own standalone app. In the coming months, the Group will continue to work with our partners at Paytm to add to the games and entertainment offerings tailored to Indian consumer taste. Looking forward, the Group will continue to seek strong suitable partners in selected international markets to leverage our platforms of games and entertainment offerings and various user engagement activities, as well as technical and operation abilities, to further globalise our business.

In China's lottery industry, the Group continues to actively build on our industry leading position in both existing and potential new lottery channels. As the exclusive lottery business platform of Alibaba Group and Ant Financial Group, we expect to benefit from significant potential synergies from our cooperation with Alibaba Group and Ant Financial Group by accessing their vast portfolio of resources and channels.

This is evidenced by our partnering with Alibaba Group and suitable third party partners to expand our distribution network and by developing innovative lottery products. In the coming year, the Group will continue to explore new ways to collaborate with Alibaba Group's vast network of physical retail stores, adding more lottery products and services to their channels where appropriate. The Group also plans on expanding the reach of SF-Themed Instant Scratch Lottery products throughout the year in additional provinces and cities, as we continue to work with the relevant provincial lottery authorities to raise the awareness and popularity of the product.

Importantly, we are helping to reinvent the way the lottery authorities engage with existing and potential customers. During Alibaba's marquee Double 11 shopping festival, we orchestrated the collaboration among NSLAC, AGTech and Alibaba Group, integrating resources from each stakeholder to deliver a unique value proposition for end customers. Further, as disclosed in the announcement of the Company dated 2 February 2018, AGTech was awarded the successful bid by NSLAC to help deliver a new omni-channel experience to customers to promote instant scratch sports lottery products in a unique collaboration and innovative marketing and promotional campaign. This national campaign, launched officially on 9 March 2018 across 31 provinces in China, leverages Ant Financial Group's enormous presence and customer base to help increase the exposure of Sports Lottery and encourage Alipay customers to experience lottery first hand, thus driving online traffic to offline engagement. Additionally, the Group will utilize its proprietary marketing and promotional platform and connect participating customers with many of Alibaba Group's merchants, providing customers with additional exciting benefits, further adding to their overall lottery purchasing experience.

Apart from our virtual sports system and its first two games Lucky Racing and e-Ball Lottery, our Lottery Games and Systems division continues to develop, build and deploy regulated lottery content and systems. We will also continue to bolster our in-house development capabilities for games and systems by focusing on research and development.

Our Lottery Hardware division continues to be well positioned to take advantage of any new opportunities in hardware, given our leading positions in point of sale and handheld terminals and long track-record in the Chinese lottery market, which we believe is likely to demand new and more sophisticated hardware solutions over time.

The Group continues to closely monitor policy developments with respect to the government approval of lottery sales via internet and mobile channels. We continue to be hopeful that new online (internet and mobile) channels for lottery sales in China will be approved, although timing remains uncertain. We believe that any new lottery games and systems that will be approved for online sales will require robust and scalable technology in order to deliver effective and efficient monitoring and control systems. We consider that the Group is well positioned to participate in these areas, which is further strengthened by our business partnership with Alibaba Group and Ant Financial Group.

The underlying industry growth of the Chinese lottery market, coupled with the numerous catalysts for strategic growth outlined above overall suggest a positive outlook for the Group for 2018 and the years ahead.

Lastly, the Group continues to invest in its business to enhance our technology infrastructure and develop our in-house capabilities, working to pull together our technical resources, customer behavioral data, our games, entertainment and lottery content as well as distribution channels into a fully integrated platform in order to truly innovate the way we add value to stakeholders through games and lottery entertainment as a medium, thereby generating long term sustainable shareholder value.

REVIEW OF OPERATING RESULTS

Revenue and Profitability

Revenue of the Group for the year under review amounted to approximately HK\$302.2 million (2016: approximately HK\$251.5 million), representing an increase of approximately 20.2% over 2016. Revenue contributions were mainly derived from lottery hardware, lottery games and systems, provision of distribution and ancillary services, games and entertainment business in the PRC. The increase in revenue during the year under review as compared to 2016 was mainly due to an increase in revenue of approximately HK\$93.9 million from the games and entertainment business, driven by new development in the division, partially offset by a decrease in sales of lottery hardware of HK\$49.9 million. The supply of lottery hardware in the PRC is highly regulated with only a small number of approved suppliers. Hence, revenue in this business typically exhibits an irregular pattern and has short-term volatility.

The loss for the year under review was approximately HK\$370.3 million (2016: profit of HK\$332.7 million). The change from profit to loss for the year was mainly attributable to several non-cash and non-operating items relating to the convertible bonds and contingent consideration payables.

During the year under review, employee benefits expenses were approximately HK\$265.4 million (2016: approximately HK\$156.3 million). The increase was mainly due to the recruitment of staff across the Group to enhance its technical capability to cope with the business growth and expansion.

During the year under review, other operating expenses were approximately HK\$227.0 million (2016: approximately HK\$220.7 million). Excluding the one-off payment of PRC individual income tax in respect of the exercise of share options by PRC employees incurred and settled in 2016 of HK\$53.9 million, other operating expenses increased by HK\$60.2 million in 2017. This increase was primarily due to (i) expenses incurred for the utilisation of certain channels and networks for the operation of the games and entertainment business and (ii) increase in marketing expenses for the games and entertainment business.

Liquidity and financial resources

Net cash (defined as total cash and cash equivalents less total debts, which includes trade payables, accruals and other payables, amounts due to fellow subsidiaries, secured bank borrowings, contingent consideration payables and convertible bonds) as at 31 December 2017 were approximately HK\$983.9 million (2016: approximately HK\$670.0 million). The total assets and net current assets of the Group as at 31 December 2017 were approximately HK\$3,988.9 million and approximately HK\$2,463.0 million respectively (2016: approximately HK\$4,034.4 million and approximately HK\$2,665.4 million respectively). Current liabilities of the Group as at 31 December 2017 were approximately HK\$332.0 million (2016: approximately HK\$228.7 million). As at 31 December 2017, the Group had no available banking facilities. There were no bank borrowings of the Group as at 31 December 2017 (2016: HK\$45.0 million). The liquidity ratio (defined as current assets divided by current liabilities) of the Group as at 31 December 2017 was approximately 8.4 (2016: 12.7) which continuously reflected adequacy of financial resources of the Group.

Capital structure and foreign exchange risk

During the year under review, the Group financed its capital requirements through its equity, its internally generated cash flows as well as the proceeds from the Subscription and from the exercising by grantees of the share options granted under the Share Option Schemes.

As at 31 December 2017, there were no bank borrowings of the Group. The gearing ratio (defined as bank borrowings divided by equity) of the Group as at 31 December 2017 was therefore not applicable (2016: 0.02).

As at 31 December 2017, majority of the Group's bank deposits were denominated in US\$, HK\$ and RMB. Since US\$ is pegged to HK\$, and substantially all of the revenue-generating operations, monetary assets and liabilities of the Group are conducted or transacted in functional currencies, the Group faced minimal foreign exchange risk during the year under review. The Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during the year under review.

Contingent liabilities and capital commitment

As at 31 December 2017, the Group did not have any material contingent liabilities and capital commitment that constituted "notifiable transactions" under Chapter 19 of the GEM Listing Rules.

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

There were no significant investments, material acquisitions and disposals that constituted "notifiable transactions" under Chapter 19 of the GEM Listing Rules during the year under review.

Employees' information and remuneration policies

As at 31 December 2017, the Group had 399 (2016: 336) employees in Hong Kong and the PRC. Total staff costs (excluding Directors' emoluments) for the year ended 31 December 2017 amounted to approximately HK\$247.3 million (2016: approximately HK\$142.4 million).

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

Charges on Group's assets

As at 31 December 2017, bank deposits of approximately HK\$5.5 million (2016: approximately HK\$41.7 million) were held in designated bank accounts to secure letters of guarantee granted to the Group. The pledged bank deposits will be released upon the release of the relevant letters of guarantee granted to the Group.

In addition, as at 31 December 2017, a sum of approximately HK\$15,438,000 was held by a trustee of the Company for purchases of award Shares under the Share Award Scheme. Such sum was not available for general use by the Group.

Save as disclosed above, as at 31 December 2017, there was no charge on the assets of the Group.

Future plans for material investments and acquisition of capital assets

As at 31 December 2017, 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\$10.1 million as at 31 December 2017 (2016: HK\$18.8 million), with inventory turnover period decreased from 77 days in 2016 to 64 days in 2017. Trade receivables of the Group amounted to approximately HK\$49.2 million as at 31 December 2017 (2016: HK\$25.6 million), with debtor turnover period increased from 40 days in 2016 to 66 days in 2017. Inventory turnover period improved in 2017 and the debtor turnover period deteriorated in 2017 as compared to that in 2016 primarily because there were more sales made in the last two months of 2017 as compared to 2016, resulting in more outstanding trade receivables and lower inventory balance as at 31 December 2017.

Goodwill of the Group increased to approximately HK\$1,120.5 million as at 31 December 2017 (as at 31 December 2016: approximately HK\$1,067.4 million), primarily due to the currency translation difference of approximately HK\$53.1 million in 2017 when translating the goodwill denominated in RMB into HK\$.

During the year under review, a loss of approximately HK\$124.0 million was recorded from the remeasurement of the fair value of embedded derivative of the Convertible Bonds and a gain of approximately HK\$13.8 million was recorded from the remeasurement of the fair value of the outstanding contingent consideration payables under the Score Value Transaction.

Significant event after the reporting period

As of the date hereof, there was no significant event affecting the Group after 31 December 2017.

CONVERTIBLE BONDS

During the year under review, the conversion rights attaching to the Convertible Bonds in the aggregate principal amounts of HK\$174,906,763 were exercised on 30 March 2017 and the Company allotted and issued to Ali Fortune an aggregate of 600,000,000 Conversion Shares at the then conversion price of HK\$0.2915 per Conversion Share.

As at 31 December 2017, Convertible Bonds in the aggregate principal amount of HK\$332,328,165 remained outstanding (the “**Outstanding Convertible Bonds**”). As at 31 December 2017, the then prevailing conversion price had been adjusted to HK\$0.2556 per Share (the “**Prevailing Adjusted Conversion Price**”), and the maximum number of Shares that would be issued upon full conversion of the Outstanding Convertible Bonds at the then Prevailing Adjusted Conversion Price was 1,300,040,497 (representing approximately 11.56% of the issued share capital of the Company as at 31 December 2017 and approximately 10.36% of the issued share capital of the Company as enlarged by such outstanding conversion Shares).

Assuming that the Outstanding Convertible Bonds were converted in full as at 31 December 2017, the respective shareholdings of the substantial shareholders of the Company would have been changed as follows:

Name of substantial Shareholders	Before conversion of Outstanding Convertible Bonds in full		Immediately after conversion of Outstanding Convertible Bonds in full	
	Number of Shares held	% of total issued Shares	Number of Shares held	% of total issued Shares
Ali Fortune	6,102,723,993	54.26%	7,402,764,490	59.00%
Mr. Sun Ho and his wholly-owned corporation, MAXPROFIT GLOBAL INC	2,033,328,000	18.08%	2,033,328,000	16.21%
Total issued Shares as at 31 December 2017	11,247,299,760		12,547,340,257	

As at 31 December 2017, the Company had cash and bank balances totalling approximately HK\$2,624.3 million, which were more than sufficient to meet its redemption obligations under the Outstanding Convertible Bonds in the aggregate principal amount of HK\$332,328,165.

As the Convertible Bonds bear no interest on the principal amount, it would be equally financially advantageous for the bondholders to convert or redeem the Convertible Bonds (and therefore the bondholders would be indifferent as to whether the Convertible Bonds are converted or redeemed) in the event that the price of each Share traded on the Stock Exchange equals the then adjusted conversion price of the Convertible Bonds.

Key terms of the Convertible Bonds

- The Convertible Bonds bear no interest on the principal amount. However, if the Company shall pay any dividend in cash or scrip to the Shareholders, each bondholder shall be entitled to be paid interest in respect of that dividend as if the Convertible Bonds held by such bondholder have been converted into Shares in full at the applicable conversion price.
- The Convertible Bonds may be converted by the Subscriber in full or in part at any time during the period on or after the issuance date of the Convertible Bonds and up to the maturity date (which is the third anniversary of the date of issuance of such bonds), provided that, following such conversion, (i) at least 25% of the Company's total number of issued Shares are held by the public (as defined under the GEM Listing Rules); and (ii) the Company is otherwise in compliance with the public float requirements under Rule 11.23(7) of the GEM Listing Rules.

- On the other hand, the Company may, by giving prior written notice to the bondholders, require all (but not any one) of the bondholders to convert their Convertible Bonds into Shares in full at any time on or after the issuance date of the Convertible Bonds and up to a date no later than five business days prior to the aforesaid maturity date, provided that, following such conversion, (i) at least 25% of the Company's total number of issued Shares are held by the public (as defined under the GEM Listing Rules); and (ii) the Company is otherwise in compliance with the public float requirements under Rule 11.23(7) of the GEM Listing Rules.
- Following the occurrence of any special event as set out in the bond instrument in respect of the Convertible Bonds, such as change of control, each bondholder will have the right to require the Company to redeem in whole but not in part such bondholder's Convertible Bonds at 112% of the principal amount of such Convertible Bonds.
- The conversion price of the Convertible Bonds will be subject to customary anti-dilution adjustment for, among other things, consolidation, subdivision or reclassification of the Shares, capitalisation of profits or reserves, capital distribution, rights issues of Shares or options over Shares, rights issues of other securities and other dilutive events.
- If the Company shall issue Shares or grant options to subscribe for any Shares under the Score Value Transaction, or shall issue Shares under the Rainwood Options or the Consultant Options, the conversion price of the Convertible Bonds shall be adjusted in a manner so that:
 - (i) the shareholding of the Subscriber (the “**Subscriber Shareholding**”) in the Company (based on the number of Shares that the Subscriber acquired upon Completion and that it (or any of its affiliates) continues to hold plus such Shares that the Subscriber would acquire upon conversion of the Convertible Bonds in full) on a fully-diluted basis immediately following the issuance of such Shares and/or the grant of such options

is equal to
 - (ii) the Subscriber Shareholding immediately prior to the issuance of such Shares and/or the grant of such options.

Following such adjustment due to the grant of the options under the Score Value Transaction, the conversion price of the Convertible Bonds shall not be further adjusted when such options are exercised.

If, at the time all or any part of the Convertible Bonds are to be converted into Shares, there are outstanding options to subscribe for Shares under the Rainwood Options or the Consultant Options, the conversion price of the Convertible Bonds shall be adjusted as if such options had been exercised.

- The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable laws, at all times rank at least equally with all of the Company's other present and future direct, unsubordinated, unconditional and unsecured obligations.
- No application will be made for a listing of the Convertible Bonds.

USE OF PROCEEDS FROM THE SUBSCRIPTION

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

The Net Proceeds were intended to be used to fund the existing operations and future development of the Company's existing principal businesses, and the Group planned to utilise approximately HK\$1,330 million (representing approximately 55.88% of the Net Proceeds) within 12 months from the date of Completion. From the date of Completion (i.e. from 10 August 2016) up to and including 31 December 2017, approximately HK\$335.4 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 below and in the section headed “USE OF PROCEEDS” on pages 45 to 51 of 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 within 12 months from the date of Completion on 10 August 2016 (as disclosed in the Whitewash Circular)	Aggregate amount actually used from the date of Completion on 10 August 2016 up to and including 31 December 2017	Actual application of Net Proceeds	Explanations for material deviation from intended usage, if any
(i) Games and systems:				
(a) capital investment in on-going development of new lottery games to be introduced to the market pending regulatory approval (approximately HK\$300 million to be allocated)	approximately HK\$100 million	Nil	N/A	Since the relevant lottery games of the Group are still in the pipeline pending the approval of the relevant PRC lottery authorities, the Group has not made capital investment in this respect.
(b) research and development (“R&D”) of new lottery products of the Group (approximately HK\$300 million to be allocated)	approximately HK\$100 million	approximately HK\$11.5 million	Development costs for the localisation and customisation of new games system	The Group continues to invest resources in the localisation and customisation of new lottery games. However, given that the Group’s existing pipeline of the relevant new lottery games are still pending the approval of the relevant PRC lottery authorities, the Group is now exercising caution in working with business partners to introduce new lottery games into the PRC.

Business divisions of the Group, or general corporate purposes, to which the Net Proceeds are intended to be allocated	Amount intended to be used within 12 months from the date of Completion on 10 August 2016 (as disclosed in the Whitewash Circular)	Aggregate amount actually used from the date of Completion on 10 August 2016 up to and including 31 December 2017	Actual application of Net Proceeds	Explanations for material deviation from intended usage, if any
(c) <i>expansion and development of the Group's R&D capability in technology development for games and systems (approximately HK\$150 million to be allocated)</i>	approximately HK\$50 million	approximately HK\$111.4 million	Staff costs for expansion of the R&D team of the Group	The Group continues to enhance its R&D capability by accelerating the expansion of the R&D team for the games (which can be introduced as lottery games as well as casual games, depending on the market demand and applicable regulatory requirements) and systems (which can support lottery games as well as casual games wherever necessary). This provides valuable flexibility in the Group's business operations under different circumstances.
(d) <i>acquisition of lottery systems and lottery games or companies which have such systems and games (approximately HK\$400 million to HK\$800 million to be allocated)</i>	approximately HK\$500 million	Nil	NA	The Group is in the process of identifying certain suitable targets for acquisition.
(e) <i>funding the remaining consideration for the Score Value Transaction contingent upon certain performance targets (approximately HK\$50 million to be allocated)</i>	approximately HK\$50 million	approximately HK\$30 million	Cash deferred consideration for the achievement of prior years' profit guarantee under the Score Value Transaction	The remaining HK\$20 million of the intended usage is reserved as the contingent cash consideration in the event that certain conditions for payments under the Score Value Transaction are fulfilled.
Sub-total for "Games and systems":	approximately HK\$800 million	approximately HK\$152.9 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 within 12 months from the date of Completion on 10 August 2016 (as disclosed in the Whitewash Circular)	Aggregate amount actually used from the date of Completion on 10 August 2016 up to and including 31 December 2017	Actual application of Net Proceeds	Explanations for material deviation from intended usage, if any
--	--	---	------------------------------------	---

- Total amount earmarked for “Games and systems”: approximately HK\$1,200 million or approximately 50.42% of Net Proceeds
- Remaining balance of Net Proceeds still available for “Games and systems” as at 31 December 2017: approximately HK\$1,047.1 million

(ii) **Hardware:**

<i>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</i>	approximately HK\$80 million	approximately HK\$9.0 million	R&D costs for upgrading the hardware products	Since the relevant new lottery game of the Group that is intended to utilise the hardware products is still in the pipeline pending the approval of the relevant PRC lottery authorities, the Group has not made material investment on hardware terminals operating on a revenue-sharing model.
---	------------------------------	-------------------------------	---	--

- Total amount earmarked for “Hardware”: approximately HK\$120 million or approximately 5.05% of Net Proceeds
- Remaining balance of Net Proceeds still available for “Hardware” as at 31 December 2017: approximately HK\$111.0 million

(iii) **Distribution:**

(a) <i>expansion of offline sales and distribution business (approximately HK\$100 million to be allocated)</i>	approximately HK\$50 million	approximately HK\$56.5 million	Investment for expansion of offline sales business	No material deviation from intended usage noted and in line with continuous business growth from 10 August 2017 onwards.
(b) <i>marketing and advertising campaigns for its existing offline lottery games (approximately HK\$100 million to be allocated)</i>	approximately HK\$50 million	Nil	NA	Since the Group’s plan to promote its existing offline lottery games to new provinces is still pending the approval of the relevant PRC lottery authorities, it has not incurred any related marketing and advertising expenses.

Business divisions of the Group, or general corporate purposes, to which the Net Proceeds are intended to be allocated	Amount intended to be used within 12 months from the date of Completion on 10 August 2016 (as disclosed in the Whitewash Circular)	Aggregate amount actually used from the date of Completion on 10 August 2016 up to and including 31 December 2017	Actual application of Net Proceeds	Explanations for material deviation from intended usage, if any
(c) <i>acquisitions of online and offline distributors (approximately HK\$250 million to be allocated)</i>	approximately HK\$150 million	Nil	NA	Since the relevant PRC lottery authorities have not re-opened the online lottery distribution, the Group did not proceed with the proposed acquisition of the targets which would potentially provide the Group with online distribution rights. Meanwhile, the Group continues to expand its offline distribution network by leveraging resources of Alibaba Group and third parties (e.g. SF Holding).
(d) <i>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 to be allocated)</i>	approximately HK\$100 million	Nil	NA	Since the relevant PRC lottery authorities have not re-opened the online lottery distribution, the Group has put on hold spending in this respect.
Sub-total for “Distribution”:	approximately HK\$350 million	approximately HK\$56.5 million		
- Total amount earmarked for “Distribution”: approximately HK\$850 million or approximately 35.71% of Net Proceeds - Remaining balance of Net Proceeds still available for “Distribution” as at 31 December 2017: approximately HK\$793.5 million				
(iv) General corporate purposes:				
(a) <i>repayment of existing debts of the Group (approximately HK\$60 million to be allocated)</i>	approximately HK\$60 million	approximately HK\$45.3 million	Repayment of bank borrowings of the Group	No material deviation from intended usage noted.

Business divisions of the Group, or general corporate purposes, to which the Net Proceeds are intended to be allocated	Amount intended to be used within 12 months from the date of Completion on 10 August 2016 (as disclosed in the Whitewash Circular)	Aggregate amount actually used from the date of Completion on 10 August 2016 up to and including 31 December 2017	Actual application of Net Proceeds	Explanations for material deviation from intended usage, if any
(b) <i>general working capital of the Group (approximately HK\$150 million to be allocated)</i>	approximately HK\$40 million	approximately HK\$71.7 million	Amount was used as general working capital of the PRC subsidiaries of the Company	No deviation from intended usage noted up to 30 September 2017 and subsequent continuous increase in actual amount used to reach approximately HK\$71.7 million was in line with continuous business growth of the Group thereafter.
Sub-total for “General corporate purposes”:	approximately HK\$100 million	approximately HK\$117.0 million		

- Total amount earmarked for “General corporate purposes”: approximately HK\$210 million or approximately 8.82% of Net Proceeds
- Remaining balance of Net Proceeds still available for “General corporate purposes” as at 31 December 2017: approximately HK\$93.0 million

Grand total:	approximately HK\$1,330 million	approximately HK\$335.4 million
--------------	---------------------------------	---------------------------------

- Total remaining balance of Net Proceeds as at 31 December 2017: approximately HK\$2,044.6 million (*Note*)

Note: Remaining balance of Net Proceeds is placed in the bank accounts of the Group.

UPDATE ON SCORE VALUE TRANSACTION

(i) Performance of the Score Value Group during the year under review

The Shenzhen Subsidiary of Score Value recorded audited net profit after taxation of approximately RMB19.7 million (equivalent to approximately HK\$23.3 million) for the year ended 31 December 2017, and this together with its audited net profits after taxation of approximately RMB20.6 million (equivalent to approximately HK\$24.8 million) and RMB20.5 million (equivalent to approximately HK\$23.0 million) for the two years ended 31 December 2015 and 2016 respectively, amounted to an aggregate of approximately RMB60.8 million (the “**Aggregate Net Profit for 2015, 2016 and 2017**”).

As disclosed in the Score Value Circular, a profit guarantee of not less than RMB60 million for the aggregate net profits after taxation of the Shenzhen Subsidiary for the three financial years ended 31 December 2015, 2016 and 2017 (the “**2017 Profit Guarantee**”) was provided by the vendors of Score Value. Accordingly, the Aggregate Net Profit for 2015, 2016 and 2017 achieved by the Shenzhen Subsidiary exceeded the 2017 Profit Guarantee.

(ii) Status of outstanding deferred consideration for the Score Value Transaction

Pursuant to the sale and purchase agreement in respect of the Score Value Transaction (the “**Score Value Agreement**”), the Company or the Purchaser shall be required to pay deferred consideration in a maximum amount of HK\$300 million to the vendors of Score Value upon fulfilment of certain pre-conditions at a later stage, including obtaining the approval of the relevant PRC government authority for the lottery game to be supplied by a subsidiary of Score Value (“**Game Approval Pre-condition**”) and meeting the profit guarantees of an average of RMB20.0 million (equivalent to approximately HK\$25.2 million) per year provided by such vendors in respect of the Shenzhen Subsidiary of Score Value for each of the three financial years ended 31 December 2015, 2016 and 2017 as described in the paragraph headed “Deferred Consideration” on pages 9 and 10 of the Score Value Circular.

As of the date hereof, the Game Approval Pre-condition has not yet been fulfilled but the parties to the Score Value Agreement have mutually agreed to further extend the deadline for fulfilment of such pre-condition to 31 December 2018. Accordingly, the First Deferred Consideration, Second Deferred Consideration and Third Deferred Consideration as described under the paragraph headed “Deferred Consideration” on page 9 of the Score Value Circular have not been paid to the vendors of Score Value.

In addition, as mentioned above, the Shenzhen Subsidiary of Score Value has achieved the 2017 Profit Guarantee. Accordingly, the Purchaser or the Company shall pay to the vendors of Score Value a further amount of HK\$40 million which shall be satisfied as to HK\$20 million in cash and as to HK\$20 million by the Company allotting and issuing 13,513,514 Consideration Shares (as defined in the Score Value Circular) to the vendors of Score Value within fifteen business days after the issue of the audit report of the Shenzhen Subsidiary of Score Value for the year ended 31 December 2017. Such Consideration Shares are not subject to any lock-up restriction.

The Company will make further announcement(s) in due course when the status of other outstanding deferred consideration settlements can be ascertained.

CHANGE OF NON-EXECUTIVE DIRECTORS

During the year under review, Mr. Zhang Wei resigned as non-executive Director with effect from 10 November 2017. The Company appointed Mr. Zou Liang as non-executive Director with effect from 10 November 2017.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely, Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qun Yao. The consolidated financial statements of the Group for the year ended 31 December 2017 have been reviewed and commented on by the audit committee, and audited by the auditor of the Company.

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 of 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 new share option scheme of the Company was approved by the Shareholders at the special general meeting held on 23 December 2014 (the "**2014 Scheme**") and was adopted by the Company on the same date in place of the former share option scheme of the Company adopted on 18 November 2004 (the "**2004 Scheme**") (which had expired on 17 November 2014).

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

During the year ended 31 December 2017, no options were granted by the Company pursuant to the Share Option Schemes. No options were cancelled but options in respect of 44,367,125 Shares were forfeited, whereas options in respect of 26,307,591 Shares had expired during the year ended 31 December 2017. As at the date of this announcement, the total number of Shares still available for issue under the Share Option Schemes (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 38,626,831 Shares, representing approximately 0.34% of the Company’s issued share capital as at that date.

As a result of the options exercised during the year ended 31 December 2017, 142,208,355 Shares were issued by the Company, and the Company received a total cash consideration of approximately HK\$120 million in respect of such option exercises. The weighted average closing price of the Shares immediately before the dates on which these options were exercised is HK\$1.49 per Share.

As at 31 December 2017, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Schemes was 310,397,703 (2016: 523,605,774), representing approximately 2.8% (2016: 5.0%) of the Company’s issued share capital as at that date.

GRANT OF AWARD SHARES PURSUANT TO SHARE AWARD SCHEME

As disclosed in the announcement of the Company dated 17 March 2017, the Company has adopted the Share Award Scheme on 17 March 2017 (the “**Adoption Date**”) which will allow the Company to grant award Shares to selected participants as incentives and/or rewards for their contribution to the Group.

On 15 May 2017, the Board resolved to grant a total of 100,618,500 award Shares on the same date as follows:

- (i) a total of 6,000,000 award Shares to Mr. Sun Ho, an executive Director;
- (ii) a total of 12,200,000 award Shares to Mr. Zhou Haijing, an executive Director;
- (iii) a total of 9,300,000 award Shares to 4 directors of the subsidiaries of the Company; and
- (iv) a total of 73,118,500 award Shares to 123 employees of the Group who are independent of the Company and its connected persons (as defined under the GEM Listing Rules).

The 100,618,500 award Shares granted represent approximately 0.89% of the issued share capital of the Company as at the date of this announcement. Based on the closing price of HK\$1.33 per Share on the date of the grant of the award Shares, the market value of the 100,618,500 award Shares in aggregate is HK\$133,822,605.

All of the 100,618,500 award Shares shall be granted by way of acquisition of existing Shares through on-market transactions by the trustee of the Share Award Scheme (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.

The grant of the award Shares to the above-mentioned Directors has been approved by the Board (including the independent non-executive Directors). The grant of the award Shares to the above-mentioned Directors and the 4 directors of subsidiaries of the Company also forms part of their respective remuneration packages and is therefore exempt from the reporting, announcement and independent shareholders’ approval requirements under Rule 20.71(6) and Rule 20.93 of the GEM Listing Rules. Mr. Sun Ho and Mr. Zhou Haijing had abstained from voting so far as the resolution for the approval of the grant of the award Shares to them was concerned.

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

- (a) under the Code provision A.2.1, the roles of chairman and CEO 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 formulate and implement the strategies of the Company. The Company considered that under the supervision of its Board and 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 the Code provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. However, pursuant to the Bye-laws, the chairman of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. During the year under review, the chairman of the Board was not subject to retirement by rotation, as the Board considered that the continuity of the office of the chairman provided the Group with strong and consistent leadership and was of great importance to the smooth operations of the Group;
- (c) under the Code provision A.2.7, the chairman of the Board should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors' presence. During the year under review, the chairman of the Board did not hold such kind of private meetings with the non-executive Directors. The chairman of the Board considered that it was unnecessary as it would be more transparent to let the non-executive Directors speak out their views to all executive Directors in the 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 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 the Code provision A6.6, 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 were 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 the Code provision B.1.2, 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; and

- (f) under the Code provision B.1.5, 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 executive 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.

(The above deviations (a) to (f) were similarly disclosed on pages 31 and 32 of the Company’s annual report for the year ended 31 December 2016, and on pages 42 to 44 of the Company’s interim report for the six months ended 30 June 2017.)

CONNECTED TRANSACTION

During the year ended 31 December 2017, the Group entered into the following connected transaction, details of which had been disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules:

On 24 July 2017, the Company, AGTech Media Holdings Limited (a wholly-owned subsidiary of the Company) and One97 Communications Limited (“**Paytm**”) entered into a joint venture agreement (the “**JV Agreement**”), whereby a joint venture company (“**JV Co**”) owned as to 45% by the Group and as to 55% by Paytm and its subsidiaries (“**Paytm Group**”) has been formed in India for the purpose of developing and operating platforms for users to participate in and play various games.

Each of AGTech Media Holdings Limited and Paytm Group shall make initial capital investment in an amount of the Rupee equivalent of US\$7,200,000 (equivalent to approximately HK\$56,232,000) and in an amount of the Rupee equivalent of US\$8,800,000 (equivalent to approximately HK\$68,728,000), respectively. The JV Co will be accounted for as an associate (in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants) of the Company.

Ali Fortune, the controlling shareholder of the Company, is indirectly held as to 60% by Alibaba Holding and as to 40% by Ant Financial. Ant Financial is deemed by the Stock Exchange as a connected person of the Company pursuant to Rule 20.17 of GEM Listing Rules. As Ant Financial Group holds more than 30% of shareholding interests in Paytm, Paytm is deemed to be an associate of Ant Financial Group and the transaction contemplated under the JV Agreement constituted a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. Since one or more of the applicable percentage ratios as defined in the GEM Listing Rules in respect of this transaction are 0.1% or more but less than 5%, such transaction is subject to the annual review, reporting and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. For details, please refer to the announcement of the Company dated 24 July 2017.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2017, the Group entered into the following continuing connected transactions (“CCTs”) and revised the annual cap amounts for certain CCTs, details of which had been disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules:

CCTs with Alibaba Group

1. As disclosed in the circular of the Company dated 20 February 2017, the Company entered into a framework agreement (the “**Framework Agreement**”) with Alibaba Holding on 25 January 2017, pursuant to which the Group shall (i) utilise certain channels and networks of Alibaba Group for the sales and distribution of lottery products and other services on a revenue-sharing basis; and (ii) purchase technology services from Alibaba Group (collectively, the “**Channel Transactions**”), subject to the original annual cap amounts for a term commencing from 8 March 2017 (i.e. the effective date of the Framework Agreement) and ending on 31 December 2019. Ali Fortune, the controlling shareholder of the Company, is indirectly held as to 60% by Alibaba Holding. Accordingly, Alibaba Holding is an associate of Ali Fortune and hence a connected person of the Company. The transactions contemplated under the Framework Agreement constituted CCTs under Chapter 20 of the GEM Listing Rules and such agreement (together with the annual cap amounts in respect of such transactions for the period from 8 March 2017 to 31 December 2017 and for the two years ending 31 December 2018 and 2019) had been approved by the Shareholders at the special general meeting of the Company held on 8 March 2017.
2. As the Channel Transactions (in particular the sale and distribution of other services) had been running more smoothly and developing more sustainably during the year ended 31 December 2017 since their commencement, the Group proposed to increase the original annual cap amounts for the Channel Transactions to the revised annual cap amounts of RMB106,021,000, RMB251,093,000 and RMB360,951,000 for the period from 8 March 2017 to 31 December 2017 and for

the two years ending 31 December 2018 and 2019 respectively (the “**Revised Channel Cap(s)**”) in order to cater for the development of the Channel Transactions. The Revised Channel Caps are determined mainly with reference to the estimated income for the sale and distribution of the lottery products and other services, which is determined based on projected revenue and costs in respect of the sales and distribution of lottery products and other services taking into account the historical amount and growth rate during the period commencing from 8 March 2017 and ended on 31 July 2017, as well as the expected future growth rate and the Group’s business plan. For details, please refer to the circular of the Company dated 4 December 2017. The Revised Channel Caps had been approved by the Shareholders at the special general meeting of the Company held on 20 December 2017.

3. As disclosed in the circular of the Company dated 4 December 2017, the Company and Zhejiang Tmall Technology Company Limited* (浙江天貓技術有限公司) (“**Tmall**”) entered into a procurement framework agreement (the “**Procurement Framework Agreement**”) on 29 August 2017, subject to the annual cap amounts in respect of the marketing fees payable under the Procurement Framework Agreement of RMB52,343,000, RMB389,811,000 and RMB570,722,000 for the period from 20 December 2017 (i.e. the effective date of such agreement) to 31 December 2017 and for the two years ending 31 December 2018 and 2019 respectively (the “**Procurement Cap(s)**”). The Procurement Caps are determined mainly with reference to the projected amount of marketing fees which is estimated taking into account factors including (i) the historical figures of the value of the products purchased by the online users and the proportion of such products offered by Alibaba Merchants during the period commencing from 8 March 2017 and ending on 31 July 2017; (ii) the estimated growth in the value of the products to be purchased by online users; and (iii) the Group’s projected marketing initiatives and campaigns to promote and boost online users’ activities on certain online platforms of Alibaba Group utilised and operated by the Group for conducting the transactions pursuant to the Framework Agreement and the Procurement Framework Agreement. Ali Fortune, the controlling shareholder of the Company, is indirectly held as to 60% by Alibaba Holding. Tmall is a wholly-owned subsidiary of Alibaba Holding. Accordingly, each of Alibaba Holding and Tmall is an associate of Ali Fortune and hence a connected person of the Company. The transactions contemplated under the Procurement Framework Agreement constituted CCTs under Chapter 20 of the GEM Listing Rules and such agreement (together with the Procurement Caps) had been approved by the Shareholders at the special general meeting of the Company held on 20 December 2017.

During the year ended 31 December 2017, the Group entered into the following transactions with Alibaba Group:

Nature of transactions	Total amount (RMB'000)
(i) In respect of the Framework Agreement:	
The Group's utilisation of certain channels and networks of Alibaba Group for sales and distribution of lottery products and other services on a revenue-sharing basis and the Group's purchase of technology services from Alibaba Group	58,299 <i>Note a</i>
(ii) In respect of the Procurement Framework Agreement:	
The Group's payment of marketing fees to Alibaba Merchants for supply of products or services offered to individual users on certain online platforms operated by the Group at a discounted price	31,941 <i>Note b</i>

Notes:

- a. The aggregate amount of these transactions amounted to RMB58,299,000 for the year ended 31 December 2017, which fell within the Revised Channel Cap of RMB106,021,000 for such period.
- b. The aggregate amount of these transactions amounted to RMB31,941,000 for the year ended 31 December 2017, which fell within the Procurement Cap of RMB52,343,000 for such period.

CCTs with Ant Financial Group

4. The Company and Alipay, which is a wholly-owned subsidiary of Ant Financial, entered into a framework agreement (the “**Alipay Framework Agreement**”) on 23 March 2017, whereby the Group shall provide online activities and services which are not subject to the applicable PRC lottery laws and regulations, including information subscription and other content, and the sales and distribution of the lottery and its relevant products that the Group has developed or is authorised to operate (in online form), in the event that and so long as it is allowed under applicable laws and regulations in the PRC, on the lottery channel(s) of the online platform(s) of Alipay and its subsidiaries on a revenue-sharing basis under the Alipay Framework Agreement. As disclosed in the announcement of the Company dated 23 March 2017, Ant Financial Group (including Alipay) are deemed by the Stock Exchange as connected persons of the Company pursuant to Rule 20.17 of GEM Listing Rules. Accordingly, the transactions contemplated under the Alipay Framework Agreement constituted CCTs under Chapter 20 of the GEM Listing Rules.

The transactions contemplated under the Alipay Framework Agreement are subject to the annual cap amounts of RMB13,300,000, RMB13,300,000 and RMB13,300,000 for the period from 23 March 2017 (i.e. the date of such agreement) to 31 December 2017 and for the two years ending 31 December 2018 and 2019 respectively (the “**Alipay Cap(s)**”). The Alipay Caps include potential income generated from online activities and services on the lottery channel(s) on the online platform(s) of Alipay and its subsidiaries (“**Alipay Group**”), calculated with reference to the traffic volume of and the income generated from comparable online platform(s) of the Alipay Group, and having considered that the business cooperation on the aforesaid lottery channel(s) will still be at a start-up stage and the potential income will be affected by the actual implementation of the cooperation model and the market conditions and reactions thereof. Since one or more of the applicable percentage ratios as defined in the GEM Listing Rules in respect of the highest Alipay Cap for the transactions is 0.1% or more but less than 5%, the transactions contemplated under the Alipay Framework Agreement are subject to the annual review, reporting and announcement requirements but exempt from the independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

During the year ended 31 December 2017, the Group entered into the following transactions with Ant Financial Group:

Nature of transactions	Total amount (RMB’000)
-------------------------------	----------------------------------

In respect of the Alipay Framework Agreement:

The Group’s utilisation of certain channels on the online platforms of Alipay Group for operation of online activities or services which are not subject to the applicable PRC lottery laws and regulations, and sales and distribution of lottery products (in online form) on a revenue-sharing basis	9,297 <i>Note a</i>
---	---------------------

Notes:

- a. The aggregate amount of these transactions amounted to RMB9,297,000 for the year ended 31 December 2017, which fell within the Alipay Cap of RMB13,300,000 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.

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 issued its unqualified letter containing its findings and conclusions 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 has been provided by the Company to the Stock Exchange.

During the year ended 31 December 2017, 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 is required to be disclosed pursuant to Chapter 20 of the GEM Listing Rules.

INTERESTS IN COMPETING BUSINESS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SUFFICIENCY OF PUBLIC FLOAT

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

DEFINITIONS

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

“AGT”	Asia Gaming Technologies Limited, a company incorporated in Hong Kong owned as to 51% by the Company
“Ali Fortune” or “Subscriber”	Ali Fortune Investment Holding Limited, a company incorporated in the British Virgin Islands and the controlling shareholder of the Company
“Alibaba Group”	Alibaba Holding and its subsidiaries
“Alibaba Holding”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the New York Stock Exchange
“Alibaba Merchants”	merchants which are subsidiaries of or companies controlled by Alibaba Holding
“Alipay”	支付寶(中國)網絡技術有限公司 (Alipay.com Co., Ltd.*), a company incorporated in the PRC and a wholly-owned subsidiary of Ant Financial
“Ant Financial”	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.*) (formerly known as 浙江螞蟻小微金融服務集團有限公司 (Zhejiang Ant Small and Micro Financial Services Group Co., Ltd.*)), a company incorporated in the PRC
“Ant Financial Group”	Ant Financial and its subsidiaries
“Board”	the board of Directors
“Bye-law(s)”	the bye-law(s) of the Company
“CEO”	chief executive officer
“Company” or “AGTech”	AGTech Holdings Limited, a company incorporated in Bermuda as an exempted company with limited liability and its issued Shares are listed on GEM
“Consultant Options”	the options granted to consultants of the Company to subscribe for up to 216,307,483 Shares in aggregate as at the date of this announcement pursuant to the Share Option Schemes

“Conversion Shares”	new Shares to be issued upon the exercise of the conversion rights under the Convertible Bonds
“Convertible Bonds”	the convertible bonds of the Company issued to Ali Fortune under the Subscription
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Macau”	the Macau Special Administrative Region of the PRC
“MOF”	the Ministry of Finance of China
“NSLAC”	the National Sports Lottery Administration Centre of the PRC
“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“province(s)”	province(s), municipality(ies) and autonomous region(s) of the PRC unless otherwise specified, and “provincial” shall be construed accordingly
“Purchaser”	Silvercreek Technology Holdings Limited, a wholly-owned subsidiary of the Company
“Rainwood Options”	the options which were granted to Rainwood Resources Limited to subscribe for up to 212,879,224 Shares at an exercise price of HK\$0.4 per Share (subject to customary adjustment in the event of capitalisation issue) at any time during a 3-year period from 21 May 2013, and which were exercised in full on 16 March 2016

“RMB”	Renminbi, the lawful currency of the PRC
“Score Value”	Score Value Limited, an indirect wholly-owned subsidiary of the Company
“Score Value Circular”	the circular of the Company dated 8 December 2014 in respect of the Score Value Transaction
“Score Value Group”	Score Value Limited and its subsidiaries
“Score Value Transaction”	the acquisition of the entire equity interest in Score Value by the Company as contemplated under the agreement dated 17 November 2014 entered into between the Company, Silvercreek Technology Holdings Limited (a wholly-owned subsidiary of the Company) as the purchaser, Score Value as the target, and vendors of Score Value, pursuant to which, among other things, (i) the vendors of Score Value may be granted bonus options to subscribe for up to 166,666,666 Shares at a subscription price of HK\$1.8 per Share contingent upon certain performance targets (and such bonus options had already lapsed in November 2016); and (ii) the vendors of Score Value may be issued up to 135,135,135 Shares as part of the deferred consideration for the acquisition if certain performance targets are achieved
“SF Holding”	順豐控股股份有限公司 (S.F. Holding Co., Ltd.*)
“SF Lottery”	順豐彩(深圳)科技發展有限責任公司 (SF Lottery (Shenzhen) Technology Development Company Limited*), a non-wholly owned subsidiary of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Share Award Scheme”	the share award scheme of the Company adopted on 17 March 2017
“Share Option Schemes”	the share option schemes of the Company adopted on 18 November 2004 and 23 December 2014 respectively
“Shareholder(s)”	holder(s) of the Share(s)

“Shenzhen Subsidiary”	深圳中林瑞德科技有限公司 (Shenzhen Zoom Read Tech Co., Ltd.*), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of Score Value
“Sports Lottery”	the national sports lottery of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for 4,817,399,245 new Shares and Convertible Bonds in the aggregate principal amount of HK\$712,582,483 by Ali Fortune, which was completed on 10 August 2016
“Taobao”	淘寶(中國)軟件有限公司(Taobao (China) Software Co., Ltd.*), a company incorporated in the PRC and a subsidiary of Alibaba Holding
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“US\$”	United States dollars, the lawful currency of the United States of America
“Welfare Lottery”	the national welfare lottery of China
“Whitewash Circular”	the circular of the Company dated 25 May 2016 in respect of, among other things, the Subscription and the Whitewash Waiver
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of Ali Fortune to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by Ali Fortune or parties acting in concert with it which would otherwise arise as a result of (i) the allotment and issue of the Shares under the Subscription at its completion; and/or (ii) the allotment and issue of the Shares that may be issued upon conversion of the Convertible Bonds issued under the Subscription
“%”	per cent

Notes:

1. In this announcement, the exchange rate of HK\$1.186 to RMB1.00 has been used for reference only.
2. The English translation of the Chinese company names in this announcement are included for reference only and should not be regarded as the official English translation of such Chinese company names.
3. In the event of any inconsistency, the English text of this announcement shall prevail over the Chinese text.

* *For identification purposes only*

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

Hong Kong, 23 March 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 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.