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AGTech Holdings Limited
亞博科技控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8279)

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

On December 13, 2019, CLM and ZCLM, each being an indirect wholly-owned subsidiary of the Company, entered into the Cooperation Agreement with Alibaba China, pursuant to which CLM and/or ZCLM shall cooperate with Alibaba China in relation to the sale of welfare and/or sports lottery products in the PRC via the retail shops (under the membership network of Alibaba China's digital sourcing platform for retailers, i.e. "Lingshoutong" (零售通)) for a term of two years from January 1, 2020 to December 31, 2021. At the time of signing the Cooperation Agreement, the Company expected that the maximum aggregate service fees payable by the Group to Alibaba China under the Cooperation Agreement would not be more than HK$3 million for each of the years ended/ending December 31, 2020 and 2021.

Ali Fortune, the controlling shareholder of the Company, is indirectly held as to 60% by Alibaba Holding. Alibaba China, being an indirect wholly-owned subsidiary of Alibaba Holding, is accordingly an associate of Ali Fortune and a connected person of the Company. The Transactions thus constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. At the time of signing the Cooperation Agreement, as all the applicable percentage ratios with respect to the Transactions on an annual basis were less than 5% and the maximum aggregate annual service fees payable by the Group to Alibaba China was less than HK$3 million, the Transactions constituted de minimis transactions and were fully exempt from independent shareholders' approval, annual review and all disclosure requirements under Chapter 20.74(1)(c) of the GEM Listing Rules.

However, due to a recent increase in the revenue from the distribution of lottery products through the Sales Outlets under the Cooperation Agreement, it is expected that the maximum aggregate service fees payable by the Group to Alibaba China under the Cooperation Agreement for the full year ending December 31, 2021 will exceed HK$3 million. Hence, the Board has resolved to increase the maximum limit of such aggregate service fees payable by the Group under the Cooperation Agreement for the year ending December 31, 2021 to HK$3.5 million (i.e. the Revised 2021 Annual Cap).

As one or more applicable percentage ratios with respect to the Revised 2021 Annual Cap for the Transactions are more than 0.1% but all of them are less than 5%, the Transactions for the year ending December 31, 2021 shall become subject to the reporting, announcement and annual review requirements but are still exempt from the circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

COOPERATION AGREEMENT

On December 13, 2019, CLM and ZCLM, each being an indirect wholly-owned subsidiary of the Company, entered into the Cooperation Agreement with Alibaba China, the principal terms of which are set out below:

Date

December 13, 2019

Parties

(i) CLM;

(ii) ZCLM; and

(iii) Alibaba China.

Duration

The Cooperation Agreement shall commence on January 1, 2020 and end on December 31, 2021.

Services to be provided

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

Service fees and payment terms

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

(i) Where CLM/ZCLM acts as a selling agent and receives sales commission from a Lottery Center,

Service fees payable to Alibaba China	=	(sales commission receivable by CLM/ZCLM from a Lottery Center for the sale of lottery products (exclusive of taxes) – service fees payable to the Sales Outlets or labour costs of selling personnel and related taxes – other costs and expenses) x 50%

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

(ii) Where a Sales Outlet acts as a selling agent and CLM/ZCLM receives service fees from a Lottery Center,

Service fees payable to Alibaba China	=	(service fees receivable by CLM/ZCLM from a Lottery Center (exclusive of taxes) – other costs and expenses) x 50%

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

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

ANNUAL CAPS

At the time of signing the Cooperation Agreement, the Company expected that the maximum aggregate service fees payable by the Group to Alibaba China under the Cooperation Agreement would not be more than HK$3 million for each of the years ended/ending December 31, 2020 and 2021 (the "**Existing Annual Caps**").

The actual aggregate service fees for the year ended December 31, 2020 paid by the Group to Alibaba China under the Cooperation Agreement was approximately HK$2.0 million. The Board confirms that the actual aggregate service fees for the year ending December 31, 2021 has amounted to approximately HK$2.6 million as of October 31, 2021. As it is expected that the maximum aggregate service fees payable by the Group for the full year ending December 31, 2021 will exceed HK$3 million, the Board has resolved to increase the maximum limit of such aggregate service fees to HK$3.5 million (the "**Revised 2021 Annual Cap**").

The Existing Annual Caps and the Revised 2021 Annual Cap are determined with reference to the following factors:

(1) (for the Existing Annual Caps) the Group's expected demand for the selling services of the Sales Outlets during the term of the Cooperation Agreement;

(2) (for the Revised 2021 Annual Cap) the historical amounts of the Transactions under the Cooperation Agreement for the year ended December 31, 2020 and the ten months ended October 31, 2021, being approximately HK$2.0 million and approximately HK$2.6 million, respectively; and

(3) (for the Revised 2021 Annual Cap) the expected amount of the Transactions under the Cooperation Agreement for the remaining two-month period ending December 31, 2021.

INTERNAL CONTROL MEASURES

The Group has internal controls in place to monitor the utilization of the Existing Annual Caps and the Revised 2021 Annual Cap, which require the submission of monthly reports on the accumulated amounts of the Transactions by the finance team of the Group to the Group's chief financial officer, the company secretary and the internal auditor. The company secretary shall promptly liaise with the business team of the Group as and when the Existing Annual Caps and the Revised 2021 Annual Cap have been 70% utilized in order to agree and implement measures to control and avoid exceeding any of the Existing Annual Caps and the Revised 2021 Annual Cap. The parties to the Cooperation Agreement have also agreed that they must abide by the GEM

Listing Rules when fulfilling their obligations under the agreement, including but not limited to the annual cap amounts for the Transactions. As part of the overall monitoring of the Transactions, sample checks would be conducted by the Group's internal audit department at least annually on, among other things, the pricing, payment terms and the utilization of the Existing Annual Caps and the Revised 2021 Annual Cap. In addition, the Transactions would be subject to annual review by the independent non-executive Directors and the external auditors of the Company of their terms and annual cap amounts, and the Company is required to report the findings of such annual review in its annual report in compliance with the GEM Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION AGREEMENT

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

The Directors (including the independent non-executive Directors) are of the view that the terms of the Cooperation Agreement, the Existing Annual Caps and the Revised 2021 Annual Cap are fair and reasonable, the Transactions are on normal commercial terms and the entering into of the Cooperation Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

Ali Fortune, the controlling shareholder of the Company, is indirectly held as to 60% by Alibaba Holding. Alibaba China, being an indirect wholly-owned subsidiary of Alibaba Holding, is accordingly an associate of Ali Fortune and a connected person of the Company. The Transactions thus constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. At the time of signing the Cooperation Agreement, as all the applicable percentage ratios with respect to the Transactions on an annual basis were less than 5% and the maximum aggregate annual service fees payable by the Group to Alibaba China was less than HK$3 million, the Transactions constituted de minimis transactions and were fully exempt from independent shareholders' approval, annual review and all disclosure requirements under Chapter 20.74(1)(c) of the GEM Listing Rules.

However, due to a recent increase in the revenue from the distribution of lottery products through the Sales Outlets under the Cooperation Agreement, it is expected that the maximum aggregate service fees payable by the Group to Alibaba China under the Cooperation Agreement for the full year ending December 31, 2021 will exceed HK$3 million. Hence, the Board has resolved to increase the maximum limit of such aggregate service fees payable by the Group under the Cooperation Agreement for the year ending December 31, 2021 to HK$3.5 million (i.e. the Revised 2021 Annual Cap).

As one or more applicable percentage ratios with respect to the Revised 2021 Annual Cap for the Transactions are more than 0.1% but all of them are less than 5%, the Transactions for the year ending December 31, 2021 shall become subject to the reporting, announcement and annual review requirements but are still exempt from the circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As Ms. Hu Taoye, Mr. Yang Guang and Mr. Li Faguang are employees of the Alibaba Group, each of these Directors is deemed or may be perceived to have a material interest in the Cooperation Agreement. Accordingly, they abstained from voting on the resolution(s) passed by the Board to approve the Cooperation Agreement, the Transactions, the Existing Annual Caps and the Revised 2021 Annual Cap. Other than the aforesaid Directors, no other Directors have a material interest in the Cooperation Agreement or are required to abstain from voting on the resolution(s) passed by the Board approving the Cooperation Agreement, the Transactions, the Existing Annual Caps and the Revised 2021 Annual Cap.

INFORMATION ABOUT THE PARTIES

The Company, the Group, CLM and ZCLM

The Company was incorporated in Bermuda and its Shares are listed on GEM of the Stock Exchange. The Group is an integrated technology and services company engaged in the lottery and mobile games and entertainment market with a focus on the PRC and selected international markets. Since 2021, the Group has also commenced to supply non-lottery hardware products (such as point-of-sale terminals) for use in the retail sector in the PRC. As a member of the Alibaba Group, the Group is the exclusive lottery platform of Alibaba Group and Ant Group Co., Ltd. (螞蟻科技集團股份有限公司) and its subsidiaries.

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

Alibaba Holding, Alibaba Group and Alibaba China

Alibaba Holding is a company incorporated in the Cayman Islands, with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988).

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

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

DEFINITIONS

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

"Ali Fortune"	Ali Fortune Investment Holding Limited, a company incorporated under the laws of the British Virgin Islands and the controlling shareholder of the Company
"Alibaba China"	阿里巴巴（中國）網絡技術有限公司(Alibaba (China) Technology Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Alibaba Holding
"Alibaba Group"	Alibaba Holding and its subsidiaries from time to time
"Alibaba Holding"	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, with its American depository shares (each representing eight ordinary shares) listed on the New York Stock Exchange (Stock Symbol: BABA) and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988)

"associate", "connected person", "controlling shareholder", "percentage ratio(s)", "subsidiary(ies)"	each has the meaning ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"CLM"	世紀星彩企業管理有限公司(China Lottery Management Co., Ltd*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Company"	AGTech Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM of the Stock Exchange (Stock Code: 8279)
"Cooperation Agreement"	the cooperation agreement dated December 13, 2019 entered into among CLM, ZCLM and Alibaba China in relation to the cooperation among the parties for sale of welfare and/or sports lottery products in the PRC
"Director(s)"	director(s) of the Company
"Existing Annual Caps"	has the meaning as defined in the section headed "ANNUAL CAPS" of this announcement
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Lottery Centers"	has the meaning as defined in the section headed "COOPERATION AGREEMENT – Services to be provided" of this announcement
"PRC"	the People's Republic of China which, for the purpose of this announcement, refers to Mainland China only
"Revised 2021 Annual Cap"	has the meaning as defined in the section headed "ANNUAL CAPS" of this announcement

“Sales Outlets”	has the meaning as defined in the section headed “COOPERATION AGREEMENT – Services to be provided” of this announcement
“Share(s)”	ordinary share(s) of HK$0.002 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the Cooperation Agreement
“ZCLM”	浙江世紀星彩企業管理有限公司(Zhejiang Century Star Lottery Enterprise Management Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, November 16, 2021

* *For identification purposes only*

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

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

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