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AGTech Holdings Limited

亞博科技控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8279)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021**

CHARACTERISTICS OF GEM

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

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

* *For identification purposes only*

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2021

- Revenue of the Group for the year under review amounted to approximately HK\$253.2 million (2020: approximately HK\$161.6 million), representing an increase of approximately 56.7% over 2020. For the year under review, revenue contributions were mainly derived from lottery hardware sales, provision of lottery distribution and ancillary services, non-lottery hardware sales in the PRC, and games and entertainment business in India.
- Operating loss for the year was approximately HK\$65.8 million (2020: approximately HK\$131.1 million). Such decrease in operating loss was mainly due to a combination of factors: (i) the increase in total revenue (offset by the related costs and expenses) of the Group as mentioned above; (ii) a decrease in employee benefits expenses by approximately 34.7% to approximately HK\$116.8 million for the year as a result of the Group's continuous measures to strengthen cost controls over operating costs and expenses to enhance the Group's competitive position; and (iii) increase in other income by approximately HK\$5.1 million as compared to 2020.
- The loss for the year was approximately HK\$63.1 million (2020: approximately HK\$109.5 million), representing a decrease of approximately 42.4% over 2020.
- The Board does not recommend the payment of a final dividend for the year.

RESULTS

The Board announces the audited consolidated results of the Group for the year ended December 31, 2021, together with the comparative figures for the year ended December 31, 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	2	253,242	161,649
Other income		15,961	10,859
Net other gains	4	13,331	11,426
Employee benefits expenses		(116,784)	(178,928)
Purchase of and changes in inventories		(119,772)	(45,041)
Depreciation expenses		(20,557)	(23,754)
Other operating expenses		(91,206)	(67,298)
Operating loss		(65,785)	(131,087)
Loss on fair value changes of financial assets at fair value through profit or loss		(18,564)	–
Gain on derecognition of contingent consideration payables		–	69,589
Net finance income		17,117	44,063
Share of results of investments accounted for using equity method		–	(83,205)
Loss before income tax		(67,232)	(100,640)
Income tax credit/(expenses)	5	4,182	(8,814)
Loss for the year	6	(63,050)	(109,454)
Other comprehensive income: <i>Item that will not be reclassified subsequently to profit or loss</i>			
Currency translation differences		14,843	33,611
Other comprehensive income for the year, net of tax		14,843	33,611
Total comprehensive income for the year		(48,207)	(75,843)

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
(Loss)/profit attributable to:			
Owners of the Company		(63,633)	(121,372)
Non-controlling interests		583	11,918
		<u>(63,050)</u>	<u>(109,454)</u>
Total comprehensive income attributable to:			
Owners of the Company		(50,164)	(90,419)
Non-controlling interests		1,957	14,576
		<u>(48,207)</u>	<u>(75,843)</u>
Loss per share			
Basic	7	(HK0.55 cent)	(HK1.05 cents)
Diluted	7	(HK0.55 cent)	(HK1.05 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		4,293	7,288
Right-of-use assets		28,135	54,197
Investment properties		36,696	43,941
Goodwill		1,134,494	1,112,230
Other intangible assets		1,742	1,742
Deferred income tax assets		5,791	4,522
Investments accounted for using equity method		–	–
Financial assets at fair value through profit or loss		84,698	–
Other receivables, deposits and prepayments		14,895	16,389
		1,310,744	1,240,309
Current assets			
Inventories		22,380	22,659
Trade receivables	8	12,403	11,067
Other receivables, deposits and prepayments		98,003	166,193
Cash and bank balances		1,638,143	1,708,204
		1,770,929	1,908,123
Total assets		3,081,673	3,148,432
Current liabilities			
Trade payables	9	25,540	10,358
Accruals and other payables		95,476	100,441
Contract liabilities		9,056	10,644
Current income tax liabilities		268	261
Lease liabilities		14,792	19,250
		145,132	140,954

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities		
Deferred income tax liabilities	4,907	5,889
Provision for warranties	29,775	21,938
Accruals and other payables	323	143
Lease liabilities	15,396	36,194
	<u>50,401</u>	<u>64,164</u>
Total liabilities	<u>195,533</u>	<u>205,118</u>
Net assets	<u>2,886,140</u>	<u>2,943,314</u>
Equity		
Share capital	23,344	23,344
Reserves attributable to owners of the Company	2,813,265	2,872,396
	<u>2,836,609</u>	<u>2,895,740</u>
Non-controlling interests	49,531	47,574
Total equity	<u>2,886,140</u>	<u>2,943,314</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 financial assets at fair value through profit or loss, which are measured at fair value.

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

New standards and amendments adopted by the Group

The following new standards and amendments have been adopted by the Group for the first time for the financial year beginning on January 1, 2021:

Amendments to HKFRS 16	COVID-19 – Related Rent Concession
Amendments to HKAS 39, HKFRS 7, HKFRS 9, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform

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

2 REVENUE

Revenue represents the amounts received and receivable from lottery hardware sales (including provision of related after-sale services), lottery games and systems, provision of lottery distribution and ancillary services, non-lottery hardware sales in the PRC, and games and entertainment in India and the PRC for the year, and is analysed as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Lottery		
(i) Lottery hardware sales	168,154	73,387
(ii) Lottery distribution through physical channels and ancillary services	42,883	24,455
(iii) Lottery games and systems	67	46,303
Games and entertainment	21,566	17,504
Non-lottery hardware sales	20,572	–
	<u>253,242</u>	<u>161,649</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*	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PRC	235,131	144,559	1,213,689	1,229,050
Hong Kong	–	–	6,566	6,738
Others	18,111	17,090	–	–
	<u>253,242</u>	<u>161,649</u>	<u>1,220,255</u>	<u>1,235,788</u>

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

Information about major customers

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	N/A*	55,229
Customer B	39,284	N/A*
Customer C	32,133	N/A*
Customer D	25,330	27,209
Customer E	N/A*	17,013
	<u>96,747</u>	<u>99,451</u>

* The corresponding customer did not contribute over 10% to the Group's revenue in 2020 or 2021.

4 NET OTHER GAINS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss on fair value changes of investment properties	(8,434)	(6,748)
Foreign exchange gain	21,918	18,476
Reversal of loss allowance/(loss allowance) on		
– loan to a joint venture	263	(263)
– loan to an associate	–	(64)
– amount due from a joint venture	(1,282)	–
Gain on disposals of property, plant and equipment	866	25
	<u>13,331</u>	<u>11,426</u>

5 INCOME TAX CREDIT/(EXPENSES)

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
– PRC EIT on assessable profit for the year	176	7,412
– Adjustments in respect of prior years	(1,977)	594
Deferred tax:		
– Origination and reversal of temporary differences	(2,381)	808
Income tax (credit)/expense	<u>(4,182)</u>	<u>8,814</u>

6 LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Share-based payments		
– Directors and eligible employees	9,757	27,218
Auditor's remuneration		
– Audit services	1,800	1,500
– Audit-related services	2,500	–
	<u>2,500</u>	<u>–</u>

7 LOSS 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 December 31, 2021 of approximately HK\$63,633,000 (2020: loss of approximately HK\$121,372,000) by the weighted average number of ordinary shares outstanding during the year of approximately 11,672,342,000 (2020: approximately 11,672,342,000) shares and excluding the weighted average number of shares held for share award scheme of approximately 155,184,000 (2020: approximately 167,787,000) shares.

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: contingent considerations, share options and share awards. The contingent considerations are assumed to have been settled in ordinary shares, and the profit or loss attributable to owners of the Company is adjusted to eliminate the relevant fair value changes. For the share options and share awards, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and share awards.

For the years ended December 31, 2021 and 2020, contingent considerations and share options are excluded from the computation of the diluted loss per share as there were no outstanding contingent considerations and share options as at December 31, 2021 and 2020. For the years ended December 31, 2021 and 2020, the computation of the diluted loss per share does not assume the vesting of the outstanding share awards, as they would decrease the diluted loss per share.

8 TRADE RECEIVABLES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	11,122	9,731
31 to 60 days	1,056	219
61 to 90 days	145	48
91 to 120 days	–	–
121 to 365 days	39	1,069
Over 365 days	41	–
	<hr/> 12,403 <hr/>	<hr/> 11,067 <hr/>

9 TRADE PAYABLES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	24,544	7,909
31 to 60 days	61	47
61 to 90 days	–	11
91 to 120 days	175	10
121 to 365 days	–	–
Over 365 days	760	2,381
	<hr/> 25,540 <hr/>	<hr/> 10,358 <hr/>

10 DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2020: Nil).

ABOUT THE GROUP

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

During the year ended December 31, 2021, the Group's businesses were broadly divided into three principal categories:

- (i) Lottery:
 - (a) lottery hardware sales;
 - (b) lottery distribution through physical channels and ancillary services;
- (ii) Games and entertainment; and
- (iii) Non-lottery hardware sales.

AGTech is a Gold Contributor of the World Lottery Association (WLA), an associate member of the Asia Pacific Lottery Association (APLA), 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.

As the exclusive lottery platform of Alibaba Group and Ant Group, lottery technology and services will continue to be AGTech's domain expertise. The Group continues to leverage its lottery industry experience and innovation to provide services for lottery authorities in areas including product development, physical channel expansion, innovative hardware, marketing services and promotions, all in assisting to broaden the reach of lottery products in China and to advance the industry as a whole.

The Group will continue to develop differentiated games and entertainment platforms with the goal of integrating unique social games and sports entertainment content, ultimately to create an innovative business model to increase the Group's commercial value.

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

INDUSTRY OVERVIEW

Lottery

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

According to MOF figures*, PRC annual lottery sales in 2021 amounted to approximately RMB373.2 billion, representing an increase of approximately 11.8% over 2020. Of this, Welfare Lottery amounted to approximately RMB142.2 billion, representing a decrease of approximately 1.5% compared to 2020. Sports Lottery achieved sales of approximately RMB231.0 billion, representing an increase of approximately 21.9% compared to 2020.

At the beginning of 2019, Chinese lottery authorities advised on a series of operating and governing recommendations with an aim to improve on risk management supervision and to promote responsible lottery. Market supervision will be strengthened to ensure the healthy development of the lottery industry.

On October 23, 2020, the Ministry of Finance, the Ministry of Civil Affairs and the General Administration of Sport of the PRC jointly announced the Joint Notice in relation to the cessation of the sales of quick-draw welfare lottery games (福利彩票快開遊戲) and high frequency sports lottery games (體育彩票高頻遊戲) from November 1, 2020 or after the Chinese New Year of 2021, as the case may be.

* *Source: Ministry of Finance of the PRC*

Games and Entertainment

The online gaming market in India has seen tremendous growth in recent years, driven by the surge in digital usage and growth in digital payments ecosystem. According to a report on India's Media & Entertainment ("M&E") sector by Ernst & Young Associates LLP ("EY")*, it is estimated by EY that the online gaming segment revenue in India grew 18% in 2020 to reach INR77 billion (equivalent to approximately HK\$7.99 billion or approximately US\$1.03 billion) as online gamers grew 20% from 300 million in 2019 to 360 million in 2020, and is expected to reach 510 million by 2022. Transaction-based game revenues grew 21% on the back of fantasy sports, rummy and poker, while casual gaming revenues grew 7% led by in-app purchases. The revenue of this online gaming segment is expected to reach INR155 billion (equivalent to approximately HK\$16.09 billion or approximately US\$2.07 billion) by 2023 at a compound annual growth rate of 27% to become the third largest segment of the Indian M&E sector.

* *Source: "Playing by new rules: India's Media & Entertainment sector reboots in 2020 (March 2021) by EY"*

Retail Market Point-of-sale (“POS”) Hardware

According to the National Bureau of Statistics, China’s total retail sales of consumer goods reached approximately RMB44 trillion in 2021, an increase of 12.5% year on year, with a two-year average growth rate of 3.9%. With the continuous technology and innovation driven transformation of the retail market, payment related hardware is in a stage of integration with the retail industry to create new demands. In the first three quarters of 2021, China’s mobile payment transaction scale has maintained a high growth rate of 19% year-on-year with room for improvement.

Mobile payment has gradually evolved from a simple payment feature to comprehensive payment solutions. Smart POS terminals are replacing traditional POS machines, payment hardware has evolved from single POS terminals to integrated payment devices, and payment scenarios are moving towards unmanned operation. With the continuing expansion of the PRC retail sector, demand for POS hardware will increase in the payment field.

* *Source: “Overall performance of the payment system in the third quarter of 2021 (December 2021) by The People’s Bank of China”*

The Macau Electronic Payment Market

Electronic Payments are defined as non-cash transactions processed through digital channels. The electronic payment market in Macau is growing rapidly with the increase in the number of mobile payment transactions in recent years. According to the statistics of the AMCM*, the number of mobile payment transactions in Macau has increased from MOP 65.49 million in 2020 to MOP 193 million in 2021, representing a year-over-year increase of 194%; the total transaction value from MOP 6.32 billion in 2020 to MOP 18.52 billion in 2021, representing a year-over-year increase of 192%.

In 2021, the Government of Macau further facilitated the promotion of electronic payment by launching the “Simple Pay” service, an integrated payment system that allows merchants to accept various types of electronic payment methods in Macau by a single payment terminal or a QR code. As of November 2021, over 80% of merchants in Macau have upgraded to the Simple Pay system.

Furthermore, in order to alleviate the economic burden of citizens, the Government of Macau has also launched an “Electronic Consumption Benefits Plan” that allows qualified Macau citizens to receive government subsidies through the form of either “mobile payment” or “consumption card” under the plan. The government’s support for electronic payment has contributed to the digital transformation of Macau and the development of Macau’s electronic payment market.

* *Source: AMCM*

BUSINESS REVIEW

Hardware

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

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

During the year under review, the Group won twenty-seven lottery hardware tenders to supply lottery terminals to the Sports Lottery Administration Centres in Guangxi Zhuang Autonomous Region, Fujian province, Jiangsu province, Hubei province, Sichuan province, Shandong province, Henan province, Hebei province, Zhejiang province, Jilin province, Hunan province, Shanxi province, Inner Mongolia Autonomous Region, Guangdong province, Gansu province, Shanghai Municipality and Tianjin Municipality of the PRC. These successful tenders further strengthened the Group's top-tier position in China's lottery hardware market and demonstrated the continued competitiveness of the Group's lottery terminals. The Group will continue to pursue tenders to supply to the lottery and other hardware markets.

Supply of non-lottery hardware and equipment

In addition to lottery hardware supplies, expansion to other consumer sectors has been a focus for the Group. With a view to broadening product spectrum of its hardware business utilizing the research and development capability of the Group and in view of the fact that many of the hardware supplies for the retail market share similar technology and components underlying the lottery hardware products supplied by the Group throughout many years, the Group has extended its hardware product offering to smart hardware in the retail sector. During 2021, the Group commenced the supply of non-lottery hardware (such as POS terminals) for use in the PRC retail sector.

Lottery Distribution and Ancillary Services

Expansion of physical channels and lottery distribution

The Group currently distributes lottery (including lotto, sports lottery and instant scratch tickets) by expanding its physical lottery sales channels in China, which are mostly retail sales outlets operated by Alibaba Group. During 2021, the Group generated revenue from the distribution of lottery through retail sales outlets, representing an increase of approximately 87% over 2020. Such increase was mainly attributable to the increase in average lottery sales volume per sales outlet as a result of the rebound from the COVID-19 pandemic impact and the Group's continuous efforts in expanding its network of collaborating retail sales outlets for lottery distribution with an increase of approximately 40% in the number of such outlets over 2020.

Lottery Resources Channel Operations and Platform Services

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

The content on the lottery resources channel include displaying of certain historical and current lottery products results. Further, the channel compiles the locations of nearby lottery retail channels, paving the way for further integration of online and offline resources in the future. With the addition of subscription based sports events content, we will continue to customize and commercialize our range of tools and products according to market demands and users' needs. With personalized suggestions of sports events information provided based on users' purchase habits, a surge of number of active users was recorded. Through this channel, we hope to build on our online presence and maximize the value of our business partnership with Alibaba Group and Ant Group, in addition to preparation for any potential policy approval and authorization of online distribution of lottery products in the future.

Games and Entertainment

Online non-lottery games and entertainment content

The Group is dedicated to evolving its business into a comprehensive lottery, mobile games and entertainment content and technology provider to customers around the world. The Group has been active in building its online presence and customer-base through various online channels by offering various types of proprietary non-lottery games and entertainment content. Currently, the principal source of revenue in relation to the Group's games and entertainment business comes from the mobile games and entertainment platform, Paytm First Games, which is operated by its 45%-owned joint venture company in India as described below.

International Market

Strategic expansion in selected overseas markets

(i) Paytm First Games Private Limited in India:

A joint venture company of the Group with One97 Communications Limited (“**One97**”), namely, Paytm First Games Private Limited (the “**JV**”), developed and operated its mobile games and entertainment platform, namely “Paytm First Games”, in India during 2021. One97 is the owner of Paytm, which is a leading mobile payment platform in India. Paytm First Games offers players a unique online experience with popular games content such as rummy and fantasy sports games. While the COVID-19 pandemic affected operations of many industries on a global basis, the online gaming industry in India witnessed a significant growth in the past year with more players staying home and playing online games to pass their time.

As brand influence of the platform continues to grow, and in addition to the momentum building off a successful Indian Premier League (IPL) cricket tournament in 2020, the most popular and locally followed professional cricket league in India, Paytm First Games will strive to continue to grow its user base, further monetizing this unique platform and capitalizing on the significant potential of the fast-growing mobile games and entertainment market in India. In 2020, IPL cricket tournament was held from September to November, which led to an increase in revenue since then. The latest 2021 IPL cricket tournament commenced in April 2021. However, due to the COVID-19 pandemic, the tournament had been suspended temporarily but resumed in September 2021. During 2021, the Group generated revenue of approximately HK\$18.1 million (For the year ended December 31, 2020: approximately HK\$17.1 million) from the provision of online game contents to Paytm First Games. The Group's technical team completed the preliminary development of fantasy sports game products for the JV and the JV successfully established its research and development center in Beijing, the PRC. The Group no longer provides the JV with technical and operation support for its fantasy sports games, and hence the JV and the Group have agreed to terminate the revenue sharing between them with effect from August 2021.

With an outlook in grooming the platform to become one of the major market players, the Group is fully committed to the development of Paytm First Games and will continue to dedicate additional resources and funding to this joint venture investment in order to further its future expansion.

(ii) Ant Bank (Macao) Limited (the “Ant Bank”) in Macau:

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

In September 2019, the Ant Bank officially launched the Alipay (Macao) e-wallet payment service in Macau. Macau users of the Alipay (Macao) e-wallet can enjoy convenient Taobao online shopping experience by paying in Macanese patacas (MOP), via topping up their accounts in convenience stores offline, or binding them with bank accounts of mainstream banks in Macau online. Furthermore, the Ant Bank continues to expand its online and offline payment scenarios, as well as opening and expanding offline merchant service network through cooperation with local acquirers. The Alipay (Macao) e-wallet has been selected as one of the eight locally-registered mobile payment platforms to participate in the electronic consumption benefits plan (電子消費優惠計劃) launched by the Government of Macau which has started to run from June 1 to December 31, 2021, as well as in the “Simple Pay” (聚易用) system launched by the AMCM in the first quarter of 2021 which is an integrated payment system that combines different mobile payment platforms (including, among others, Alipay (Macao)) in one payment machine.

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

BUSINESS OUTLOOK

Despite ongoing headwinds and uncertainties with regard to the COVID-19 situation globally, we have seen a steady recovery in the PRC market since lottery related activities resumed. The Group will proactively transform and build on our leading position within the Chinese lottery industry. As the exclusive lottery business platform of Alibaba Group and Ant Group, we expect to further align and benefit from synergies created through cooperation with Alibaba Group and Ant Group.

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

The Group continues to operate the lottery resources channel on Taobao and Alipay to serve as a one-stop platform on lottery related information for existing and potential customers. With the addition of a wider variety of sports events and interactive entertainment to our lottery resources channel, we will continue to customize features to improve on user experience and engagement, with an eye towards the upcoming FIFA World Cup in 2022. The Group will continue to leverage and explore opportunities for collaboration with Alibaba Group's retail ecosystem to enhance on lottery distribution models, and make efforts to provide high-quality payment channels for offline lottery channels to help improve the service capacity of lottery institutions. We believe that the integration of lottery services and products through physical retail distribution channel and networks will continue to create synergy and opportunities in the future.

Transition to other consumer sectors presents an opportunity for the further development of the Group's hardware business. The hardwares supplied for the retail market share similar technology and components that underlie the lottery hardware products supplied by the Group throughout the years. We believe our hardware division continues to be well positioned to take advantage of such opportunities should they arise.

The Group will continue to prioritize our strategic projects, namely our joint venture investment, Paytm First Games, as well as our indirect investment, the Ant Bank. With the recent announcement on the acquisition of Macau Pass Holding Ltd, the Group will continue to dedicate our commitment and support to grow our business to further capitalize on diversification opportunities.

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

REVIEW OF OPERATING RESULTS

Revenue and Profitability

Revenue of the Group for the year under review amounted to approximately HK\$253.2 million (2020: approximately HK\$161.6 million), representing an increase of approximately 56.7% over 2020. For the year under review, revenue contributions were mainly derived from lottery hardware sales, provision of lottery distribution and ancillary services, non-lottery hardware sales in the PRC, and games and entertainment business in India. The increase in revenue for the year was caused by the increase in sales of lottery hardware of approximately HK\$94.8 million, increase of approximately HK\$18.4 million in revenue from the provision of lottery distribution and ancillary services, increase in sales of non-lottery hardware of approximately HK\$20.6 million and increase in revenue from games and entertainment business of approximately HK\$4.1 million, partially offset by the decrease in revenue of approximately HK\$46.2 million from the lottery games and systems business. Such increases in revenue from lottery hardware and provision of lottery distribution and ancillary services were mainly due to the continuous rebound of the Group's lottery business from the impact of the COVID-19 pandemic since the second half of 2020 and throughout 2021. In particular, the increase in revenue from the provision of lottery distribution services was due to the increase in average lottery sales volume per sales outlet as a result of the rebound from the COVID-19 pandemic impact and the continuous efforts of the Group in expanding its network of collaborating retail sales outlets for lottery distribution. In addition, the Group has commenced supplying non-lottery hardware (including point-of-sale terminals) during the year, further broadening its source of revenue. The increase in revenue from games and entertainment business was mainly caused by an increase in content provision revenue from the Paytm First Games platform in India and increase of advertising income from online non-lottery contents. The decrease in revenue from lottery games and system was due to the cessation of the sales of two virtual sports lottery games supplied by the Group, namely, "e-Ball Lottery" and "Lucky Racing", from November 1, 2020 and February 9, 2021 respectively.

As a result of the aforesaid mentioned increase in revenue of lottery hardware and non-lottery hardware, there was a corresponding increase in purchases of and changes in inventories by approximately HK\$74.7 million to approximately HK\$119.8 million for the year under review (2020: approximately HK\$45.0 million).

Other operating expenses for the year were approximately HK\$91.2 million (2020: approximately HK\$67.3 million). The increase was mainly due to the provision of warranties of approximately HK\$14.5 million (2020: reversal of provision for warranties of approximately HK\$5.9 million).

Operating loss for the year was approximately HK\$65.8 million (2020: approximately HK\$131.1 million). Such decrease in operating loss was mainly due to a combination of factors: (i) the increase in total revenue (offset by the related costs and expenses) of the Group as mentioned above; (ii) a decrease in employee benefits expenses by approximately 34.7% to approximately HK\$116.8 million for the year as a result of the Group's continuous measures to strengthen cost controls over operating costs and expenses to enhance the Group's competitive position (2020: approximately HK\$178.9 million); and (iii) increase in other income by approximately HK\$5.1 million as compared to 2020.

The loss for the year was approximately HK\$63.1 million (2020: approximately HK\$109.5 million), representing a decrease of approximately 42.4% over 2020. Besides the above reduction in operating loss, such decrease in loss was mainly due to the combined effect of the following factors: (i) the amount of investments accounted for using equity method was HK\$Nil as of December 31, 2020 in respect of the JV, and since then no share of results of the investments accounted for using equity method was recognized for the year (2020: Share of results of investments accounted for using equity method amounted to a loss of approximately HK\$83.2 million); (ii) the Group provided convertible term loan facilities in the aggregate amount of INR985.5 million (or approximately HK\$103.3 million) to the JV during the year, which facilities had been fully utilized by the JV. A fair value loss on such financial assets of approximately HK\$18.6 million was recognized for the year (2020: Nil). For details, please refer to the paragraph headed "Significant changes to financial position" in this announcement; (iii) the drop in interest income earned from the Group's deposits at banks by approximately HK\$27.4 million for the year as a result of the decrease in deposit interest rates in the market; and (iv) there were no outstanding contingent consideration payables as at December 31, 2020 and since then no more fair value change was recognized for the year under review. For the year ended December 31, 2020, contingent consideration payables of approximately HK\$69.6 million were written back to profit or loss.

Impacts of the COVID-19 pandemic on the Group

The COVID-19 pandemic primarily hit the PRC lottery sales during the first quarter of 2020 with a prolonged closure of the lottery market which lasted nearly 40 days, and the business hours of lottery sales outlets were also significantly reduced. In addition, people in the PRC stayed at home more often during that period, which further drove down the lottery sales. There were also delays in lottery hardware tenders and delivery as a result of the pandemic.

However, as the pandemic gradually became under control in the PRC in the second quarter of 2020, we saw a steady recovery in the PRC lottery market since then as lottery related activities resumed.

Thanks to the speedy recovery of the PRC lottery market and the revenue growth recorded in four business lines of the Group (namely, lottery hardware sales, provision of lottery distribution and ancillary services, non-lottery hardware sales and games and entertainment) in 2021, total revenue of the Group for the year under review increased by approximately 56.7% as compared to 2020.

The Group continued to maintain a healthy financial position as at December 31, 2021. Net cash (defined as total cash and cash equivalents less total debts, which include trade payables, accruals and other payables, contract liabilities and lease liabilities) as at December 31, 2021 amounted to approximately HK\$936.7 million. Fixed deposits held at bank with original maturity over three months amounted to approximately HK\$538.1 million as at December 31, 2021. The Group did not have any bank borrowings, and liquidity ratio (defined as current assets divided by current liabilities) of the Group as at December 31, 2021 stood at approximately 12.2, which continuously reflected the adequacy of financial resources of the Group.

Despite the aforesaid healthy financial position of the Group, in order to improve the efficiency of the use of the remaining net proceeds from the Subscription and to cope with the challenging business environment ahead, the Company announced various re-allocations of such net proceeds together with their reasons in the Company's first quarterly results announcement for the three months ended March 31, 2020, and such re-allocations had been implemented since then. In addition, as announced in the Company's third quarterly results announcement for the nine months ended September 30, 2020, in view of the highly uncertain and difficult global and PRC business environment caused by the COVID-19 pandemic, and the fact that the pandemic remains severe in many countries and is expected to persist in the year ahead, the Board was of the view that it would be prudent for the Group to slow down the pace of its expenditure and overseas expansion (unless the territory in which the target companies operate is less affected by the COVID-19 pandemic, such as the leading payment service provider in Macau to be acquired by the Group as described in the paragraph headed "VERY SUBSTANTIAL ACQUISITION ("VSA") AND POSSIBLE CONTINUING CONNECTED TRANSACTIONS ("CCTS") FOR THE COMPANY" in this announcement). Accordingly, the expected deadline for the use of such remaining net proceeds was postponed from December 31, 2020 to December 31, 2022.

The maximum consideration for the above-mentioned acquisition in Macau amounts to HK\$778 million (subject to downward adjustments) in cash. It is anticipated that, following settlement of such consideration, the Group will still maintain a healthy financial position due to its strong cash position as stated above.

Liquidity and financial resources

Net cash (defined as total cash and cash equivalents less total debts, which include trade payables, accruals and other payables, contract liabilities and lease liabilities) as at December 31, 2021 were approximately HK\$936.7 million (2020: approximately HK\$68.6 million). The increase in net cash was primarily due to the decrease in fixed deposits held at bank with original maturity over three months by approximately HK\$927.1 million. The total assets and net current assets of the Group as at December 31, 2021 were approximately HK\$3,081.7 million and approximately HK\$1,625.8 million respectively (2020: approximately HK\$3,148.4 million and approximately HK\$1,767.2 million respectively). Current liabilities of the Group as at December 31, 2021 were approximately HK\$145.1 million (2020: approximately HK\$141.0 million). As at December 31, 2021, the Group had no available banking facilities. There were no bank borrowings of the Group as at December 31, 2021 (2020: Nil). The liquidity ratio (defined as current assets divided by current liabilities) of the Group as at December 31, 2021 was approximately 12.2 (2020: 13.5) 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.

As at December 31, 2021, there were no bank borrowings of the Group (2020: Nil). The gearing ratio (defined as bank borrowings divided by equity) of the Group as at December 31, 2021 was therefore not applicable (2020: Not applicable).

As at December 31, 2021, cash and cash equivalents and fixed deposits held at bank with original maturity over three months carried effective interest (per annum) ranging from 0.001% to 3.6% (2020: 0.001% to 3.6%) and 0.49% (2020: 1.05%) respectively.

As at December 31, 2021, majority of the Group's bank deposits were denominated in US\$, HK\$ and RMB. As at December 31, 2021, the Group's entity with functional currency of Hong Kong dollar had net monetary assets denominated in Indian Rupee of HK\$84.7 million (2020: HK\$ Nil) which the related foreign exchange risk has not been hedged. Apart from this, since HK\$ is pegged to US\$, 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

Save as disclosed in the paragraph headed "VERY SUBSTANTIAL ACQUISITION ("VSA") AND POSSIBLE CONTINUING CONNECTED TRANSACTIONS ("CCTS") FOR THE COMPANY" of this announcement, as at December 31, 2021, the Group did not have any material contingent liabilities and capital commitment that constituted "notifiable transactions" under Chapter 19 of the GEM Listing Rules.

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

Save as disclosed in the paragraph headed “VERY SUBSTANTIAL ACQUISITION (“VSA”) AND POSSIBLE CONTINUING CONNECTED TRANSACTIONS (“CCTS”) FOR THE COMPANY” of this announcement, there were no significant investments, material acquisitions and disposals that constituted “notifiable transactions” under Chapter 19 of the GEM Listing Rules during the year under review.

Employees’ information and remuneration policies

As at December 31, 2021, the Group had 131 (2020: 292) employees in Hong Kong and the PRC. Total staff costs (excluding Directors’ emoluments) for the year ended December 31, 2021 amounted to approximately HK\$108.2 million (2020: approximately HK\$168.4 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 (including on-the-job training, in-house and external training seminars).

Charges on Group’s assets

As at December 31, 2021, no bank deposits (as at December 31, 2020: approximately HK\$0.3 million) were held in designated bank accounts to secure letters of guarantee granted to the Group.

As at December 31, 2021, a sum of approximately HK\$11.6 million (as at December 31, 2020: approximately HK\$5.4 million) was held by trustees of the Company for purchases of award Shares under the Share Award Scheme. Such sum was not available for general use by the Group.

Save as disclosed above, as at December 31, 2021, there was no charge on the assets of the Group.

Future plans for material investments and acquisition of capital assets

Save as disclosed in the paragraph headed “VERY SUBSTANTIAL ACQUISITION (“VSA”) AND POSSIBLE CONTINUING CONNECTED TRANSACTIONS (“CCTS”) FOR THE COMPANY” of this announcement, as at December 31, 2021, 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\$22.4 million as at December 31, 2021 (as at December 31, 2020: approximately HK\$22.7 million), with inventory turnover period decreased from 141 days in 2020 to 69 days in 2021. Trade receivables of the Group amounted to approximately HK\$12.4 million as at December 31, 2021 (as at December 31, 2020: approximately HK\$11.1 million), with debtor turnover period decreased from 43 days in 2020 to 17 days in 2021. Debtor turnover period and inventory turnover days improved in 2021.

Goodwill of the Group increased to approximately HK\$1,134.5 million as at December 31, 2021 (as at December 31, 2020: approximately HK\$1,112.2 million), primarily due to the currency translation difference of approximately HK\$22.3 million in 2021 when translating the goodwill denominated in RMB into HK\$.

There were no outstanding contingent consideration payables as at December 31, 2021 (as at December 31, 2020: Nil). No contingent consideration payables (2020: approximately HK\$69.6 million) were written back to profit or loss during the year under review.

Investments accounted for using equity method decreased to HK\$Nil as at December 31, 2021 (as at December 31, 2020: Nil) and since December 31, 2020 no share of results of the investments accounted for using equity method was recognized during the year under review.

Financial assets at fair value through profit or loss in the sum of approximately HK\$84.7 million as at December 31, 2021 (2020: Nil) represents the convertible term loan facilities[#] in the maximum amount of INR985.5 million (or approximately HK\$103.3 million) which had been provided by the Group to and fully utilized by the JV, less loss on fair value changes of such financial assets of approximately HK\$18.6 million (2020: Nil). As the convertible term loans are accounted for as financial assets at fair value through profit or loss of the Group and are subject to fair value measurement determined by discounting the contractual cash flows (the principal amount and all periodic interests) over the contractual term of the convertible term loans at discount rates with reference to the yield of comparable bonds adjusted for specific loan market, no interests on the convertible term loans will be accrued or recognized by the Group during their tenure of 60 months from the respective dates of their utilization (the “**Final Repayment Dates**”). However, in the event that the Group does not elect to exercise its right to convert all or any part of the convertible term loans into shares of the JV on or before the Final Repayment Dates, the JV shall repay the unpaid interests (calculated at the rate of 8% per annum) and the outstanding principal amounts of the convertible term loans on the respective Final Repayment Dates.

[#] The convertible term loans are repayable on the date falling after 60 months from the date of their utilization and may be converted into fully paid up shares of the JV either at the option of the Group (upon the occurrence of an event of default by the JV under the facilities) or otherwise by mutual agreement among the JV, One97 and the Group. The conversion price per share of the JV shall be equal to or higher than the fair market value per share of the JV subject to applicable law and to be determined by a qualified merchant banker, chartered accountant or practicing cost accountant mutually appointed by the JV and the Group in accordance with internationally acceptable pricing methodology for valuation on arm’s length basis. The amount of the convertible term loan facilities is determined based on the working capital needs of the JV for product launches and other operating expenses. The terms of the convertible term loans were determined after arm’s length negotiations with reference to prevailing market practices. The convertible term loans are fully utilised by the JV as general working capital to further develop and operate its mobile games and entertainment platform. The convertible feature of the convertible term loans allows the Group to maintain its proportionate equity interests in the JV. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the JV and One97 are third parties independent of and not connected with the Company.

The current portion of other receivables, deposits and prepayments decreased from approximately HK\$166.2 million as at December 31, 2020 to approximately HK\$98.0 million as at December 31, 2021, primarily due to the loan repayment received from the JV of approximately HK\$71.8 million in 2021.

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

Details of the principal risks and uncertainties facing the Group, the risk management measures deployed by the Group to mitigate such risks and the Group’s compliance with relevant laws and regulations will be set out in the Directors’ Report of the annual report of the Company for the year ended December 31, 2021.

Significant event after the reporting period

Save as disclosed in the paragraph headed “VERY SUBSTANTIAL ACQUISITION (“VSA”) AND POSSIBLE CONTINUING CONNECTED TRANSACTIONS (“CCTS”) FOR THE COMPANY” below, as of the date hereof, there was no significant event affecting the Group after December 31, 2021.

VERY SUBSTANTIAL ACQUISITION (“VSA”) AND POSSIBLE CONTINUING CONNECTED TRANSACTIONS (“CCTS”) FOR THE COMPANY

The VSA

As announced by the Company on September 10, 2021, two indirect wholly-owned subsidiaries of the Company entered into a conditional sale and purchase agreement of the same date (the “**Agreement**”) with, among others, the sellers to acquire the entire equity interest in Macau Pass Holding Ltd. (the “**Target**”, together with its subsidiaries, the “**Target Group**”) and 1% equity interest in Macau Pass S.A. (“**Macau Pass**”) (with 99% equity interest therein being held by the Target) (the “**Acquisition**”) at a maximum cash consideration of HK\$778 million (subject to downward adjustments). The Group intends to fund the consideration by its internal cash resources.

The Target Group is principally engaged in (i) the provision of physical payment card services via “Macau Pass Cards” and ancillary card services; (ii) the provision of e-wallet services known as “MPay”; (iii) the provision of acquiring services for other payment service providers; and (iv) sales and leasing of payment terminals and equipment.

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 the first half of 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. The Directors are of the view that the Acquisition would create tremendous synergies to the Group’s existing business, particularly for the mobile games and entertainment and supply of non-lottery hardware businesses, as well as broadening the revenue base of the Group through integrations along the value chain.

Upon completion of the Acquisition (the “**Closing**”), the Target will become an indirect wholly-owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the financial statements of the Group following Closing.

Possible CCTs

Macau Pass provides acquiring services to merchants enabling them to accept different payment methods of other payment service providers such as the “Alipay” e-wallet, the “AlipayHK” e-wallet and Ant Bank’s “Alipay (Macao)” e-wallet (collectively, the “**Alipay E-Wallets**”) operated by Alipay, Alipay Singapore Holding Pte. Ltd. (“**Alipay Singapore**”) and Ant Bank (collectively, the “**Alipay Entities**”) and/or their affiliate(s), such that their customers may choose their preferred payment platforms at checkout. Macau Pass receives commission income from the merchants for processing payment of the transactions and pays a portion of such commission as service fees to the other payment service providers such as the Alipay Entities.

Ali Fortune, the controlling shareholder of the Company, is indirectly held as to 60% by Alibaba Holding and as to 40% by Ant Holdco. Ant Holdco is indirectly held by Alibaba Holding as to 33% of its equity interest. Alipay is a direct wholly-owned subsidiary, and Alipay Singapore is an indirect wholly-owned subsidiary, of Ant Holdco. Ant Bank is an indirect 66.7%-owned subsidiary of Ant Holdco and its other 33.3% equity interest is held by a 30% indirectly owned associated company of the Company. Ant Holdco and the Alipay Entities are associates of Alibaba Holding and hence connected persons of the Company under the GEM Listing Rules. As Macau Pass will become an indirect wholly-owned subsidiary of the Company following Closing, the aforesaid payment of service fees by Macau Pass to the Alipay Entities in respect of its acquiring services will constitute CCTs for the Company under Chapter 20 of the GEM Listing Rules following Closing. On September 10, 2021, the Company entered into a framework agreement (the “**Framework Agreement**”) with the Alipay Entities to set out the terms and conditions of the future business cooperation (in respect of Macau Pass’ acquiring services) between Macau Pass and the Alipay Entities subject to and with effect from Closing.

Given the increasing usage of digital payment by customers in Macau with Alipay E-Wallets operated by the Alipay Entities being a popular payment option, the entering into of the Framework Agreement enables the Group (including the Target Group) to continue its business relationships with the Alipay Entities in compliance with the GEM Listing Rules following Closing.

The Framework Agreement is for a term commencing on the date of Closing and ending on December 31, 2023, and is subject to the maximum amounts of annual service fees payable by Macau Pass to the Alipay Entities thereunder (the “**Annual Caps**”) of HK\$95,000,000 for the year ending December 31, 2022 and HK\$100,000,000 for the year ending December 31, 2023 respectively. The Annual Caps are determined mainly with reference to the projected amounts of payment transactions processed through the acquiring services provided by Macau Pass for the Alipay Entities which are estimated after taking into account factors including (i) the historical figures of the number and value of the online and offline transactions processed through the acquiring services provided by Macau Pass to merchants for accepting the Alipay E-Wallets during the past three years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021; (ii) the service fee rates charged by the Alipay Entities to Macau Pass; (iii) the

estimated growth in the number and value of the transactions processed through the acquiring services provided by Macau Pass to merchants for accepting the Alipay E-Wallets in light of (a) the resumption of tourists activities in Macau as the COVID-19 pandemic has been kept under control in the city; (b) the expansion of its network of merchants by Macau Pass in Macau; (c) the increase in per capita consumption of mainland Chinese tourists in Macau; and (d) the competition of acquiring services provided by other acquirers and banks in Macau.

GEM Listing Rules Implications

The Acquisition constitutes a VSA for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements.

As the Alipay Entities are connected persons of the Company, the Framework Agreement and the transactions contemplated thereunder constitute possible CCTs for the Company under Chapter 20 of the GEM Listing Rules. As the Annual Caps exceed 5% of the relevant applicable percentage ratios and HK\$10 million per annum, the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Agreement, the Framework Agreement and the transactions contemplated thereunder respectively (including the Annual Caps) were duly approved by the Shareholders and independent Shareholders respectively at the special general meeting of the Company held on November 18, 2021.

Further details of the VSA and the possible CCTs are set out in the circular of the Company dated October 29, 2021. As disclosed in the announcement of the Company dated March 15, 2022, the Target Group has received all relevant regulatory consents and approvals as are necessary in connection with the proposed change in shareholding of the Target Group (including Macau Pass having received the written approval of AMCM for implementation of the Acquisition and the proposed change in shareholding or control of Macau Pass), the receipt of which is one of the Closing conditions. Closing will take place after fulfillment or waiver of all the other Closing conditions and upon the parties to the Agreement having completed a series of Closing matters in accordance with the terms of the Agreement. Further announcement(s) will be made by the Company as and when appropriate to keep the Shareholders posted of the progress of the VSA.

NEW CCTS WITH EFFECT FROM JANUARY 1, 2022

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

responsible for entering into agreements separately with various provincial China Sports Lottery Administration Centers and/or China Welfare Lottery Issuance and Administration Centers in the PRC (collectively, the “**Lottery Centers**”), and shall recommend to the Lottery Centers some retail shops (under the membership network of Lingshoutong), which shall meet the required standards of the Lottery Centers and shall be selected by Alibaba China to set up as lottery sales outlets (the “**Sales Outlets**”), to act as selling agents, or to provide services to CLM and/or ZCLM which act as selling agents, for the sale of sports and/or welfare lottery products in the PRC. Through the cooperation with the Sales Outlets, the Group is able to promote the sales of lottery products to more customers through Alibaba Group’s physical new retail distribution channel and networks, thereby broadening the source of revenue from the Group’s lottery distribution business.

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

(i) Where CLM and/or ZCLM act as selling agents by selling the lottery products through Sales Outlets and receives sales commission from Lottery Centers, service fees payable to Alibaba China = (sales commission receivable by CLM and/or ZCLM from Lottery Centers for the sale of lottery products (exclusive of taxes) – service fees payable to the Sales Outlets + incentive fee payable by Alibaba China to its business development personnel – other costs and expenses payable by CLM and/or ZCLM) x 50%.

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

(ii) Where Sales Outlets act as selling agents and CLM and/or ZCLM receive service fees (including but not limited to sales channel management fees and promotion fees) from Lottery Centers, service fees payable to Alibaba China = (service fees receivable by CLM and/or ZCLM from Lottery Centers (exclusive of taxes) + incentive fee payable by Alibaba China to its business development personnel – other costs and expenses payable by CLM and/or ZCLM) x 50%.

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

The above-mentioned net revenue sharing ratios on a 50:50 basis in calculating the service fees payable by CLM and/or ZCLM to Alibaba China under the New Cooperation Agreement are determined with reference to (1) the revenue-sharing model that was previously adopted between a similar platform of Alibaba Group and its other business partners who were independent third parties; and (2) the scale of potential customers that can be reached by utilizing the channels and networks of Alibaba Group and its expected traffic volume.

The annual caps for the aggregate service fees payable by the Group to Alibaba China (the “**Fee Split**”) with respect to the transactions for the years ending December 31, 2022 and 2023 are fixed at HK\$4.5 million and HK\$5.2 million, respectively. The annual caps relating to the transactions are determined with reference to the following principal factors: (1) the historical amounts of the Fee Split with respect to the transactions relating to the provision of services for sale of sports/welfare lottery products under the previous cooperation agreement dated December 13, 2019 (details of which were disclosed in the announcement of the Company dated November 16, 2021) (the “**2020/21 Transactions**”) for the year ended December 31, 2020 and the eleven months ended November 30, 2021, being approximately HK\$2.0 million and approximately HK\$2.9 million, respectively; (2) the projected Fee Split relating to the 2020/21 Transactions for the month of December 2021 of approximately HK\$0.4 million; (3) the projected annual growth rate of the Fee Split relating to the 2020/21 Transactions for the year ended December 31, 2021 (the “**2021 Growth Rate**”) as compared to the year ended December 31, 2020, after taking out the months of January to June in both 2020 and 2021 in the comparison to avoid the distortion by the anomalous effects of the COVID-19 pandemic present primarily in the first half of 2020 in the PRC lottery market; and (4) the projected annual growth rates of the Fee Split relating to the Transactions for the two years ending December 31, 2022 and 2023, with the growth rate for 2022 assumed to remain relatively stable with only a modest increment over the 2021 Growth Rate; whereas the growth rate for 2023 is assumed to rise at a lower rate.

Ali Fortune, the controlling shareholder of the Company, is indirectly held as to 60% by Alibaba Holding. Alibaba China, being an indirect wholly-owned subsidiary of Alibaba Holding, is accordingly an associate of Ali Fortune and a connected person of the Company. The transactions thus constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. As one or more applicable percentage ratios with respect to the highest annual cap for the transactions are more than 0.1% but all of them are less than 5%, the transactions are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

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

USE OF PROCEEDS FROM THE SUBSCRIPTION

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

The Company announced various re-allocations (the “**2020 Re-allocations**”) of the Net Proceeds that remained as at March 31, 2020 together with their reasons in the Company’s first quarterly results announcement for the three months ended March 31, 2020, and such re-allocations had been implemented since then. As disclosed in the section headed “USE OF PROCEEDS FROM THE SUBSCRIPTION” of the annual report of the Company for the year ended December 31, 2020, Net Proceeds in the sum of approximately HK\$664.1 million remained as at December 31, 2020.

During the year ended December 31, 2021, approximately HK\$441.9 million in total was used by the Group for the business divisions of the Group and for investment, acquisition and general corporate purposes in the manner as set out in the table below. Net Proceeds in the sum of approximately HK\$222.2 million remained as at December 31, 2021, which were placed in the bank accounts of the Group.

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2020	Amount of Net Proceeds actually used during the year ended December 31, 2021	Amount of Net Proceeds remained to be used as at December 31, 2021	Actual application of Net Proceeds during the year ended December 31, 2021 (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(i) Games and Entertainment:	approximately HK\$79.5 million (or approximately	approximately HK\$26.8 million	approximately HK\$52.7 million	The Net Proceeds were used in items (i)(a) to (i)(c).
(a) <i>development, operation and promotion of the Chinese card game, GuanDan, and Two-on-One Poker</i>	12.0% of total remaining as at December 31, 2020)			No material difference from intended usage noted following the 2020 Re-allocations.
(b) <i>development, operation and promotion of the mind sports, leisure games and entertainment</i>				The Net Proceeds allocated to “Games and Entertainment” are expected to be used on or before December 31, 2022.
(c) <i>research and development (“R&D”) of games and entertainment content that are not subject to the applicable lottery laws and regulations in the PRC or other overseas markets</i>				
(d) <i>expansion and development of the Group’s R&D capability in technology development for games and systems</i>				
(e) <i>payment of marketing fees to merchants to promote and boost online activities by online users</i>				

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2020	Amount of Net Proceeds actually used during the year ended December 31, 2021	Amount of Net Proceeds remained to be used as at December 31, 2021	Actual application of Net Proceeds during the year ended December 31, 2021 (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(ii) Hardware, Lottery Games & Systems:	approximately HK\$166.7 million (or approximately 25.1% of total remaining as at December 31, 2020)	approximately HK\$157.3 million	approximately HK\$9.4 million	The Net Proceeds were used in items (ii)(a), (ii)(b) and (ii)(e).
(a) <i>operation and development of lottery hardware and terminal production</i>				No material difference from intended usage noted following the 2020 Re-allocations.
(b) <i>operation and development of lottery software systems</i>				The Net Proceeds allocated to “Hardware, Lottery Games & Systems” are expected to be used on or before December 31, 2022.
(c) <i>development of ancillary parts for lottery hardware and terminal production</i>				
(d) <i>investment for lottery games</i>				
(e) <i>sourcing, manufacturing, operation and development of smart hardware and ancillary equipment and provision of related after-sales maintenance services</i>				
(iii) Lottery Distribution:	approximately HK\$160.1 million (or approximately 24.1% of total remaining as at December 31, 2020)	approximately HK\$65.0 million	approximately HK\$95.1 million	The Net Proceeds were used in items (iii)(b) and (iii)(c).
(a) <i>sales, marketing and distribution of virtual lottery games</i>				No material difference from intended usage noted following the 2020 Re-allocations.
(b) <i>sales, marketing and distribution of instant scratch lottery games</i>				The Net Proceeds allocated to “Lottery Distribution” are expected to be used on or before December 31, 2022.
(c) <i>sales, marketing and distribution of other categories of lottery games</i>				
(d) <i>online sales, marketing and distribution of lottery products (including but not limited to the future cooperation with Taobao and Alipay)</i>				

Business divisions of the Group, or investment, acquisition or general corporate purposes, for which the Net Proceeds are intended to be used	Amount of Net Proceeds remained to be used as at December 31, 2020	Amount of Net Proceeds actually used during the year ended December 31, 2021	Amount of Net Proceeds remained to be used as at December 31, 2021	Actual application of Net Proceeds during the year ended December 31, 2021 (with expected timeline of usage of unused proceeds and explanations for material difference from intended usage, if any)
(iv) Investment project(s) and acquisition(s):	approximately HK\$104.2 million (or approximately 15.7% of total remaining as at December 31, 2020)	approximately HK\$103.3 million	approximately HK\$0.9 million	The Net Proceeds were used in item (iv)(d).
(a) <i>potential investment project(s) in overseas markets in areas of lottery business and games and entertainment business</i>				No material difference from intended usage noted following the 2020 Re-allocations.
(b) <i>potential acquisition(s) of businesses engaged in lottery business and games and entertainment business</i>				The Net Proceeds allocated to “Investment project(s) and acquisition(s)” are expected to be used on or before December 31, 2022.
(c) <i>capital investments in the Group’s joint venture company established with One97 Communications Limited in India</i>				
(d) <i>funding provided by the Group to support business expansion and ongoing operation in overseas markets</i>				
(v) General corporate purposes:	approximately HK\$153.6 million (or approximately 23.1% of total remaining as at December 31, 2020)	approximately HK\$89.5 million	approximately HK\$64.1 million	The Net Proceeds were used in items (v)(a) and (v)(b).
(a) <i>staff costs and other administrative expenses of the Group (including the costs relating to the Share Award Scheme)</i>				No material difference from intended usage noted following the 2020 Re-allocations.
(b) <i>general working capital of the Group</i>				The Net Proceeds allocated to “General corporate purposes” are expected to be used on or before December 31, 2022.
Grand total:	approximately HK\$664.1 million	approximately HK\$441.9 million	approximately HK\$222.2 million	

AUDIT COMMITTEE

During the year under review, the audit committee of the Company (the “**Audit Committee**”) comprised three independent non-executive Directors, namely, Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qunyao. Ms. Monica Maria Nunes was the chairperson of the Audit Committee. With effect from January 24, 2022, Ms. Monica Maria Nunes resigned, and Mr. Chow Siu Lui was appointed, as independent non-executive Director and Mr. Chow Siu Lui has become the new chairman of the Audit Committee. The consolidated financial statements of the Group for the year ended December 31, 2021 have been reviewed and commented on by the Audit Committee.

The figures of the Group's consolidated profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereon for the year ended December 31, 2021 as set out in this announcement have been agreed by the Company's external auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended December 31, 2021. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PricewaterhouseCoopers on this announcement.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

SHARE OPTIONS

A share option scheme of the Company was approved by the Shareholders at the special general meeting held on December 23, 2014 (the "**2014 Scheme**") and was adopted by the Company on the same date in place of the former share option scheme of the Company adopted on November 18, 2004 (the "**2004 Scheme**") (which had expired on November 17, 2014 and all options granted under the 2004 Scheme had lapsed in 2019). Particulars of the Company's Share Option Schemes (including the terms thereof and details of the share options granted thereunder) and details of movements in the share options under such schemes during the year under review are set out in Note 34 to the consolidated financial statements in the annual report of the Company for the year ended December 31, 2021.

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

During the year ended December 31, 2021, no options were granted by the Company pursuant to the Share Option Schemes. No options were exercised, cancelled and lapsed during the year ended December 31, 2021. As at the date of this announcement, the total number of Shares still available for issue in respect of the share options granted under the 2014 Scheme (excluding, for the purpose of calculating the “scheme mandate limit”, any options granted under the 2014 Scheme but forfeited or expired in accordance with the terms of such scheme) shall be 313,309,485 Shares, representing approximately 2.7% of the Company’s issued share capital as at that date.

As at January 1, 2021 and December 31, 2021, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Schemes was Nil (2020: Nil), representing Nil% (2020: Nil%) of the Company’s issued share capital as at that date.

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

GRANT OF AWARD SHARES PURSUANT TO SHARE AWARD SCHEME

As disclosed in the announcement of the Company dated March 17, 2017, the Company has adopted the Share Award Scheme on March 17, 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 December 17, 2021, the Board granted a total of 8,500,000 award Shares to 18 eligible persons who are employees and independent of the Company and its connected persons under the Share Award Scheme. The 8,500,000 award Shares granted represent approximately 0.07% of the issued share capital of the Company as at the date hereof.

During the year under review, the trustee of the Share Award Scheme (the “**Trustee**”) has purchased a total of 65,732,000 Shares on the Stock Exchange at a total consideration of approximately HK\$17.3 million to satisfy award Shares granted under the Share Award Scheme.

During the year under review, 8,500,000 award Shares were granted by the Company pursuant to the Share Award Scheme, 35,658,500 award Shares were vested in the grantees and 34,900,000 award Shares were forfeited.

All of the 8,500,000 award Shares were granted by way of acquisition of existing Shares through on-market transactions by the Trustee. The Board shall cause to pay the Trustee the purchase price and the related expenses from the Company’s cash resources. The Trustee shall purchase from the market the relevant number of award Shares and shall hold the award Shares on trust for the relevant selected participants until they are vested in such selected participants and delivered in accordance with the terms of the Share Award Scheme. There is no condition, performance target or lock up restriction attached to the award Shares.

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

- (a) under code provision C.2.1 (formerly A.2.1) of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The roles of chairman and CEO of the Company were performed by the executive Director, Mr. Sun Ho, during the year under review. The Company considered that the combination of the roles of chairman and CEO could effectively facilitate the formulation and implementation of the strategies of the Company. The Company considered that under the supervision of its Board and especially its independent non-executive Directors, a balancing mechanism existed so that the interests of the Shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement;
- (b) under code provision B.2.2 (formerly A.4.2) of the Code, every Director should be subject to retirement by rotation at least once every three years. However, pursuant to the Bye-laws, the chairman of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. During the year under review, the chairman of the Board was not subject to retirement by rotation as the Board considered that the continuity of the office of the chairman provided the Group with strong and consistent leadership and was of great importance to the smooth operations of the Group. The Company considered that the performance of the chairman was already under the supervision of the entire Board (especially the independent non-executive Directors), and checks and balances existed so that the interests of the Shareholders were adequately and fairly represented;

- (c) under code provision C.2.7 (formerly A.2.7) of the Code, the chairman of the Board should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors. During the year under review, the chairman of the Board did not hold such kind of private meetings with the independent non-executive Directors. The chairman of the Board considered that it was unnecessary as it would be more transparent to let the independent non-executive Directors speak out their views to all other Directors in full Board meetings which would be held at least four times a year. Besides, the chairman of the Board, being an executive Director himself, always welcomes all independent non-executive Directors to directly communicate with him via his email or phone to discuss any matters of the Company from time to time;
- (d) under code provision C.1.5 (formerly A.6.6) of the Code, each Director should disclose to the Company, among other things, an indication of the time involved by him/her in his/her offices held in other public companies or organisations and other significant commitments. During the year under review, no such disclosure was made by the Directors to the Company. As the Board had adopted a corporate governance practice that each Director's contributions to the Group would be reviewed and discussed at the Board meeting annually (the "**Annual Contributions Review**"), the Board considered that assessing the time spent by each Director on his/her commitments outside the Group was not necessary for the purposes of the Annual Contributions Review and that the disclosure of the time spent by a Director in performing his/her duties did not necessarily indicate accurately the efficiency of such Director and the effectiveness of his/her work, and may therefore be misleading;
- (e) under code provision E.1.2(c) (formerly B.1.2(c)) of the Code, the remuneration committee should review and recommend to the Board for approval of the specific remuneration packages of senior management. The remuneration committee of the Company had reviewed its scope of duties and considered that the delegated responsibility to review and recommend to the Board to approve the specific remuneration packages of senior management should be vested in the executive Directors who have a better understanding of the level of expertise, experience and performance expected of the senior management in the daily business operations. Notwithstanding the foregoing, the remuneration committee would continue to be primarily responsible for the review and recommendation of the remuneration packages of the Directors;

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

- (g) under code provision F.1.1 (formerly E.1.5) of the Code, the Company should have a policy on payment of dividends and should disclose it in its annual report. The Company did not have such policy and did not make such disclosure in its annual report as the Board considered that it would be premature to decide on its dividend policy as the Company did not have any distributable reserves calculated under the laws of Bermuda, and even if the Company will have sufficient distributable reserves to pay its dividends in the future, the Board has yet to assess the funding requirements of the Group (for instance, its working capital needs and capital expenditure) at that time before the Company could decide on the amount of dividends or proportion of net profits that it would be in a position to distribute to the Shareholders.

The above deviations (a) to (g) were similarly disclosed on pages 25 to 27 of the Company’s annual report for the year ended December 31, 2020, and on pages 46 to 49 of the Company’s interim report for the six months ended June 30, 2021.

CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2021, the Group continued to be engaged in the following CCTs, details of which had been disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules:

CCTs with Alibaba Group

- (i) On December 11, 2019, Beijing GOT Technology Co., Ltd.* (“**Beijing GOT**”, a wholly-owned subsidiary of the Company) entered into a cooperation framework agreement (the “**Alibaba Cooperation Framework Agreement**”) with Alibaba China, subject to the annual cap amounts of HK\$70,000,000 and HK\$70,000,000 for the period commencing from February 21, 2020 (i.e. the effective date of the Alibaba Cooperation Framework Agreement) to December 31, 2020 and for the year ended December 31, 2021 respectively. Pursuant to the Alibaba Cooperation Framework Agreement, the Group may supply smart hardware and ancillary equipment (including, but are not limited to, point-of-sales (POS) terminals and face recognition payment equipment) (the “**Alibaba Smart Equipment**”) and related aftersales maintenance services to Alibaba China and its affiliates (including “**Lingshoutong**” (零售通)).

The aforesaid annual caps were calculated with reference to (a) the estimated quantities of Alibaba Smart Equipment to be supplied by the Group to Alibaba China and its affiliated companies; and (b) the Group’s projections on the unit price and average maintenance fees for the Alibaba Smart Equipment, which shall be computed in accordance with the Group’s pricing policy, which includes, primarily, cost-plus pricing computations while giving due consideration to the prevailing price levels for similar products in the market.

Ali Fortune, the controlling shareholder of the Company, is indirectly held as to 60% by Alibaba Holding. Accordingly, Alibaba China, being an indirect wholly owned subsidiary of Alibaba Holding, is an associate of Ali Fortune and hence a connected person of the Company. The Alibaba Cooperation Framework Agreement and the transactions contemplated thereunder thus constitute CCTs of the Company under Chapter 20 of the GEM Listing Rules.

Since at least one of the applicable percentage ratios as defined in the GEM Listing Rules calculated with reference to the annual caps in respect of the Alibaba Cooperation Framework Agreement exceeds 5%, the Alibaba Cooperation Framework Agreement and the transactions contemplated thereunder are subject to the annual review, reporting, announcement and independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules. The Alibaba Cooperation Framework Agreement, the transactions contemplated thereunder and the annual caps thereof had been duly approved by independent Shareholders at the special general meeting of the Company held on February 21, 2020. For details of these CCTs, please refer to the circular of the Company dated February 5, 2020.

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

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

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

As each of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the 2020 Technology Services Framework Agreement is less than 5%, the transactions contemplated under the 2020 Technology Services Framework Agreement are subject to the annual review, reporting and announcement requirements, but exempt from the circular and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. For details of these CCTs, please refer to the announcements of the Company dated December 20, 2019 and December 17, 2020.

- (iii) On December 13, 2019, CLM and ZCLM, each being an indirect wholly-owned subsidiary of the Company, entered into a cooperation agreement (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. 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. Through the cooperation with the Sales Outlets, the Group is able to promote the sales of lottery products to more customers through Alibaba Group’s physical new retail distribution channel and networks, thereby broadening the source of revenue from the Group’s lottery distribution business.

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

- (a) 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.

(b) 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 (1) the revenue-sharing model that was previously adopted between a similar platform of Alibaba Group and its other business partners who were independent third parties; and (2) the scale of potential customers that can be reached by utilizing the channels and networks of Alibaba Group and its expected traffic volume.

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 December 31, 2020 and 2021 (the “**Existing Annual Caps**”).

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 was expected that the maximum aggregate service fees payable by the Group to Alibaba China under the Cooperation Agreement for the full year ended December 31, 2021 would exceed HK\$3 million. Hence, the Board had resolved to increase the maximum limit of such aggregate service fees payable by the Group under the Cooperation Agreement for the year ended 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 ended December 31, 2021 have 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.

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 ended December 31, 2021.

Further details of these CCTs are set out in the announcement of the Company dated November 16, 2021.

During the year ended December 31, 2021, the actual transaction amounts in respect of the CCTs with Alibaba Group described above were as follows:

CCTs with Alibaba Group	Total amount <i>(HK\$'000)</i>
(i) In respect of the Alibaba Cooperation Framework Agreement:	1,434 <i>Note a</i>
(ii) In respect of the 2020 Technology Services Framework Agreement:	2,151 <i>Note b</i>
(iii) In respect of the Cooperation Agreement:	<u><u>3,273</u></u> <i>Note c</i>

Notes:

- a. The aggregate amount of these transactions amounted to HK\$1,434,000 for the year ended December 31, 2021, which fell below the annual cap amount of HK\$70,000,000 for such year.
- b. The aggregate amount of these transactions amounted to approximately HK\$2,151,000 for the year ended December 31, 2021, which fell below the annual cap amount of HK\$4,000,000 for such year.
- c. The aggregate amount of these transactions amounted to approximately HK\$3,273,000 for the year ended December 31, 2021, which fell below the annual cap amount of HK\$3,500,000 for such year.

Annual review of CCTs

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

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

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

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

During the year ended December 31, 2021, the Company reviewed its related party transactions and confirmed that, save as disclosed above, there was no connected transaction or continuing connected transaction of the Company which was required to be disclosed pursuant to Chapter 20 of the GEM Listing Rules. Save as disclosed above, none of the related party transactions set out in Note 36 to the consolidated financial statements in the annual report of the Company for the year ended December 31, 2021 were such transactions required to be disclosed pursuant to Chapter 20 of the GEM Listing Rules.

INTERESTS IN COMPETING BUSINESS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SUFFICIENCY OF PUBLIC FLOAT

As at the 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:

“Ali Fortune”	Ali Fortune Investment Holding Limited, a company incorporated in the British Virgin Islands and the controlling shareholder of the Company
“Alibaba China”	阿里巴巴（中國）網絡技術有限公司 (Alibaba (China) Technology Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Alibaba Holding
“Alibaba Group”	Alibaba Holding and its subsidiaries
“Alibaba Holding”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, with its American depository shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA) and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988)
“Alipay”	支付寶（中國）網絡技術有限公司 (Alipay.com Co., Ltd.*), a company incorporated in the PRC and a direct wholly-owned subsidiary of Ant Holdco
“Alipay Group”	Alipay and its subsidiaries
“AMCM”	Autoridade Monetaria de Macau (Monetary Authority of Macao)
“Ant Group”	Ant Holdco and its subsidiaries

“Ant Holdco”	螞蟻科技集團股份有限公司 (Ant Group Co., Ltd.) (formerly known as 浙江螞蟻小微金融服務集團股份有限公司(Ant Small and Micro Financial Services Group Co., Ltd.)), a company organized under the laws of the PRC
“Board”	the board of Directors
“Bye-law(s)”	the bye-law(s) of the Company
“CEO”	chief executive officer
“CLM”	世紀星彩企業管理有限公司 (China Lottery Management Co., Ltd*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Company” or “AGTech”	AGTech Holdings Limited, a company incorporated in Bermuda as an exempted company with limited liability, the Shares of which are listed on GEM
“Director(s)”	the director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Macau”	the Macao Special Administrative Region of the PRC
“MOF”	the Ministry of Finance of China

“PRC” or “China”	the People’s Republic of China
“province(s)”	province(s), municipality(ies) and autonomous region(s) of the PRC unless otherwise specified, and “provincial” shall be construed accordingly
“RMB”	Renminbi, the lawful currency of the PRC
“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 March 17, 2017
“Share Option Schemes”	the share option schemes of the Company adopted on November 18, 2004 and December 23, 2014 respectively
“Shareholder(s)”	holder(s) of the Share(s)
“Sports Lottery”	the national sports lottery of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for 4,817,399,245 new Shares and convertible bonds of the Company in the aggregate principal amount of HK\$712,582,483 by Ali Fortune, which was completed on August 10, 2016
“Taobao”	淘寶（中國）軟件有限公司 (Taobao (China) Software Co., Ltd.*), a company established in the PRC and a subsidiary of Alibaba Holding
“US\$”	United States dollars, the lawful currency of the United States of America
“Welfare Lottery”	the national welfare lottery of China

“ZCLM” 浙江世紀星彩企業管理有限公司 (Zhejiang Century Star Lottery Enterprise Management Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“%” per cent

Notes:

1. In this announcement, the exchange rates of HK\$1.2049 to RMB1, INR1 to HK\$0.105 and INR1 to US\$0.013 have been used for reference only.
2. The English translation of the Chinese company names in this announcement are included for reference only and should not be regarded as the official English translation of such Chinese company names.
3. In the event of any inconsistency, the English text of this announcement shall prevail over the Chinese text.

* *For identification purposes only*

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

Hong Kong, March 18, 2022

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. Liu Zheng, Mr. Ji Gang and Mr. Zou Liang as non-executive Directors; and (iii) Mr. Feng Qing, Dr. Gao Jack Qunyao and Mr. Chow Siu Lui as independent non-executive Directors.

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

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