



AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279

FIRST QUARTERLY REPORT 2016



e球彩
Electronic Ball Lottery

Fortune • Happiness • Health • Luck • Responsibility

CHARACTERISTICS OF GEM

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Given the emerging nature of companies listed on GEM, 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.

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This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report 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 report misleading.

FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

- Total revenue of the Group for the Three-Month Period amounted to approximately HK\$19.5 million (2015: approximately HK\$48.5 million). Most of the revenue was derived from lottery games and systems, hardware, distribution and ancillary services in the PRC.
- The decrease in revenue for the Three-Month Period of approximately 59.9% as compared to that for the same period in 2015 was mainly due to reduced sales of lottery hardware products during the Three-Month Period. The supply of lottery hardware in the PRC is highly regulated with only a small number of approved suppliers. Revenue in this business typically exhibits an irregular pattern since not only are sales not on a commission basis but also the customer base is concentrated and the timing of orders from customers can be variable. Thus, while over longer periods of time, orders and revenues tend to be stable, in the short term volatility can be seen.
- During the Three-Month Period, the gross profit margin percentage stood at approximately 36.6% (2015: approximately 30.6%).
- The Group's loss after tax decreased by approximately 62.1% for the Three-Month Period to approximately HK\$14.4 million from approximately HK\$38.0 million in 2015. Such decrease was mainly attributable to the (i) gain from changes in fair value of contingent consideration payables of approximately HK\$30.4 million due to the remeasurement of the bonus options under the Score Value Transaction since 31 December 2015; (ii) improvement of the gross profit margin; and (iii) decrease of the selling and administrative expenses by approximately HK\$6.5 million associated with the decrease in revenue; but such loss was partially offset by the increase of the share based payments to approximately HK\$27.1 million (2015: approximately HK\$22.3 million) due to the relatively high value of share options granted since 31 March 2015.
- The Board does not recommend the payment of an interim dividend for the Three-Month Period.

FIRST QUARTERLY RESULTS

The Board announces the unaudited consolidated results of the Group for the three months ended 31 March 2016 (the "Three-Month Period"), together with the comparative unaudited figures for the corresponding period in 2015 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (UNAUDITED)**

For the three months ended 31 March 2016

	Notes	Three months ended 31 March	
		2016 HK\$'000	2015 HK\$'000
Revenue	2	19,452	48,530
Cost of sales and services		(12,337)	(33,669)
Gross profit		7,115	14,861
Investment and other income		1,178	1,183
Selling and administrative expenses		(24,777)	(31,269)
Loss from business operations		(16,484)	(15,225)
Share-based payments		(27,059)	(22,268)
Net foreign exchange loss		(2)	(9)
Amortisation of other intangible assets		–	(119)
Gain from changes in fair value of contingent consideration payables		30,449	–
Finance costs		(373)	–
Loss before tax		(13,469)	(37,621)
Income tax expense	3	(938)	(365)
Loss for the period		(14,407)	(37,986)
Loss attributable to:			
Owners of the Company		(13,810)	(37,272)
Non-controlling interests		(597)	(714)
		(14,407)	(37,986)
Loss per Share			
Basic and diluted	4	HK0.293 cent	HK0.832 cent

	Three months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Loss for the period	(14,407)	(37,986)
Other comprehensive income, net of income tax		
Translation differences on translating foreign operations	14,553	(7,732)
Total comprehensive income for the period	146	(45,718)
Total comprehensive income attributable to:		
Owners of the Company	674	(45,011)
Non-controlling interests	(528)	(707)
	146	(45,718)

Notes:

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The unaudited consolidated financial statements have been prepared in accordance with the requirements of GEM Listing Rules, accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, and Hong Kong Accounting Standards and Interpretations issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

The consolidated financial statements have not been audited by the Company's auditors, but have been reviewed and commented on by the Company's audit committee. The principal accounting policies and methods of computation used in preparing these results are consistent with those used in preparing the Group's audited financial statements for the year ended 31 December 2015.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (the "new and revised HKFRS"). The Group has not early adopted the new and revised HKFRS that have been issued but are not yet effective, as the Group is in the process of assessing the impact of these new and revised HKFRS on the financial performance and financial position of the Group.

2. REVENUE

Revenue represents the amounts received and receivable from lottery games and systems, hardware, distribution and ancillary services in the PRC during the Three-Month Period.

3. INCOME TAX EXPENSE

Income tax expense for the Three-Month Period represents PRC Enterprise Income Tax.

4. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the unaudited loss attributable to owners of the Company for the Three-Month Period of approximately HK\$13,810,000 (2015: approximately HK\$37,272,000) and the weighted average number of approximately 4,710,439,000 Shares (2015: approximately 4,480,476,000 Shares) in issue during the period.

The computation of the diluted loss per share does not assume the exercise of the Company's share options as the exercise would decrease the loss per share for both periods.

5. DIVIDEND

The Board does not recommend the payment of an interim dividend for the Three-Month Period (2015: nil).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2016

	Attributable to owners of the Company										Attributable to non-controlling interests		Total
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Contributed surplus HK\$'000	Property revaluation reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Subtotal HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2015	8,881	1,428,088	193,144	15,261	192,982	47,191	14,402	-	(681,109)	1,218,840	3,067	1,221,907	
Loss for the period	-	-	-	-	-	-	-	-	(37,272)	(37,272)	(714)	(37,986)	
Other comprehensive income for the period	-	-	-	-	(7,739)	-	-	-	-	(7,739)	7	(7,732)	
Total comprehensive income for the period	-	-	-	-	(7,739)	-	-	-	(37,272)	(45,011)	(707)	(45,718)	
Recognition of equity-settled share-based payments	-	-	24,150	-	-	-	-	-	-	24,150	-	24,150	
Shares issued on exercise of part of share options	35	9,635	(2,425)	-	-	-	-	-	-	7,245	-	7,245	
Issue of ordinary shares arising from acquisition	68	30,337	-	-	-	-	-	-	-	30,405	-	30,405	
Lapse of share options	-	-	(3,267)	-	-	-	-	-	1,386	(1,881)	-	(1,881)	
Contingent consideration-shares arising from acquisition	-	-	-	-	-	-	-	60,810	-	60,810	-	60,810	
Balance at 31 March 2015	8,984	1,468,060	211,602	15,261	185,243	47,191	14,402	60,810	(716,995)	1,294,558	2,360	1,296,918	
Balance at 1 January 2016	9,213	1,540,597	168,549	18,189	128,335	47,191	14,402	60,811	(928,082)	1,059,205	(682)	1,058,523	
Loss for the period	-	-	-	-	-	-	-	-	(13,810)	(13,810)	(597)	(14,407)	
Other comprehensive income for the period	-	-	-	-	14,484	-	-	-	-	14,484	69	14,553	
Total comprehensive income for the period	-	-	-	-	14,484	-	-	-	(13,810)	674	(528)	146	
Recognition of equity-settled share-based payments	-	-	27,059	-	-	-	-	-	-	27,059	-	27,059	
Shares issued on exercise of part of share options	589	205,091	(63,058)	-	-	-	-	-	-	142,622	-	142,622	
Lapse of share options	-	-	(2,223)	-	-	-	-	-	2,223	-	-	-	
Balance at 31 March 2016	9,802	1,745,688	130,327	18,189	142,819	47,191	14,402	60,811	(939,669)	1,229,560	(1,210)	1,228,350	

DISCUSSION AND ANALYSIS OF THE GROUP'S RESULTS AND BUSINESS

About the Group

AGTech Holdings Limited was incorporated in Bermuda and its shares are listed on the GEM of the Stock Exchange. The Group is an integrated lottery technology and services company in the PRC lottery market. As at the date of this report, the Group has a team of over 200 employees, and the footprint of the Group's lottery business covers multiple provinces and municipalities across the PRC.

The Group's vision and strategy is to be a fully integrated service provider for the PRC lottery industry. Its principal business activities comprise:

- (i) Games and systems: the development and supply of lottery games, related software and underlying supporting systems;
- (ii) Hardware: the development, sale and maintenance of lottery hardware (terminals and other lottery-related equipment);
- (iii) Distribution: the sales and distribution of lottery games; and
- (iv) Ancillary Services: the provision of ancillary services.

The Group is committed to applying international management concepts and advanced technologies to the PRC lottery industry along the entire value chain, covering lottery systems, lottery hardware, lottery games, internet and mobile smart phone systems and distribution, wireless network and streaming media, thereby providing the PRC's lottery authorities and millions of lottery players in the PRC with professional and integrated lottery services.

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

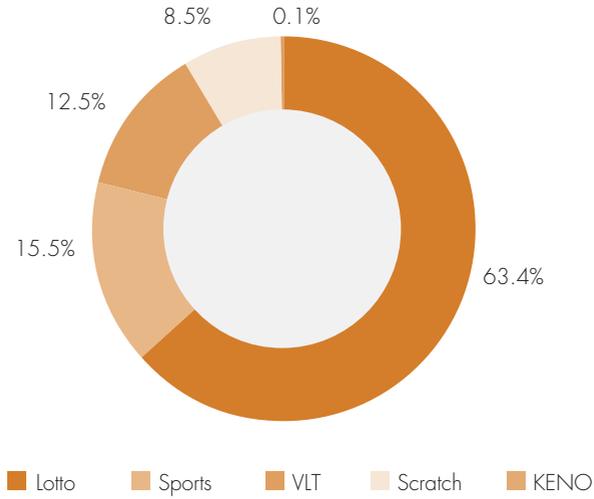
Corporate Strategy and Objectives

Our long-term objectives are to maintain a leading position as an integrated service provider in the PRC lottery market. We will continue to support both of the PRC's legal lottery operators, namely the Welfare Lottery and the Sports Lottery, in this respect. In order to achieve these objectives, we are committed to bringing together international and domestic industry expertise, technologies, management, skills and infrastructure into the PRC lottery market both through the existing and any new remote channels. Our Group has been working with various world-renowned strategic partners in these efforts for many years.

Industry Overview

According to information published by the Ministry of Finance of the PRC, during the first two months of the year, the lottery market recorded sales of approximately RMB55.1 billion, a decrease of approximately 13.9% compared to the corresponding period in 2015. Of this, Welfare Lottery amounted to approximately RMB30.5 billion (accounting for 55.3% of total lottery sales), a decrease of approximately 6.8% year on year. The Sports Lottery achieved sales of approximately RMB24.6 billion (44.7% of total lottery sales, a decrease of approximately 21.4% against the corresponding period in 2015). Lottery sales information for March 2016 is not available as at 12 May 2016.

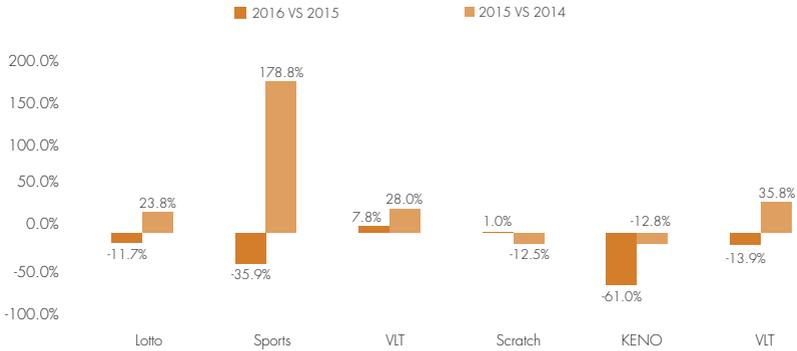
The Welfare Lottery and the Sports Lottery have five main product categories: lotto type lottery game product that are either traditional in nature with a daily or weekly draw pattern as well as modern high frequency games featuring multiple draws per hour ("Lotto"), sport betting ("Sports"), video lottery terminals ("VLT"), Keno type game product ("Keno") and instant scratch cards ("Scratch").

Product Review**Market Share of Sales by Product (Jan – Feb 2016)**

Source: PRC Ministry of Finance

Business Review

Year on Year Growth Comparison by Product: Jan – Feb



Source: PRC Ministry of Finance

Lotto remains the largest product in the China market representing 63.4% of sales in the first two months of the year. The decline in lottery sales is mostly attributable to declines in Lotto and Sports, off-setting the modest growth in VLT and Scratch. The particularly dramatic change in the growth trajectory of sales of the Sports product in the period compared to the growth seen in the equivalent prior year period illustrates the important role internet sales played in Sports prior to the enforcement action of March 2015.

Business Review

Revenue of the Group for the Three-Month Period amounted to approximately HK\$19.5 million (2015: approximately HK\$48.5 million). Most of the revenue was derived from lottery games and systems, hardware, distribution and ancillary services in the PRC. The decrease in revenue for the Three-Month Period of approximately 59.9% as compared to that for the same period in 2015 was mainly due to reduced sales of lottery hardware products during the Three-Month Period. The supply of lottery hardware in the PRC is highly regulated with only a small number of approved suppliers. Revenue in this business typically exhibits an irregular pattern since not only are sales not on a commission basis but also the customer base is concentrated and the timing of orders from customers can be variable. Thus, while over longer periods of time, orders and revenues tend to be stable, in the short term volatility can be seen. During the Three-Month Period, the gross profit margin remained stable with a slight increase from approximately 30.6% in 2015 to 36.6% in 2016, mainly attributable to a change in sales mix in the hardware division where the proportion of repairs and maintenance revenues increased relative to terminal sale revenues.

Games and Systems

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

The Games & Systems division has a reserve of rich and attractive lottery game content in various product categories designed to fulfill the demands of the lottery market and the lottery players.

Virtual Lottery Games

AGT, our 51%-owned joint venture with Ladbroke Group (one of the world's largest sports betting companies) supplies the country's only virtual sports lottery platform to the China Sports Lottery and has successfully launched two virtual sports games in the country. AGT's motor racing-themed virtual game "Lucky Racing" ("幸運賽車") was launched in Hunan province in 2011 while its football themed game "e-Ball Lottery" ("e球彩") was launched in Jiangsu province during 2013. Since both games are approved lottery products as defined by MOF, we believe that both "Lucky Racing" and "e-Ball Lottery" could be introduced via the internet and mobile channel across the country (subject to regulatory approval) where we would expect them to be highly popular.

During the period, the Group continued to supply its virtual sports lottery games “e-Ball Lottery” and “Lucky Racing” to the launch provinces of Jiangsu and Hunan respectively. “e-Ball Lottery” is a football-themed virtual sports lottery game with a 69% payout ratio. Like “Lucky Racing”, “e-Ball Lottery” is a NSLAC-approved and fully operational lottery game and has been launched in China’s largest Sports Lottery province, “e-Ball Lottery” continues to operate smoothly. In close cooperation with our customer and the relevant lottery authorities in China, we are continually optimising the game and we are encouraged by the potential of this game. Like “Lucky Racing”, we aim to roll out “e-Ball Lottery” to more PRC province(s) in China in due course. Virtual sports lottery is now an established and diversified game category and is fully accepted by the PRC lottery market.

“Lucky Racing” and “e-Ball Lottery” are virtual sports lottery games that are broadcast to lottery shops via a central computer and cable television, allowing customers to bet on computer generated car races or football matches respectively. The betting options are like those typically offered for live car racing or live football matches in other countries. “Lucky Racing” has become a very popular lottery game in Hunan Sports Lottery. Our technical partners at the Sports Lottery have completed the technical preparation work of the national high frequency game platform and have satisfied the technical requirements necessary to carry our “Lucky Racing” to other provinces beyond Hunan and we target the game to be supplied to more PRC province(s).

To date, “Lucky Racing” and “e-Ball Lottery” have been successfully launched in traditional dedicated Sports Lottery shops and the games are targeted to be deployed to more province(s) via this channel. In addition, in due course, the games could be deployed in selected leisure venues (such as coffee shops and restaurants) and, as approved lottery products, the games have the potential to expand nationwide through other remote channels such as mobile and internet.

Other Categories

In addition to virtual lottery games, the Group has launched a number of strategic initiatives to introduce new types of lottery games in the PRC, including a mobile smart phone lottery game and system, a high frequency numbers-based lottery game, and other game categories new to the PRC. The Group intends to introduce these new products to the market in the future, subject to the relevant regulatory approvals.

The Group plans to continue to work with international partners for research and development of various types of self-developed, creative and new lottery games that are suitable to cater for the evolving tastes of China’s lottery players



Hardware

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

Through its subsidiaries, GOT and the Shenzhen Subsidiary of Score Value, AGTech's hardware division supplies both the Welfare Lottery and Sports Lottery and has lottery hardware deployed in multiple provinces, cities and municipalities of the PRC. The Shenzhen Subsidiary of Score Value is a leading manufacturer and supplier of paper scratch card sales hardware (instant ticket verification terminals, "IVT(s)") while GOT is a leading manufacturer and supplier of traditional lottery terminals as well as IVTs with international as well as domestic sales.

2016 has seen a continuation of last year's relatively weak ordering patterns in the PRC lottery hardware market. However, it is anticipated that the slow pace of ordering will be a temporary feature. We are continuing to pursue international opportunities for our hardware and currently the Group is in active discussions with a number of potential international customers and/or distributors and we have machines live or on trial in markets such as South Africa, Cyprus, the United Kingdom, Italy, Austria and Canada.

Thanks to the anticipated rapid technology development of the PRC, the Group believes that effective R&D activities are essential to ensure that the Groups' hardware business remains up-to-date and equipped with competitive technology. The Group's hardware division plans to continue to focus on R&D, increase its domestic market share and to broaden its product spectrum with new hardware ranges such as VLT which would be suitable for both domestic and international users.

Distribution

The sales and distribution of lottery games

The Group continues to closely monitor policy developments with respect to the government approval of lottery sales via internet and mobile and continues to operate two offline shops for the sale and distribution of lottery games. To date, in line with the relevant lottery regulations, the Group has not conducted any internet lottery sales or maintained any website to conduct such sales.

In the internet channel, the authorities are working on a national (as opposed to provincial) internet distribution system. It is anticipated that sales of the Group's approved games, "Lucky Racing" and "e-Ball Lottery", could benefit strongly when such a system is introduced. With respect to mobile smart phones, as evidenced by the current MOF relevant policies, China's lottery market has begun to activate the trial sale of new types of mobile phone lottery games in various provinces. The Group is well positioned to actively participate in this market in various aspects.

With the Group's valuable PRC internet service provider and PRC internet content provider experience, as well as its excellent business track record and relationships, the Group has established close cooperation with the various potential domestic and international technology and distribution partners and is committed to providing a full range of support and services to localise and develop the PRC's mobile lottery systems and games.

Services

The provision of ancillary services

The Group has been providing ancillary services to the PRC provincial lottery authorities since early 2007. In this time, we have provided a wide range of products and services to our provincial clients to assist them in growing sales and improving operations in an efficient manner. Our services include consulting, marketing, training and channel management.

Over many years, the track record of this division as a reliable supplier of quality lottery services to the provincial Sports Lottery authorities in China has been an important enabler of the Group's strategy, cementing the Group's first class relationships and reputation across the country.

The Services business' contribution to Group revenue is currently modest. However, in light of the Group's valuable experience, solid background as well as its trusting cooperative relationships built up with various provincial lottery administration and distribution authorities over the years, together with new lottery technologies/terminals to be introduced and new developments in the new internet/mobile channel business, it is expected that new opportunities for the Services business will emerge. We are currently exploring and building new business co-operations and business models in this area.

Business Outlook

Policy development plays a crucial role in facilitating the stable development of the PRC lottery industry. The market expects that during 2016 the PRC lottery industry will see further significant policy developments including the introduction of relevant laws and regulations (particularly related to internet and mobile distribution) which will further regulate and professionalise lottery supervision. Thanks to many years of accurately interpreting national regulations and policies, AGTech has successfully grasped industry trends and formulated a corresponding, long-term strategy for business development. Providing full-service solutions across game software and systems, hardware and distribution, we are a fully integrated lottery technology and service provider. We have a track record of working with international lottery technology and services companies to localise and customise games for the PRC, setting us apart in a market where the demand for sophisticated technology is rising with respect to new games, systems, hardware and distribution channels. We believe that the Group is very well placed to capture opportunities arising from the evolution of PRC lottery policy.

The Group has been closely monitoring policy developments with respect to the government approval of lottery sales via internet and mobile channels for many years. In light of the proven potential of the mobile and internet channels and the reported comments of senior Lottery Agency and regulator officials at a recent annual lottery strategy meeting regarding the lottery's active pursuit of preparatory work for an internet sales pilot scheme, we believe that new online and mobile channels for lottery sales in the PRC are likely to be approved. We believe that any new games and systems that will be approved for online sales will require robust and scalable technology in order to deliver effective and efficient monitoring and control systems. We consider that the Group is well positioned to participate in these areas.

Our proprietary in-store games, "Lucky Racing" and "e-Ball Lottery", remain successful. Due to the decline in national lottery sales of the traditional lottery products seen during 2015 and so far in 2016, we anticipate an increased urgency within the lottery to push new products to the stores and we believe that this may likely lead to both "Lucky Racing" and "e-Ball Lottery" expanding beyond their launch provinces in due course.

On the topic of hardware, we believe that developments in the PRC lottery market are likely to demand new and more sophisticated hardware solutions that can be deployed as bundled products involving the supply of hardware that is integrated with lottery games and underlying supporting systems and which would benefit from a revenue sharing model. In light of our leading positions in point of sale and handheld terminals as well as our first class international partnerships and long track-record in the PRC lottery market, we believe that AGTech is very well positioned to take advantage of such new opportunities in hardware.

As disclosed in the announcement of the Company dated 4 March 2016, on 4 March 2016, the Company had entered into a subscription agreement under which Ali Fortune Investment Holding Limited ("Ali Fortune") (a company indirectly owned as to 60% by Alibaba Group Holding Limited ("Alibaba") and as to 40% by Zhejiang Ant Small and Micro Financial Services Group Co., Ltd. ("Ant Financial")) will subscribe for HK\$2,388,000,000 of new shares and convertible bonds in AGTech. Upon completion of the transaction, AGTech will become the exclusive lottery business platform of Alibaba and Ant Financial and Ali Fortune will become the Company's largest Shareholder. If completed, we believe that the transaction will enhance AGTech's ability to develop and expand our existing lottery business and in particular we expect that our mobile and internet lottery business will benefit from significant potential synergies resulting from the cooperation with Alibaba and Ant Financial.

Taken together with the continuing underlying revenue growth potential of the PRC lottery business, the numerous catalysts for strategic growth outlined above suggest a very positive outlook for the Group for 2016 and beyond.

Financial Performance Review

Revenue of the Group for the Three-Month Period amounted to approximately HK\$19.5 million (2015: approximately HK\$48.5 million). Most of the revenue was derived from lottery games and systems, hardware, distribution and ancillary services in the PRC. The decrease in revenue for the Three-Month Period of approximately 59.9% as compared to that for the same period in 2015 was mainly due to reduced sales of lottery hardware products during the Three-Month Period. The supply of lottery hardware in the PRC is highly regulated with only a small number of approved suppliers. Revenue in this business typically exhibits an irregular pattern since not only are sales not on a commission basis but also the customer base is concentrated and the timing of orders from customers can be variable. Thus, while over longer periods of time, orders and revenues tend to be stable, in the short term volatility can be seen. During the Three-Month Period, the gross profit margin remained stable with a slight increase from approximately 30.6% in 2015 to 36.6% in 2016, mainly attributable to a change in sales mix in the hardware division where the proportion of repairs and maintenance revenues increased relative to terminal sale revenues.

The Group's loss after tax decreased by approximately 62.1% for the Three-Month Period to approximately HK\$14.4 million from approximately HK\$38.0 million in 2015. Such decrease was mainly attributable to the (i) gain from changes in fair value of contingent consideration payables of approximately HK\$30.4 million due to the remeasurement of the bonus options under the Score Value Transaction since 31 December 2015; (ii) improvement of the gross profit margin; and (iii) decrease of the selling and administrative expenses by approximately HK\$6.5 million associated with the decrease in revenue; but such loss was partially offset by the increase of the share based payments to approximately HK\$27.1 million (2015: approximately HK\$22.3 million) due to the relatively high value of share options granted since 31 March 2015.

PROPOSED SUBSCRIPTION FOR SUBSCRIPTION SHARES AND CONVERTIBLE BONDS

As disclosed in the announcement of the Company dated 4 March 2016 (the "Subscription Announcement"), the Company entered into a subscription agreement ("Subscription Agreement") with, among others, Ali Fortune Investment Holding Limited (the "Subscriber"), which is a company indirectly owned as to 60% by Alibaba Group Holding Limited ("Alibaba Holding", together with its subsidiaries, the "Alibaba Group") and as to 40% by Zhejiang Ant Small and Micro Financial Services Group Co., Ltd. ("Ant Financial", together with its subsidiaries, the "Ant Financial Group"). Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for:

- (i) an aggregate of 4,817,399,245 new Shares (the "Subscription Shares") (representing approximately 98.09% of the issued share capital of the Company as at the date hereof and approximately 49.52% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares) at a subscription price of HK\$0.3478 per Share; and
- (ii) convertible bonds of the Company in the aggregate principal amount of HK\$712,582,483 (the "Convertible Bonds"), which shall entitle the bondholders to subscribe for up to 2,350,478,275 Shares (the "Conversion Shares") at an initial conversion price of HK\$0.3478 per Share (subject to adjustment).

(The subscription for the Subscription Shares and the Convertible Bonds is referred to as the "Subscription" hereinafter.)

As disclosed in the announcements of the Company dated 16 March 2016, 23 March 2016 and 10 May 2016, the initial conversion price of the Convertible Bonds has been adjusted to HK\$0.3013 per Share.

The Company will allot and issue the Subscription Shares and, upon conversion of the Convertible Bonds, the Conversion Shares under a specific mandate to be approved by the independent Shareholders at a special general meeting of the Company ("SGM").

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are parties independent of the Company and the connected persons (as defined under the GEM Listing Rules) of the Company.

Immediately upon completion of the Subscription (“Completion”), assuming that the Convertible Bonds are not converted and there is no other change in the issued share capital of the Company, the Subscriber (together with parties acting in concert with it (as defined in the Hong Kong Code on Takeovers and Mergers (“Takeovers Code”))) will hold 4,817,399,245 Shares, representing approximately 98.09% of the issued share capital of the Company as at the date hereof and approximately 49.52% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares.

Immediately upon Completion, assuming that the Convertible Bonds are converted in full at the adjusted initial conversion price of HK\$0.3013 per Conversion Share and there is no other change in the issued share capital of the Company, the Subscriber (together with parties acting in concert with it (as defined in the Takeovers Code)) will in aggregate be interested in 7,182,064,763 Shares, representing approximately 146.23% of the issued share capital of the Company as at the date hereof and approximately 59.39% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares and the Conversion Shares.

In respect of both the Subscription Shares and the Conversion Shares, the Subscriber has made an application to the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (or any delegate of such Executive Director)(the “Executive”) for a waiver from its obligation under Rule 26.1 of the Takeovers Code to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it (the “Whitewash Waiver”). The Whitewash Waiver (in respect of both the Subscription Shares and the Conversion Shares), if granted by the Executive, will be subject to, among other things, approval by the independent Shareholders at the SGM by way of a poll.

The aggregate nominal value of the 4,817,399,245 Subscription Shares to be issued under the Subscription Agreement is approximately HK\$9,634,798. The subscription price of HK\$0.3478 per Share and the conversion price of HK\$0.3013 per Share under the Subscription represents a discount of approximately 82.5% and approximately 84.9% respectively to the closing price of HK\$1.99 per Share as quoted on the Stock Exchange on 4 March 2016, being the date of the Subscription Agreement.

Having considered the various factors stated in the section headed "REASONS FOR THE SUBSCRIPTION" in the Subscription Announcement, the Directors (excluding the members of the independent board committee who will express their opinion after considering the advice of the independent financial adviser as to the fairness and reasonableness of the terms of the Subscription and the Whitewash Waiver) consider that the terms of the Subscription are fair and reasonable and on normal commercial terms and the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

Key terms of the Convertible Bonds:

- The Convertible Bonds bear no interest on the principal amount. However, if the Company shall pay any dividend in cash or scrip to the Shareholders, each bondholder shall be entitled to be paid interest in respect of that dividend as if the Convertible Bonds held by such bondholder have been converted into Shares in full at the applicable conversion price.
- The Convertible Bonds may be converted by the Subscriber in full or in part at any time during the period on or after the issuance date of the Convertible Bonds and up to the maturity date (which is the third anniversary of the date of issuance of such bonds), provided that, following such conversion, (i) at least 25% of the Company's total number of issued Shares are held by the public (as defined under the GEM Listing Rules); and (ii) the Company is otherwise in compliance with the public float requirements under Rule 11.23(7) of the GEM Listing Rules.
- On the other hand, the Company may, by giving prior written notice to the bondholders, require all (but not any one) of the bondholders to convert their Convertible Bonds into Shares in full at any time on or after the issuance date of the Convertible Bonds and up to a date no later than five business days prior to the aforesaid maturity date, provided that, following such conversion, (i) at least 25% of the Company's total number of issued Shares are held by the public (as defined under the GEM Listing Rules); and (ii) the Company is otherwise in compliance with the public float requirements under Rule 11.23(7) of the GEM Listing Rules.
- Following the occurrence of any special event as set out in the bond instrument in respect of the Convertible Bonds, such as change of control, each bondholder will have the right to require the Company to redeem in whole but not in part such bondholder's Convertible Bonds at 112 per cent. of the principal amount of such Convertible Bonds.

- The conversion price of the Convertible Bonds will be subject to customary anti-dilution adjustment for, among other things, consolidation, subdivision or reclassification of the Shares, capitalisation of profits or reserves, capital distribution, rights issues of Shares or options over Shares, rights issues of other securities and other dilutive events.
- If the Company shall issue Shares or grant options to subscribe for any Shares under the Score Value Transaction, or shall issue Shares under the Rainwood Options or the Consultant Options, the conversion price of the Convertible Bonds shall be adjusted in a manner so that:
 - (i) the shareholding of the Subscriber (the "Subscriber Shareholding") in the Company (based on the number of Shares that the Subscriber acquired upon Completion and that it (or any of its affiliates) continues to hold plus such Shares that the Subscriber would acquire upon conversion of the Convertible Bonds in full) on a fully-diluted basis immediately following the issuance of such Shares and/or the grant of such options

is equal to:

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

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

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

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

Use of proceeds from the Subscription

The aggregate amount of the consideration for the Subscription Shares and the Convertible Bonds to be received by the Company from the Subscriber upon Completion shall be HK\$1,675,417,517 and HK\$712,582,483, respectively, totalling HK\$2,388,000,000 in cash. The net proceeds, after taking into account the expenses in relation to the Subscription, shall be approximately HK\$2,380,000,000 ("Net Proceeds"), representing a net price of approximately HK\$0.331 per Subscription Share.

The Group financed its operations primarily with internally generated cash flows, bank borrowings as well as the proceeds from the fund raising exercise and from the exercising by grantees of the share options granted under the Share Option Scheme. Immediately upon Completion, the cash position of the Group will be substantially strengthened by approximately HK\$2.38 billion.

The Net Proceeds will be used to fund the existing operations and future development of the Company's existing principal businesses. In particular, the Group plans to utilise approximately HK\$1,330 million (representing approximately 55.88% of the Net Proceeds) within 12 months from the date of Completion and such proceeds shall be allocated to each of the business segments of the Group and for general corporate purposes as set out in the section headed "Use of proceeds" in the Subscription Announcement.

Business Cooperation Framework Agreement

As disclosed in the Subscription Announcement, a Business Cooperation Framework Agreement shall be entered into among Taobao (China) Software Co., Ltd. ("Taobao Software", a subsidiary of Alibaba Holding), Alipay.com Co., Ltd. ("Alipay", a wholly-owned subsidiary of Ant Financial) and the Company at Completion, pursuant to which the Group shall become the exclusive business platform of Alibaba Group and Ant Financial Group for the lottery business.

During the three years following the signing of the Business Cooperation Framework Agreement, the Group shall pay service fees to the relevant members of Alibaba Group and Ant Financial Group determined as a certain percentage of the commission income received by the Group for lottery sales contributed by the online lottery players introduced through Alibaba Group and Ant Financial Group's platforms.

After three years following signing of the Business Cooperation Framework Agreement, Taobao Software, Alipay and the Group will discuss and determine the service fees based on the market and other conditions at that time.

Further, Taobao Software and Alipay will provide technical services and resources, such as, cloud computing services and e-commerce, to the Group on a service fee to be agreed by the parties.

Prior to the implementation of the business cooperation contemplated under the Business Cooperation Framework Agreement, the parties (or their respective affiliates) will further negotiate and enter into definitive agreements setting out the specific terms and conditions. Any transactions between Taobao Software, Alipay and/or their respective subsidiaries (on the one hand) and the Group (on the other hand) as contemplated under any such definitive agreements will constitute continuing connected transactions for the Company. The Company will comply with applicable requirements in accordance with Chapter 20 of the GEM Listing Rules as and when required.

Proposed increase in authorised share capital

In order for the Company to carry out the Subscription and to fulfill its pre-existing obligations involving the issue of Shares, it is proposed that the Company's authorised share capital shall be increased from HK\$20,000,000 (divided into 10,000,000,000 Shares) to HK\$40,000,000 (divided into 20,000,000,000 Shares) by the creation of an additional 10,000,000,000 Shares, and such increase shall be subject to approval by the Shareholders at the SGM.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2016, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

a. Interests in ordinary Shares:

Name of Director	Number of Shares held			Approximate percentage of issued share capital of the Company
	Personal interest	Corporate Interest	Total	
Mr. Sun Ho	27,078,000	2,006,250,000 <i>(Note 1)</i>	2,033,328,000	41.49%
Mr. Bai Jinmin	31,698,000	44,876,600 <i>(Note 2)</i>	76,574,600	1.56%
Mr. Liang Yu	23,670,250	–	23,670,250	0.48%
Mr. Cheng Guoming	–	–	–	–
Mr. Ho King Fung, Eric	10,643,961	–	10,643,961	0.22%
Ms. Monica Maria Nunes	875,000	–	875,000	0.02%
Mr. Feng Qing	–	–	–	–
Dr. Gao Jack Qunyao	–	–	–	–

Notes:

- These 2,006,250,000 Shares were held in the name of MAXPROFIT GLOBAL INC. As MAXPROFIT GLOBAL INC is beneficially and wholly-owned by Mr. Sun Ho, the chairman, executive Director & chief executive officer ("CEO") of the Company, Mr. Sun was deemed to be interested in such Shares.

2. These 44,876,600 Shares were held in the name of Fine Bridge International Limited. Fine Bridge International Limited is beneficially and wholly-owned by HB Resources Investment Limited, which in turn is beneficially and wholly-owned by Mr. Bai Jinmin, an executive Director of the Company. Accordingly, HB Resources Investment Limited and Mr. Bai were deemed to be interested in such Shares.

b. Long position in the underlying Shares in respect of the share options of the Company (which were regarded as unlisted physically settled equity derivatives):

Name of Director	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Number of underlying Shares entitled (in respect of share options of the Company)				As at 31 March 2016	Approximate percentage of issued share capital of the Company
				As at 1 January 2016	Granted during the Three-Month Period	Exercised during the Three-Month Period	Lapsed during the Three-Month Period		
Mr. Bai Jinmin	21 December 2011	0.2900	21 December 2015 – 20 December 2016	5,316,000	–	(5,316,000)	–	–	
	17 August 2012	0.1006	17 August 2016 – 16 August 2017	875,000	–	–	–	875,000 0.02%	
	9 January 2013	0.4250	9 January 2016 – 8 January 2018	4,000,000	–	(2,000,000)	–	2,000,000 0.04%	
	21 January 2014	1.3100	21 January 2015 – 20 January 2019	10,000,000	–	(5,000,000)	–	5,000,000 0.10%	
Mr. Liang Yu	17 August 2012	0.1006	17 August 2016 – 16 August 2017	875,000	–	–	–	875,000 0.02%	
	9 January 2013	0.4250	9 January 2016 – 8 January 2018	4,000,000	–	–	–	4,000,000 0.08%	
	21 January 2014	1.3100	21 January 2015 – 20 January 2019	5,000,000	–	(1,250,000)	–	3,750,000 0.08%	
Mr. Cheng Guoming	1 June 2015	0.8580	1 June 2016 – 31 May 2020	44,944,800	–	–	–	44,944,800 0.92%	
Mr. Ho King Fung, Eric	23 May 2013	0.4890	23 May 2015 – 22 May 2018	31,931,883	–	–	–	31,931,883 0.65%	
Ms. Monica Maria Nunes	20 June 2013	0.4740	20 June 2015 – 19 June 2018	1,125,000	–	(375,000)	–	750,000 0.02%	
	21 January 2014	1.3100	21 January 2015 – 20 January 2019	500,000	–	(125,000)	–	375,000 0.01%	

Name of Director	Date of grant	Exercise price per Share (HK\$)	Exercisable period	As at 1 January 2016	Number of underlying Shares entitled (in respect of share options of the Company)			As at 31 March 2016	Approximate percentage of issued share capital of the Company
					Granted during the Three-Month Period	Exercised during the Three-Month Period	Lapsed during the Three-Month Period		
Mr. Feng Qing	1 June 2015	0.8580	1 June 2016 – 31 May 2020	1,500,000	–	–	–	1,500,000	0.03%
Dr. Gao Jack Qunyao	1 June 2015	0.8580	1 June 2016 – 31 May 2020	1,500,000	–	–	–	1,500,000	0.03%

Note: A portion of the option representing 25% of the total underlying Shares entitled under such option when it was initially granted shall be vested in the grantee of the option in each year during the exercisable period. If the grantee does not exercise such portion of the option within one year after it has been vested in him/her, such portion of the option will lapse.

Save as disclosed above, as at 31 March 2016, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares (in respect of share options of the Company which were regarded as unlisted physically settled equity derivatives) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Name of Shareholder	Capacity	Number of Shares held	Number of underlying Shares entitled	Total (number of Shares)	Approximate percentage of issued share capital of the Company (Note 1)
Ali Fortune Investment Holding Limited	Beneficial owner	4,817,399,245	2,350,478,275	7,167,877,520	59.39%
Alibaba Investment Limited	Interest of controlled corporation	4,817,399,245	2,350,478,275	7,167,877,520	59.39%
API Holdings Limited	Interest of controlled corporation	4,817,399,245	2,350,478,275	7,167,877,520	59.39%
Alibaba Group Holding Limited	Interest of controlled corporation	4,817,399,245	2,350,478,275	7,167,877,520	59.39%
API (Hong Kong) Investment Limited	Interest of controlled corporation	4,817,399,245	2,350,478,275	7,167,877,520	59.39%
Shanghai Yunju Investment Management Co., Ltd.	Interest of controlled corporation	4,817,399,245	2,350,478,275	7,167,877,520	59.39%
Zhejiang Ant Small and Micro Financial Services Group Co., Ltd.	Interest of controlled corporation	4,817,399,245	2,350,478,275	7,167,877,520	59.39%
Hangzhou Yunbo Investment Consultancy Co., Ltd.	Interest of controlled corporation	4,817,399,245	2,350,478,275	7,167,877,520	59.39%
Mr. Ma Yun	Interest of controlled corporation	4,817,399,245	2,350,478,275	7,167,877,520	59.39%
MAXPROFIT GLOBAL INC	Beneficial owner	2,006,250,000 (Note 3)	–	2,006,250,000	16.62%
Rainwood Resources Limited	Beneficial owner	475,067,224 (Note 4)	–	475,067,224	3.94%
Mr. Cheung Lup Kwan, Vitor	Interest of controlled corporation	475,067,224	–	475,067,224	3.94%

Notes:

1. The approximate percentage of the Company's issued share capital, as enlarged by the allotment and issuance of the Subscription Shares and Conversion Shares, which the Shareholder is taken to be interested in.
2. Unless otherwise defined herein, capitalised terms used below shall have the same meanings given to them in the announcement of the Company dated 4 March 2016.

Ali Fortune Investment Holding Limited ("Ali Fortune") is taken to be interested in an aggregate of 7,167,877,520 Shares as at 31 March 2016 (which was subsequently adjusted to 7,182,064,763 Shares as disclosed in the announcement of the Company dated 10 May 2016) because it has entered into the Subscription Agreement with the Company on 4 March 2016. Subject to the fulfilment or waiver (as the case may be) of the conditions precedent and the terms of the Subscription Agreement, the Company will allot and issue to Ali Fortune an aggregate of 4,817,399,245 Subscription Shares and Convertible Bonds which entitle Ali Fortune to subscribe for up to a maximum of 2,350,478,275 Conversion Shares as at 31 March 2016 (which was subsequently adjusted to 2,364,665,518 Conversion Shares as disclosed in the announcement of the Company dated 10 May 2016) upon full conversion, assuming that there is no other change in the issued share capital of the Company.

The aggregate of 7,167,877,520 Shares that Ali Fortune is taken to be interested in represents approximately 146.25% of the issued share capital of the Company as at 31 March 2016 and approximately 59.39% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares and Conversion Shares, assuming that the Convertible Bonds are converted in full and there is no other change in the issued share capital of the Company. As at the date of this report, Completion has not yet occurred under the Subscription Agreement, and the Subscription Shares and Convertible Bonds have not been issued to Ali Fortune.

Alibaba Investment Limited ("AIL") and API Holdings Limited ("API Holdings") hold 60% and 40% of the issued share capital of Ali Fortune, respectively.

Alibaba Group Holding Limited holds 100% of the issued share capital of AIL.

API (Hong Kong) Investment Limited holds 100% of the issued share capital of API Holdings.

Shanghai Yunju Investment Management Co., Ltd. ("Shanghai Yunju") holds 100% of the issued share capital of API (Hong Kong) Investment Limited.

Zhejiang Ant Small and Micro Financial Services Group Co., Ltd. ("Ant Financial") holds 100% of the equity interests in Shanghai Yunju.

Hangzhou Junhan Equity Investment Partnership (Limited Partnership) (“Junhan”) and Hangzhou Junao Equity Investment Partnership (Limited Partnership) (“Junao”) hold 48.38% and 38.28% of the equity interests in Ant Financial, respectively.

Hangzhou Yunbo Investment Consultancy Co., Ltd. (“Yunbo”) is the general partner of both Junhan and Junao, and is wholly-owned by Mr. Ma Yun.

Accordingly, each of AIL, Alibaba Group Holding Limited, API Holdings, API (Hong Kong) Investment Limited, Shanghai Yunju, Ant Financial, Junhan, Junao, Yunbo, and Mr. Ma Yun are taken to be interested in an aggregate of 7,167,877,520 Shares by virtue of Part XV of the SFO.

3. As disclosed in the section headed “DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES” above, Mr. Sun Ho was deemed to be interested in these 2,006,250,000 Shares (representing approximately 40.93% of the issued share capital of the Company as at 31 March 2016 and approximately 16.62% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares and Conversion Shares, assuming that the Convertible Bonds are converted in full and there is no other change in the issued share capital of the Company) by virtue of his interest in MAXPROFIT GLOBAL INC.
4. These 475,067,224 Shares (representing approximately 9.69% of the issued share capital of the Company as at 31 March 2016 and approximately 3.94% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares and Conversion Shares, assuming that the Convertible Bonds are converted in full and there is no other change in the issued share capital of the Company) were held in the name of Rainwood Resources Limited, which is beneficially and wholly-owned by Mr. Cheung Lup Kwan, Vitor. Accordingly, Mr. Cheung was deemed to be interested in such Shares.

Save as disclosed above, as at 31 March 2016, the Directors or chief executive of the Company were not aware of any other substantial shareholder (not being a Director or chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who was expected, directly or indirectly, to be interested in 5% or more of the issued voting shares of any other member of the Group or held any option in respect of such shares and recorded in the register kept by the Company pursuant to section 336 of the SFO.

INTERESTS OF OTHER PERSONS

As at 31 March 2016, apart from the interests in the Shares, underlying Shares and debentures of the Company and its associated corporations held by the Directors, chief executive and substantial shareholders of the Company stated above, there were no other persons with interests recorded in the register of the Company required to be kept under section 336 of the SFO.

INTERESTS IN COMPETING BUSINESS

During the Three-Month period, none of the Directors or the controlling shareholder of the Company had an interest in a business, which competes or might compete with the business of the Group.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely, Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qun Yao. The unaudited consolidated results of the Group for the Three-Month Period have been reviewed and commented on by the audit committee.

REQUIRED STANDARD OF DEALINGS REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings regarding securities transactions by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct for dealings in securities of the Company by the Directors (the "Code of Conduct"). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings set out in the Code of Conduct during the Three-Month Period.

SHARE OPTION SCHEME

During the Three-Month Period, no option was granted by the Company pursuant to the Share Option Scheme. During the Three-Month Period, options for 81,692,000 Shares were exercised and options for 4,200,000 Shares were lapsed. As at 31 March 2016, options for 616,207,025 Shares remained outstanding.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Three-Month Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

STATUS OF DEFERRED CONSIDERATION FOR ACQUISITION OF SCORE VALUE

Silvercreek Technology Holdings Limited (the “Purchaser”, which is a wholly-owned subsidiary of the Company) completed the acquisition of a 100% equity interest in Score Value (the “Acquisition”) on 8 January 2015.

Pursuant to the sale and purchase agreement in respect of the Acquisition (the “Acquisition Agreement”), the Company or the Purchaser shall be required to pay deferred consideration in a maximum amount of HK\$300 million to the vendors of Score Value (the “Vendors”) upon fulfilment of certain pre-conditions at a later stage, including obtaining the approval of the relevant PRC government authority for the lottery game to be supplied by a subsidiary of Score Value (the “Game Approval Pre-condition”) and meeting the profit guarantees of an average of RMB20.0 million (equivalent to approximately HK\$24.0 million) per year provided by the Vendors in respect of the Shenzhen Subsidiary of Score Value for each of the three financial years ended 31 December 2015 and ending 31 December 2016 and 2017 as described in the paragraph headed “Deferred Consideration” on pages 9 and 10 of the Circular.

The parties to the Acquisition Agreement have mutually agreed to further extend the deadline for fulfilling the Game Approval Pre-condition from the previously extended deadline of 31 March 2016 to 30 June 2016. As of the date hereof, the Game Approval Pre-condition has not yet been fulfilled. Accordingly, the First Deferred Consideration, Second Deferred Consideration and Third Deferred Consideration as described under the paragraph headed “Deferred Consideration” on page 9 of the Circular have not yet been paid to the Vendors.

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

DEFINITIONS

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

“Board”	means the board of Directors;
“Circular”	means the circular of the Company dated 8 December 2014;
“Company” or “AGTech”	means AGTech Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM;
“Consultant Options”	means the options granted to consultants of the Company pursuant to the Share Option Scheme which entitle them to subscribe for up to 396,682,163 Shares in aggregate as at the date of this report;
“Director(s)”	means the director(s) of the Company;
“GEM”	means the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited;
“GEM Listing Rules”	means the Rules Governing the Listing of Securities on GEM;
“GOT”	means 北京亞博高騰科技有限公司 (Beijing AGTech GOT Technology Co., Ltd. [#]), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company;
“Group”	means the Company and its subsidiaries;
“Hong Kong” or “HK”	means the Hong Kong Special Administrative Region of the PRC;



“Macau”	means the Macau Special Administrative Region of the PRC;
“MOF”	means the Ministry of Finance of China;
“NSLAC”	means the National Sports Lottery Administration Centre of the PRC;
“PRC” or “China”	means the People’s Republic of China which, for the purpose of this report, excludes Hong Kong, Macau and Taiwan;
“Rainwood Options”	means the options which were granted to Rainwood Resources Limited to subscribe for up to 212,879,224 Shares at an exercise price of HK\$0.4 per Share (subject to customary adjustment in the event of capitalisation issue) at any time during a 3-year period from 21 May 2013;
“Score Value”	means Score Value Limited which is an indirect wholly-owned subsidiary of the Company;
“Score Value Group”	means Score Value and its subsidiaries;

“Score Value Transaction”	means the acquisition of the entire equity interest in Score Value by the Company as contemplated under the agreement dated 17 November 2014 entered into between the Company, Silvercreek Technology Holdings Limited (a wholly-owned subsidiary of the Company) as the purchaser, Score Value as the target, and vendors of Score Value, pursuant to which, among other things, (i) the vendors of Score Value may be granted bonus options to subscribe for up to 166,666,666 Shares at a subscription price of HK\$1.8 per Share and such options are contingent upon certain performance targets; and (ii) the vendors of Score Value may be issued up to 135,135,135 Shares as part of the deferred consideration for the acquisition if certain performance targets are achieved;
“Share Option Scheme”	means the share option scheme of the Company adopted on 18 November 2004 (or, after its expiry on 17 November 2014, the share option scheme of the Company adopted on 23 December 2014);
“Share(s)”	means ordinary share(s) of HK\$0.002 each in the share capital of the Company;
“Shareholder(s)”	means holder(s) of the Share(s);
“Shenzhen Subsidiary”	means Shenzhen Zoom Read Tech Co., Ltd. [#] , a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of Score Value;
“Sports Lottery”	means the national sports lottery of China;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Welfare Lottery”	means the national welfare lottery of China;

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC; and
“%”	per cent.

In this report, the exchange rate of HK\$1.202 to RMB1.00 has been used for reference only.

* *The English translation of the Chinese company name is included for reference only and should not be regarded as the official English translation of such Chinese company name.*

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

Hong Kong, 12 May 2016

As at the date of this report, the Board comprises (i) Mr. Sun Ho, Mr. Bai Jinmin, Mr. Liang Yu and Mr. Cheng Guoming as executive Directors; (ii) Mr. Ho King Fung, Eric as non-executive Director; and (iii) Ms. Monica Maria Nunes, Mr. Feng Qing and Dr. Gao Jack Qunyao as independent non-executive Directors.

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