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AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279

07/08

First Quarterly Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast further profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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This report, for which the directors (the “Directors”) of AGTech Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover for the Three-Month Period amounted to approximately HK\$10.1 million, representing an increase of approximately 73.4% over the corresponding period in 2006.
- Loss attributable to equity holders of the Company for the Three-Month Period amounted to approximately HK\$32.2 million, primarily due to (i) the share-based payment expense (totalling approximately HK\$29.2 million for the Three-Month Period) as a result of the adoption of Hong Kong Financial Reporting Standard 2 “Share-based Payment” for share options of the Company granted to Directors, employees of the Group and other eligible participants under the share option scheme of the Company and for the option granted to Ladbroke Group; and (ii) the amortisation of intangible assets amounting to approximately HK\$6.5 million which arose from the Group’s acquisitions of SYSTEK LTD and SHINING CHINA INC, both being wholly-owned subsidiaries of the Company.
- Excluding the effects of the above-mentioned share-based payment expense and amortisation, the Group recorded a profit from its business operations of approximately HK\$2.9 million for the Three-Month Period (2006: loss of approximately HK\$1.3 million).
- The Board does not recommend the payment of an interim dividend for the Three-Month Period.

FIRST QUARTERLY RESULTS

The board of directors (the “Board”) of AGTech Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 30 September 2007 (the “Three-Month Period”), together with the comparative unaudited figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Three months ended 30 September	
		2007	2006
	Notes	HK\$	HK\$
Turnover	2	10,136,756	5,846,208
Cost of sales and services		(2,679,694)	(4,337,226)
Gross profit		7,457,062	1,508,982
Other (cost)/income		(559)	87,146
Bank interest income/(finance cost)		2,996,415	(17,062)
Selling and administrative expenses		(7,540,230)	(2,834,040)
Profit/(loss) from business operations		2,912,688	(1,254,974)
Share-based payments		(29,169,941)	(6,417,975)
Amortisation of intangible assets		(6,500,089)	–
Loss for the period before taxation		(32,757,342)	(7,672,949)
Taxation	3	503,657	–
Loss for the period after taxation		(32,253,685)	(7,672,949)
Attributable to:			
Equity holders of the Company		(32,192,801)	(7,672,949)
Minority interests		(60,884)	–
		(32,253,685)	(7,672,949)
Basic loss per share	4	HK0.900 cent	HK0.281 cent

Notes:

(1) BASIS OF PREPARATION OF THE ACCOUNTS

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

The condensed consolidated accounts have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as “new HKFRSs”).

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standards and interpretations will have no material impact on the financial statements of the Group.

HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating segments ¹
HK(IFRIC) – INT 12	Service concession arrangements ²
HK(IFRIC) – INT 13	Customer loyalty programmes ³
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction ²

¹ Effective for accounting periods beginning on or after 1 January 2009.

² Effective for accounting periods beginning on or after 1 January 2008.

³ Effective for accounting periods beginning on or after 1 July 2008.

(2) TURNOVER

Turnover represents the net amounts received and receivable from the provision of sports lottery management consultancy services and enterprise solutions of digital image processing system and surveillance system, as well as sales of computer software products and related maintenance services to outside customers in the People’s Republic of China (“PRC”) and the Macao Special Administrative Region of the PRC (“Macao”).

(3) TAXATION

Taxation for the Three-Month Period represents the net amount of deferred taxation credit of approximately HK\$1.6 million and PRC profits tax of approximately HK\$1.1 million for the period.

(4) BASIC LOSS PER SHARE

The calculation of loss per share for the Three-Month Period is based on the unaudited net loss attributable to equity holders of the Company of HK\$32,192,801 (2006: HK\$7,672,949) and the weighted average number of 3,578,835,000 (2006: 2,727,283,150) shares in issue during the period.

(5) DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Three-Month Period (2006: Nil).

(6) SHARE CAPITAL AND RESERVES

	Share capital	Share premium	Share option reserve	Statutory reserve	Exchange reserve	Contributed surplus	Accumulated losses	Minority interests	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 July 2007	7,157,670	998,107,099	43,329,120	292,038	170,032	58,299,875	(52,161,692)	5,100,086	1,060,294,228
Recognitions of equity-settled share-based payments	-	-	29,169,941	-	-	-	-	-	29,169,941
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	244,818	-	-	-	244,818
Loss for the period	-	-	-	-	-	-	(32,192,801)	(60,884)	(32,253,685)
At 30 September 2007	7,157,670	998,107,099	72,499,061	292,038	414,850	58,299,875	(84,354,493)	5,039,202	1,057,455,302
At 1 July 2006	5,350,000	20,576,560	-	292,038	(22,887)	11,108,399	(32,304,734)	-	4,999,376
Recognitions of equity-settled share-based payments	-	-	6,417,975	-	-	-	-	-	6,417,975
Shares issued on exercise of share options	219,350	11,844,900	(5,922,450)	-	-	-	-	-	6,141,800
Loss for the period	-	-	-	-	-	-	(7,672,949)	-	(7,672,949)
At 30 September 2006	5,569,350	32,421,460	495,525	292,038	(22,887)	11,108,399	(39,977,683)	-	9,886,202

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Three-Month Period, the Group continued to focus on its sports lottery business in the PRC and its major source of revenue came from the provision of management consultancy services to its principal customer which is authorised to provide marketing strategy, promotional and sales management services to 體育彩票管理中心 (the sports lottery administration centre) of the municipality of Chongqing (重慶市) and the provinces of Hunan (湖南省) and Jiangxi (江西省) in the PRC. On 4 September 2007, a wholly-owned subsidiary of the Company entered into a sports lottery sales terminals supply agreement with the sports lottery administration centre of the Hunan province, pursuant to which such subsidiary shall supply sports lottery sales terminals (together with accessories) for use in the sports lottery sales venues in the Hunan province of the PRC.

In Macao, the Group secured a renewed contract for the maintenance of certain telephone system for the Judiciary Police of Macao during the Three-Month Period.

Business Outlook

As mentioned in our Annual Report 2007, the prospects of the sports lottery sector remain promising in light of the efforts of the Chinese government to reform the present sports lottery market to counter illegal gaming and the momentum is building up as the 2008 Beijing Olympics advances.

The Group will continue to explore opportunities in different PRC sports lottery arenas including, but not limited to, expansion into more provinces for its sports lottery management consultancy services, assisting its principal customer to open more sales venues for sports lottery, introducing new lottery games and related systems to the sports lottery sector, provision of printing services for the sports lottery instant scratch tickets, as well as exploring more strategic business alliances with the aim of consolidating its leadership as a fully integrated solutions provider for the sports lottery market in the PRC.

Financial Performance Review

During the Three-Month Period, the turnover of the Group amounted to approximately HK\$10.1 million, representing an increase of approximately 73.4% over the corresponding period in 2006. Approximately 97.7% of the Group's turnover for the Three-Month Period was derived from the provision of its sports lottery management consultancy services which yielded higher margins than the enterprise solutions projects secured by the Group for the corresponding period in 2006. During the Three-Month Period, the gross profit percentage stood at approximately 73.6%, an improvement over the gross profit percentage of the corresponding period in 2006 of approximately 25.8%.

The net loss of the Group attributable to equity holders during the Three-Month Period amounted to approximately HK\$32.2 million, whereas the net loss of the Group for the corresponding period during 2006 amounted to approximately HK\$7.7 million. The increase in the net loss of the Group during the Three-Month Period was primarily attributable to (i) the share-based payment expense totalling approximately HK\$29.2 million resulting from the adoption of Hong Kong Financial Reporting Standard 2 "Share-based Payment" for share options of the Company granted to Directors, employees of the Group and other eligible participants under the share option scheme of the Company, as well as the option previously granted to Ladbroke Group as part of an agreement that led to the establishment of a joint venture company as announced by the Company on 23 January 2007; (ii) the amortisation of intangible assets amounting to approximately HK\$6.5 million which arose from the Group's acquisitions of SYSTEK LTD and SHINING CHINA INC, both being wholly-owned subsidiaries of the Company; and (iii) the increase in administrative expenses such as staff costs, leases, travelling expenses and marketing expenses as a result of the continuous expansion of the Group's business.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES OF HK\$0.002 EACH IN THE CAPITAL OF THE COMPANY ("SHARES"), UNDERLYING SHARES AND DEBENTURES

As at 30 September 2007, 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			Approximate percentage held
	Personal interest	Corporate interest	Total	
Mr. Sun Ho	26,750,000	2,006,250,000 (Note 1)	2,033,000,000	56.81%
Mr. Bai Jinmin	–	237,580,000 (Note 2)	237,580,000	6.64%
Mr. Wang Ronghua	2,675,000	–	2,675,000	0.07%
Mr. Hua Fengmao	1,355,000	–	1,355,000	0.04%
Mr. Kwok Wing Leung Andy	1,515,000	–	1,515,000	0.04%

Notes:

1. 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, an executive Director and chairman of the Company, Mr. Sun was deemed to be interested in such Shares.
2. These 237,580,000 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. 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 30 September 2007
				Granted	Exercised		
Mr. Robert Geoffrey Ryan	22-3-2007	1.40	22-3-2008 – 21-3-2012	26,750,000	–	26,750,000	(representing approximately 0.75% of the issued share capital of the Company)
Mr. Bai Jinmin	15-6-2007	1.77	15-6-2008 – 14-6-2012	26,750,000	–	26,750,000	(representing approximately 0.75% of the issued share capital of the Company)

Save as disclosed above, as at 30 September 2007, none of the Directors and 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 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2007, so far as was known to the Directors or chief executive of the Company, the following persons (not being Directors or chief executives of the Company) had, or were deemed to have, interests and long positions in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital and recorded in the register kept by the Company pursuant to section 336 of the SFO:

Interests in the Shares:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
MAXPROFIT GLOBAL INC	Beneficial owner <i>(Note 1)</i>	2,006,250,000	56.06%
HB Resources Investment Limited	Interests in controlled corporation <i>(Note 2)</i>	237,580,000	6.64%
Legg Mason Inc	Investment manager	253,028,000	7.07%

Long positions in the underlying Shares:

Name of holder of the underlying Shares	Capacity	Number of underlying Shares entitled	Approximate percentage of issued share capital of the Company
Ladbroke plc	Interests in controlled corporation <i>(Note 3)</i>	157,990,000	4.41%

Notes:

1. As disclosed above, Mr. Sun Ho was deemed to be interested in those 2,006,250,000 Shares by virtue of his interest in MAXPROFIT GLOBAL INC.
2. As disclosed above, Mr. Bai Jinmin was deemed to be interested in those 237,580,000 Shares by virtue of his interest in HB Resources Investment Limited.
3. The 157,990,000 Shares were deemed corporate interest of Ladbroke plc arising as a result of the grant of an option by the Company to Ladbroke Group pursuant to a joint venture shareholders' agreement dated 19 January 2007. Under the SFO, Ladbroke plc was deemed to own the 157,990,000 Shares which were directly held by Ladbroke Group and indirectly held through Ladbroke Group International, Travel Document Service, Cayman Investments No. 1, International Finance Investment, Ladbroke US Investments Ltd, Martia Ltd and Ladbroke Group Holdings Ltd, all of which are wholly-owned subsidiaries of Ladbroke plc. On the basis of 3,578,835,000 Shares in issue as at 30 September 2007, the aforesaid 157,990,000 Shares represented only approximately 4.41% of the issued share capital of the Company, falling below the 5% threshold for the purpose of disclosure of interest under the SFO. However, as at 30 September 2007, the Company did not receive any subsequent notification from Ladbroke plc that its long position in the underlying Shares had dropped below such threshold, following its initial notification on 23 January 2007. Such subsequent notification was received by the Company from Ladbroke plc on 18 October 2007.

Save as disclosed above, as at 30 September 2007, 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 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital and recorded in the register kept by the Company pursuant to section 336 of the SFO.

INTERESTS OF OTHER PERSONS

As at 30 September 2007, 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.

MANAGEMENT SHAREHOLDERS

So far as the Directors are aware, other than Mr. Sun Ho and Mr. Bai Jinmin as disclosed above, there was no other person during the Three-Month Period who was directly or indirectly interested in 5% or more of the Shares then in issue and who was able, as a practical matter, to direct or influence the management of the Company.

INTERESTS IN COMPETING BUSINESS

During the period under review, none of the Directors or any person who is (or group of persons who together are) entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and who is (or are) able, as a practical matter, to direct or influence the management of the Company had an interest in a business, which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely, Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua and Mr. Hua Fengmao. The unaudited consolidated first quarterly results of the Group for the three months ended 30 September 2007 have been reviewed and commented on by the audit committee.

CORPORATE GOVERNANCE

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 of the Company.

During the period under review, the Company has adopted the code provisions and certain recommended best practices in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules, except that:

- under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of chairman and chief executive officer of the Company were performed by the same individual, namely, Mr. Sun Ho, during the Three-Month Period. The Company considered that the combination of the roles of chairman and chief executive officer could effectively formulate and implement the strategies of the Company. The Company considered that under the supervision of its Board and its independent non-executive Directors, a balancing mechanism existed so that the interests of shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement; and
- under the code provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. During the period 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.

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.

By order of the Board
AGTech Holdings Limited
SUN Ho
Chairman

The Hong Kong Special Administrative Region of
the People's Republic of China, 14 November 2007

As at the date of this report, the Board comprises Mr. Sun Ho, Mr. Robert Geoffrey Ryan and Mr. Bai Jinmin as executive Directors; and Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua and Mr. Hua Fengmao as independent non-executive Directors.