



AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279

First Quarterly Report 09/10



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

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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 GEM of the Stock Exchange (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

- Gross profit for the Three-Month Period amounted to approximately HK\$8.6 million, an increase of approximately HK\$1.5 million or 20.6% from the corresponding period in 2008. Gross margin stood at 59.1%, an increase of 13.1% from 46.0% of the corresponding period in 2008. Approximately 98.2% of the revenue was derived from the provision of sports lottery management and marketing consultancy services and supply of sports lottery sales terminals (and accessories).
- Loss from business operations amounted to approximately HK\$6.0 million, demonstrating an improvement of approximately HK\$4.3 million or 41.7% over the corresponding period in 2008. Share-based payment expense amounted to approximately HK\$6.4 million (2008: approximately HK\$19.0 million). The significant decrease was due to acceleration of share-based payments arising from the one-off cancellation and replacement of share options in prior year and such expense is diminishing in current and following years. Hence, loss attributable to equity holders of the Company for the Three-Month Period amounted to approximately HK\$20.4 million, an improvement of approximately HK\$16.8 million or 45.1% over the corresponding period in 2008.
- 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 2009 (the "Three-Month Period"), together with the comparative unaudited figures for the corresponding period in 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Three months ended	
		30 September	2008
	Notes	2009	2008
		HK\$	HK\$
Revenue	2	14,486,770	15,413,379
Cost of sales and services		(5,930,174)	(8,320,957)
Gross profit		8,556,596	7,092,422
Bank interest income		902,756	580,476
Other income/(cost)		7,838	(2,400)
Selling and administrative expenses		(15,434,865)	(17,903,080)
Loss from business operations		(5,967,675)	(10,232,582)
Share-based payments		(6,430,808)	(19,039,350)
Net foreign exchange loss		(16,889)	(37,440)
Amortisation of other intangible assets		(9,825,997)	(9,865,849)
Loss for the period before taxation		(22,241,369)	(39,175,221)
Taxation	3	1,553,162	2,464,532
Loss for the period after taxation		(20,688,207)	(36,710,689)
Attributable to:			
Equity holders of the Company		(20,424,184)	(37,272,638)
Minority interests		(264,023)	561,949
		(20,688,207)	(36,710,689)
Loss per Share			
Basic and diluted	4	HK0.570 cent	HK1.041 cents



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 the Hong Kong Special Administrative Region of the People's Republic of China ("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 and commented on 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.

The Group has not early applied the following amendments that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2009 ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ²
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ²

Notes:

¹ Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

² Effective for annual periods beginning on or after 1 January 2010

The Group is in the process of assessing the impact of these amendments on its results of operations and financial position.



(2) REVENUE

Revenue represents the amounts received and receivable from provision of sports lottery management and marketing consultancy services, supply of sports lottery sales terminals (and accessories), provision of lottery advisory service, provision of enterprise solutions of digital image processing system, 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\$2.5 million and PRC profits tax of approximately HK\$0.9 million.

(4) LOSS PER SHARE

The calculation of basic and diluted loss per Share for the Three-Month Period is based on the unaudited loss attributable to equity holders of the Company of HK\$20,424,184 (2008: HK\$37,272,638) and the weighted average number of 3,581,335,000 (2008: 3,580,085,000) Shares in issue during the period.

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

(5) DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Three-Month Period (2008: Nil).

**(6) SHARE CAPITAL AND RESERVES**

	Attributable to equity holders of the Company									
	Share capital	Share premium	Share			Contributed surplus	Accumulated losses	Total	Minority interests	Total equity
			options reserve	Statutory reserve	Exchange reserve					
HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
At 1 July 2009	7,162,670	998,843,599	225,399,349	310,757	87,951,225	58,299,875	(343,139,025)	1,034,828,450	2,254,070	1,037,082,520
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	640,573	-	-	640,573	1,810	642,383
Loss for the period	-	-	-	-	-	-	(20,424,184)	(20,424,184)	(264,023)	(20,688,207)
Recognitions of equity-settled share-based payments	-	-	6,430,808	-	-	-	-	6,430,808	-	6,430,808
Minority interests arising from joint venture business	-	-	-	-	-	-	-	-	4,900,000	4,900,000
At 30 September 2009	7,162,670	998,843,599	231,830,157	310,757	88,591,798	58,299,875	(363,563,209)	1,021,475,647	6,891,857	1,028,367,504
At 1 July 2008	7,160,170	998,518,599	106,194,072	310,757	90,497,119	58,299,875	(157,469,464)	1,103,511,128	4,122,533	1,107,633,661
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	(850,995)	-	-	(850,995)	(655,258)	(1,506,253)
Loss for the period	-	-	-	-	-	-	(37,272,638)	(37,272,638)	561,949	(36,710,689)
Recognitions of equity-settled share-based payments	-	-	19,039,350	-	-	-	-	19,039,350	-	19,039,350
At 30 September 2008	7,160,170	998,518,599	125,233,422	310,757	89,646,124	58,299,875	(194,742,102)	1,084,426,845	4,029,224	1,088,456,069



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Three-Month Period, the Group continued to focus on sports lottery related businesses and its major revenue sources including provision of sports lottery management and marketing consultancy services and supply of sports lottery sales terminals (and accessories) to customers – provincial sports lottery administration centres 體育局體育彩票管理中心 (“SLAC”) or authorised sports lottery operators in the PRC.

For the hardware business, the Group has been developing new sports lottery technology such as handheld mobile lottery sales terminals, portable lottery sales terminals and self-service terminals. For instance, handheld mobile lottery sales terminals, which run on widely used communication platforms such as General Packet Radio Service (“GPRS”), are convenient for retail salespersons to take it to the places where potential players congregate, such as sports venues and train stations. A new prototype is expected to be ready in the fourth quarter of year 2009.

For the software business, the new high frequency car racing game is now undergoing its final testing stage. This is a monitor game played every 10 minutes or so and is visually displayed upon in-store monitors so that players can watch the game and results. In July 2009, the Group took part in China Joy, China’s biggest digital entertainment expo held in Shanghai. During the four-day event, the Group put on show its entertainment features and information on its unique operation model in a bid to enhance its brand equity and strengthen the Group’s market presence.

Business Outlook

As mentioned in its Annual Report 2009, the Group sees strong prospects for the sports lottery sector with the global economic downturn starting to ease in the first half of 2009. With effect from 1 July 2009, the introduction of Lottery Regulations by the PRC government to prevent fraud. The new regulations conducive to a healthy industry environment will benefit law-abiding lottery service providers like the Group and its future development.

To broaden its income source and maximise returns for shareholders, the Group signed a strategic co-operation agreement (the “Agreement”) with Beijing Honking Cyber Info-tech Co., Ltd. 北京弘景賽博數碼信息技術有限公司 (“Honking”) on 30 October 2009, wherein the signing parties will apply their respective resources advantages to jointly explore mobile lottery betting business, mobile lottery information service business and mobile technology products development business in different provinces in the PRC.



Honking is mainly in the businesses of software engineering, provision of telecommunications value-added services and paperless lottery. It is currently an agent of SLAC of Hunan province in the PRC authorised to sell computer sports lotteries via mobile phone in the province.

Leveraging the respective resources advantages of Honking and the Group, the Agreement enables the Group to penetrate into the lucrative mobile lottery betting market and widen our market presence to Hunan and other provinces in the PRC. Mobile lottery betting is definitely a new growth driver for lottery market as well as for the Group's future business.

The Group will continue to explore different opportunities in the sports lottery arena in the PRC, including, but not limited to, provision of sports lottery retail chain management and marketing consultancy services and introduction of new lottery games and related systems to the sector. It will also seek to forge more strategic business alliances that can help consolidate its leadership as a fully integrated sports lottery solutions provider in the PRC.

Financial Performance Review

For the Three-Month Period, the Group made approximately HK\$14.5 million in revenue. Though it was 6.0% less than that of the corresponding period in 2008, gross profit for the Three-Month Period amounted to approximately HK\$8.6 million, an increase of approximately HK\$1.5 million or 20.6% against the corresponding period in 2008. Gross margin stood at 59.1%, an increase of 13.1% from 46.0% of the same period in 2008. Approximately 98.2% of the revenue was derived from provision of sports lottery management and marketing consultancy services and supply of sports lottery sales terminals (and accessories).

Loss from business operations amounted to approximately HK\$6.0 million, an improvement of approximately HK\$4.3 million or 41.7% over the corresponding period in 2008. Loss attributable to equity holders of the Company for the Three-Month Period amounted to approximately HK\$20.4 million, an improvement of approximately HK\$16.8 million or 45.1% against the loss of approximately HK\$37.3 million in the corresponding period last year. The decrease in loss of the Group was primarily attributable to (i) share-based payment expense amounted to approximately HK\$6.4 million (2008: approximately HK\$19.0 million). The significant decrease was due to acceleration of share-based payments arising from the one-off cancellation and replacement of share options in prior year and such expense is diminishing in current and following years; and (ii) the decrease in cost of sales and services and selling and administrative expenses as a result of the Group's cost reduction efforts.



DIRECTORS' AND CHIEF EXECUTIVES' 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 2009, the interests and short positions of the Directors and chief executives 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	27,078,000	2,006,250,000 (Note)	2,033,328,000	56.78%
Ms. Yang Yang	400,000	–	400,000	0.01%
Mr. Wang Ronghua	2,275,000	–	2,275,000	0.06%
Mr. Hua Fengmao	1,355,000	–	1,355,000	0.04%

Note: 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.



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 2009
				As at 1 July 2009	Granted during the Three-Month Period	Exercised during the Three-Month Period	
Mr. Robert Geoffrey Ryan	9-10-2008	0.2198	9-10-2009 – 8-10-2013	13,375,000	-	-	13,375,000* (representing approximately 0.37% of the issued share capital of the Company)
Mr. Bai Jinmin	9-10-2008	0.2198	9-10-2009 – 8-10-2013	13,375,000	-	-	13,375,000* (representing approximately 0.37% of the issued share capital of the Company)
Mr. Liang Yu	9-10-2008	0.2198	9-10-2009 – 8-10-2013	13,375,000	-	-	13,375,000* (representing approximately 0.37% of the issued share capital of the Company)
Ms. Yang Yang	9-10-2008	0.2198	9-10-2009 – 8-10-2013	1,337,500	-	-	1,337,500* (representing approximately 0.037% of the issued share capital of the Company)

* A portion of the option representing 25% of the total underlying Shares entitled under such option shall be vested in the grantee of the option in each of the 4 years 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 30 September 2009, none of the Directors and chief executives 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 AND UNDERLYING SHARES AND DEBENTURES

As at 30 September 2009, so far as was known to the Directors or chief executives 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 (Note 1)	2,006,250,000	56.02%
Fine Bridge International Limited	Beneficial owner (Note 2)	237,580,000	6.63%

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. These 237,580,000 Shares were held in the name of Fine Bridge International Limited. Fine Bridge International Limited is 20% owned by HB Resources Investment Limited, which in turn is beneficially and wholly-owned by Mr. Bai Jinmin, an executive Director.

Save as disclosed above, as at 30 September 2009, the Directors or chief executives 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 2009, apart from the interests in the Shares, underlying Shares and debentures of the Company and its associated corporations held by the Directors, chief executives 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 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 the controlling shareholder 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-Month Period 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 executive Director, 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

Hong Kong, 13 November 2009

As at the date of this report, the Board comprises (i) Mr. Sun Ho, Mr. Robert Geoffrey Ryan, Mr. Bai Jinmin and Mr. Liang Yu as executive Directors; (ii) Ms. Yang Yang as non-executive Director; and (iii) Mr. Wang Ronghua, Mr. Hua Fengmao and Mr. Kwok Wing Leung Andy as independent non-executive Directors.