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# AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279



## 2010 Interim Report



## **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 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.*



## HIGHLIGHTS

- Total revenue of the Group for the Six-Month Period amounted to approximately HK\$40.0 million, an increase of approximately HK\$13.5 million or 50.7% from the corresponding period in 2009. Gross margin stood at 57.7%, an increase of 11.7% from 46.0% of the corresponding period in 2009. The revenue was mainly derived from provision of sports lottery management and gaming technologies business in the PRC.
- Loss from business operations amounted to approximately HK\$7.9 million, demonstrating an improvement of approximately HK\$6.9 million or 46.6% over the corresponding period in 2009.
- Loss attributable to owners of the Company for the Six-Month Period amounted to approximately HK\$35.2 million, primarily due to (i) the share-based payment expense (totalling approximately HK\$12.5 million for the Six-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, eligible employees and other eligible participants under the Share Option Scheme of the Company; and (ii) the amortisation of other intangible assets (totalling approximately HK\$19.8 million for the Six-Month Period). Compared with the corresponding period in 2009, loss attributable to owners of the Company shows an improvement of approximately HK\$17.7 million or 33.4%.
- The Board does not recommend the payment of an interim dividend for the Six-Month Period.



## INTERIM 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 six months ended 30 June 2010 (the "Six-Month Period"), together with the comparative unaudited figures for the corresponding period in 2009 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three and six months ended 30 June 2010

	Notes	Three months ended 30 June		Six months ended 30 June	
		2010 HK\$	2009 HK\$ (As restated)	2010 HK\$	2009 HK\$ (As restated)
<b>Continuing operations</b>					
Revenue	2	<b>21,663,889</b>	16,032,361	<b>40,023,182</b>	26,555,169
Cost of sales and services		<b>(8,694,128)</b>	(6,769,545)	<b>(16,920,238)</b>	(14,341,467)
Gross profit		<b>12,969,761</b>	9,262,816	<b>23,102,944</b>	12,213,702
Bank interest income		<b>836,105</b>	428,617	<b>1,028,986</b>	1,277,866
Share of profit of an associate		<b>1,585,974</b>	–	<b>1,585,974</b>	–
Other revenue		<b>15,814</b>	223,830	<b>15,814</b>	221,671
Selling and administrative expenses		<b>(16,523,023)</b>	(15,278,855)	<b>(33,655,122)</b>	(28,551,823)
Loss from business operations		<b>(1,115,369)</b>	(5,363,592)	<b>(7,921,404)</b>	(14,838,584)
Share-based payments		<b>(6,114,560)</b>	(6,511,894)	<b>(12,531,794)</b>	(21,937,960)
Net foreign exchange (loss)/gain		<b>(315,047)</b>	20,775	<b>(327,693)</b>	(88,857)
Amortisation of other intangible assets		<b>(9,926,513)</b>	(9,817,527)	<b>(19,767,289)</b>	(19,688,121)
Loss before tax		<b>(17,471,489)</b>	(21,672,238)	<b>(40,548,180)</b>	(56,553,522)
Income tax	4	<b>2,017,132</b>	547,825	<b>3,381,076</b>	3,015,149
Loss for the period from continuing operations	3	<b>(15,454,357)</b>	(21,124,413)	<b>(37,167,104)</b>	(53,538,373)



	Three months ended 30 June		Six months ended 30 June	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Notes		(As restated)		(As restated)
<b>Discontinued operation</b>				
Profit/(loss) for the period from discontinued operation	-	182,881	-	(937,023)
<b>Loss for the period</b>	<b>(15,454,357)</b>	<b>(20,941,532)</b>	<b>(37,167,104)</b>	<b>(54,475,396)</b>
Loss attributable to:				
Owners of the Company	<b>(14,594,990)</b>	(19,443,279)	<b>(35,183,492)</b>	(52,858,328)
Non-controlling interests	<b>(859,367)</b>	(1,498,253)	<b>(1,983,612)</b>	(1,617,068)
	<b>(15,454,357)</b>	<b>(20,941,532)</b>	<b>(37,167,104)</b>	<b>(54,475,396)</b>
<b>Loss per share</b>				
From continuing and discontinued operations				
Basic and diluted	5	HK 0.402 cent	HK 0.543 cent	HK 0.975 cent
		HK 1.476 cents		
Loss for the period	<b>(15,454,357)</b>	(20,941,532)	<b>(37,167,104)</b>	(54,475,396)
<b>Other comprehensive income</b>				
Exchange differences on translating foreign operations	<b>7,420,564</b>	(121,525)	<b>9,404,772</b>	(1,057,826)
<b>Total comprehensive income for the period</b>	<b>(8,033,793)</b>	<b>(21,063,057)</b>	<b>(27,762,332)</b>	<b>(55,533,222)</b>
Total comprehensive income attributable to:				
Owners of the Company	<b>(7,180,057)</b>	(19,960,528)	<b>(25,785,711)</b>	(54,563,074)
Non-controlling interests	<b>(853,736)</b>	(1,102,529)	<b>(1,976,621)</b>	(970,148)
<b>Total comprehensive income for the period</b>	<b>(8,033,793)</b>	<b>(21,063,057)</b>	<b>(27,762,332)</b>	<b>(55,533,222)</b>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	<i>Notes</i>	<b>Unaudited As at 30 June 2010 HK\$</b>	Audited As at 31 December 2009 HK\$
<b>Non-current assets</b>			
Property, plant and equipment		<b>18,466,671</b>	21,665,730
Goodwill		<b>668,671,830</b>	663,365,373
Other intangible assets		<b>81,142,536</b>	100,391,297
Investment in an associate		<b>49,345,043</b>	–
Deposits and prepayments		<b>35,768,167</b>	41,283,167
Other assets		<b>1,628,314</b>	1,615,392
		<b>855,022,561</b>	828,320,959
<b>Current assets</b>			
Trade receivables	7	<b>19,523,519</b>	17,452,520
Other receivables, deposits and prepayments		<b>51,001,610</b>	48,714,279
Bank balances and cash		<b>130,759,589</b>	141,520,650
		<b>201,284,718</b>	207,687,449
<b>Current liabilities</b>			
Trade payables	8	<b>1,757,625</b>	–
Other payables, accruals and deposits received		<b>20,125,016</b>	6,157,466
Current tax liabilities		<b>460,978</b>	290,489
		<b>22,343,619</b>	6,447,955
<b>Net current assets</b>		<b>178,941,099</b>	201,239,494
<b>Total assets less current liabilities</b>		<b>1,033,963,660</b>	1,029,560,453



	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2010</b> <b>HK\$</b>	Audited As at 31 December 2009 HK\$
Notes		
Non-current liabilities		
Deferred tax liabilities	<b>19,254,789</b>	24,018,011
<b>Net assets</b>	<b>1,014,708,871</b>	1,005,542,442
Capital and reserves		
Share capital	<b>7,300,646</b>	7,163,670
Reserves	<b>1,006,324,967</b>	995,318,893
Equity attributable to owners of the Company	<b>1,013,625,613</b>	1,002,482,563
Non-controlling interests	<b>1,083,258</b>	3,059,879
<b>Total equity</b>	<b>1,014,708,871</b>	1,005,542,442

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the Six-Month Period

	Share capital HK\$	Share premium HK\$	Share options reserve HK\$	Statutory reserve HK\$	Exchange reserve HK\$	Contributed surplus HK\$	Accumulated losses HK\$	Total attributable to owners of the Company HK\$	Non-controlling interests HK\$	Total equity HK\$
At 1 January 2010	7,163,670	999,549,566	237,650,324	1,157,470	89,126,794	47,191,476	(379,356,737)	1,002,482,563	3,059,879	1,005,542,442
Loss for the period	-	-	-	-	-	-	(35,183,492)	(35,183,492)	(1,983,612)	(37,167,104)
Other comprehensive income for the period	-	-	-	-	9,397,781	-	-	9,397,781	6,991	9,404,772
Total comprehensive income for the period	-	-	-	-	9,397,781	-	(35,183,492)	(25,785,711)	(1,976,621)	(27,762,332)
Recognitions of equity-settled share-based payments	-	-	12,864,971	-	-	-	-	12,864,971	-	12,864,971
Shares issued on exercises of parts of share options	21,188	15,703,216	(13,395,897)	-	-	-	-	2,328,507	-	2,328,507
Lapse of share options	-	-	(807,179)	-	-	-	474,003	(333,176)	-	(333,176)
Shares issued on acquisition of a subsidiary	115,788	23,331,282	-	-	-	-	-	23,447,070	-	23,447,070
Transfer to accumulated losses	-	-	-	(161,409)	-	-	(1,217,202)	(1,378,611)	-	(1,378,611)
<b>At 30 June 2010</b>	<b>7,300,646</b>	<b>1,038,584,064</b>	<b>236,312,219</b>	<b>996,061</b>	<b>98,524,575</b>	<b>47,191,476</b>	<b>(415,283,428)</b>	<b>1,013,625,613</b>	<b>1,083,258</b>	<b>1,014,708,871</b>
At 1 January 2009	7,160,170	998,518,599	207,346,559	310,757	89,602,418	58,299,875	(294,110,867)	1,067,127,511	3,479,753	1,070,607,264
Loss for the period	-	-	-	-	-	-	(52,858,328)	(52,858,328)	(1,617,068)	(54,475,396)
Other comprehensive income for the period	-	-	-	-	(1,704,746)	-	-	(1,704,746)	646,920	(1,057,826)
Total comprehensive income for the period	-	-	-	-	(1,704,746)	-	(52,858,328)	(54,563,074)	(970,148)	(55,533,222)
Recognitions of equity-settled share-based payments	-	-	21,937,960	-	-	-	-	21,937,960	-	21,937,960
Shares issued on exercise of part of a share option	2,500	325,000	(55,000)	-	-	-	-	272,500	-	272,500
Lapse of share options	-	-	(3,830,170)	-	-	-	3,830,170	-	-	-
Transfer to profit or loss on disposal of a subsidiary	-	-	-	-	53,553	-	-	53,553	(255,535)	(201,982)
<b>At 30 June 2009</b>	<b>7,162,670</b>	<b>998,843,599</b>	<b>225,399,349</b>	<b>310,757</b>	<b>87,951,225</b>	<b>58,299,875</b>	<b>(343,139,025)</b>	<b>1,034,828,450</b>	<b>2,254,070</b>	<b>1,037,082,520</b>





## CONDENSED CONSOLIDATED CASHFLOW (UNAUDITED)

For the Six-Month Period

	Six months ended	
	30 June	
	2010	2009
	<i>HK\$</i>	<i>HK\$</i>
Net cash used in operating activities	<b>(3,052,947)</b>	(9,512,947)
Net cash used in investing activities	<b>(14,961,615)</b>	(57,373)
Net cash from financing activities	<b>2,328,506</b>	272,500
Net decrease in cash and cash equivalents	<b>(15,686,056)</b>	(9,297,820)
Cash and cash equivalents at beginning of the period	<b>141,520,650</b>	181,500,494
Effect of foreign exchange rate changes	<b>4,924,995</b>	(495,959)
Cash and cash equivalents at end of the period	<b>130,759,589</b>	171,706,715
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<b>130,759,589</b>	171,706,715



Notes:

## (1) BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited condensed consolidated accounts have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of the Stock Exchange (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 Hong Kong Institute of Certified Public Accountants (the "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 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 six months ended 31 December 2009.

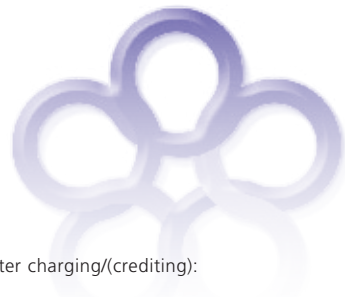
The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (the "new and revised HKFRSs").

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective, the Group is in the process of assessing the impact of these new and revised HKFRSs on the financial performance and financial position of the Group.

## (2) SEGMENT INFORMATION AND REVENUE

Revenue represents the amounts received and receivable from provision of sports lottery management and gaming technologies business ("Lottery business") in the People's Republic of China ("China" or the "PRC") during the Three-Month Period and Six-Month Period. The Group's revenue and asset were mainly derived from and related to the Lottery business in the PRC while other segments were immaterial. Hence, no business and geographical segment information is presented.

	Three months ended		Six months ended	
	30 June		30 June	
	2010	2009	2010	2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$	HK\$	HK\$	HK\$
		(As restated)		(As restated)
Revenue in respect of provision of Lottery business to China Sports Lottery Administration Centres and authorised operators of the sports lottery in the PRC	<b>21,663,889</b>	16,032,361	<b>40,023,182</b>	26,555,169
	<b>21,663,889</b>	16,032,361	<b>40,023,182</b>	26,555,169



### (3) LOSS FROM OPERATIONS

Loss for the periods from continuing operations has been arrived at after charging/(crediting):

	Three months ended 30 June		Six months ended 30 June	
	2010 (unaudited) HK\$	2009 (unaudited) HK\$ <i>(As restated)</i>	2010 (unaudited) HK\$	2009 (unaudited) HK\$ <i>(As restated)</i>
Share-based payments	<b>6,114,560</b>	6,511,894	<b>12,531,794</b>	21,937,960
Amortisation of other intangible assets	<b>9,926,513</b>	9,817,527	<b>19,767,289</b>	19,688,121
Depreciation of property, plant and equipment	<b>1,900,768</b>	1,864,114	<b>3,794,693</b>	3,668,730
Bank interest income	<b>(836,105)</b>	(428,617)	<b>(1,028,986)</b>	(1,277,866)
Operating lease rentals in respect of rented premises	<b>1,294,204</b>	1,177,579	<b>2,588,988</b>	1,916,216
Staff cost (including Directors' remunerations)	<b>6,621,886</b>	6,975,530	<b>14,668,086</b>	14,293,620

### (4) INCOME TAX

Income tax for the Six-Month Period represents the net amount of deferred taxation credit of approximately HK\$4.9 million and PRC profits tax of approximately HK\$1.6 million.

### (5) LOSS PER SHARE

The calculation of basic and diluted loss per share for the Three-Month Period and the Six-Month Period is based on the unaudited loss attributable to owners of the Company of HK\$14,594,990 and HK\$35,183,492 respectively (three months and six months ended 30 June 2009: net loss of HK\$19,443,279 and HK\$52,858,328 respectively), and the weighted average number of 3,629,244,102 and 3,607,037,573 ordinary shares in issue during the Three-Month Period and the Six-Month Period respectively (three months and six months ended 30 June 2009: 3,580,593,242 and 3,580,340,525 ordinary shares in issue).

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 loss per share for both periods.

### (6) DIVIDEND

The Board does not recommend the payment of an interim dividend for the Six-Month Period (2009: Nil).

**(7) TRADE RECEIVABLES**

At 30 June 2010, the aged analysis of the Group's trade receivables is as follows:

	<b>At 30 June 2010 HK\$</b>	At 31 December 2009 HK\$
0 to 30 days	<b>12,517,293</b>	9,753,691
31 to 60 days	<b>2,012,978</b>	925,656
61 to 90 days	<b>1,972,420</b>	866,460
91 to 120 days	<b>1,348,879</b>	779,072
121 to 365 days	<b>1,671,949</b>	5,127,641
Over 365 days	-	-
	<b>19,523,519</b>	17,452,520

**(8) TRADE PAYABLES**

At 30 June 2010, the aged analysis of the Group's trade payables is as follows:

	<b>At 30 June 2010 HK\$</b>	At 31 December 2009 HK\$
0 to 30 days	<b>631,954</b>	-
31 to 60 days	<b>346,759</b>	-
61 to 90 days	<b>353,718</b>	-
91 to 120 days	<b>193,915</b>	-
121 to 365 days	<b>231,279</b>	-
Over 365 days	-	-
	<b>1,757,625</b>	-



## MANAGEMENT DISCUSSION AND ANALYSIS

As a leading sports lottery and sports leisure company in the PRC, the Group is principally engaged in (i) lottery management and gaming technologies business; and (ii) sports and media business.

In the first half of 2010, turnover of the Group increased by 50.7% to approximately HK\$40.0 million (first half of 2009: approximately HK\$26.6 million). Gross profit surged by 89.2% to approximately HK\$23.1 million (first half of 2009: approximately HK\$12.2 million) with gross profit margin rising from 46.0% to 57.7%. Loss from business operations decreased by 46.6% to approximately HK\$7.9 million (first half of 2009: approximately HK\$14.8 million). The Group's gradually improving financial performance reflected its continuous efforts in adopting stringent cost control measures, streamlining business structure to enhance operational efficiency as well as strengthening leading position to enhance its competitive edges in the market.


### Business Review

#### *Lottery Management and Gaming Technologies Business*

In the first half of 2010, total sports lottery sales in the PRC reached approximately RMB32.5 billion, up by 20.1% from approximately RMB27.1 billion recorded for the same period last year (Source of information: Ministry of Finance of the PRC). The Chinese government has constantly embarked on a number of initiatives to support sports lottery development, thereby enabling continued healthy growth in the PRC sports lottery market.

During the period under review, the Group maintained its focus on sports lottery business in China. With reputable track record, proven operational efficiency as well as reliable management team, the Group has established a prestigious position as a trustworthy company in China's lottery market. Turnover has been increasing steadily and operational efficiency has been enhanced. By 30 June 2010, retail outlets under the Group's management spanned over 8 provinces and municipality in the PRC.

On 5 March 2010, the Company announced a major transaction to acquire an indirect 35% equity interest in 北京長城高騰信息產品有限公司 (Beijing Greatwall GOT Information Products Co., Ltd.\*) ("GOT"). GOT is one of the largest terminal and system providers for sports lottery in the PRC. During the review period, GOT has successfully achieved its performance target and made satisfactory contribution to the Group. With over 10 years of industry experience, GOT has built up superior research and development abilities in sports lottery terminals and systems and developed an extensive sales network in over 20 provinces and cities in the PRC. Considering GOT is an established key industry player with cutting-edge technologies and is strongly supported by its controlling shareholder, China Electronics Corporation, the Directors believe that GOT is in a good position to develop new sports lottery projects for the government of the PRC.



The Group is committed to delivering world-class innovative solutions to satisfy the requirements of the Chinese authorities and entertainment needs of lottery public, and has continuously devoted efforts and resources on research and development of gaming technologies. During the period under review, the Group's gaming technologies projects have sustained good momentum and are making steady business progress. By working closely with well-known international gaming players, the Group possesses advanced product research and development capabilities. In the first half of 2010, the Group has continued its focuses on several business development projects such as high-frequency lottery games, open sports betting platform, self-service terminals, as well as other new lottery terminals, systems and technologies. In particular, the Group's joint venture with Ladbroke Group (a subsidiary of one of the world's largest gaming companies based in United Kingdom, Ladbrokes PLC) has successfully developed a high frequency virtual car racing game, "Lucky Racing" (幸運賽車), and its related open sports betting platform, which are expected to be launched in the market soon. It is expected that such platform will enable the Group to seize market opportunities in the lottery industry in the future.

#### *Sports and Media Business*

In end-April 2010, the Group has been authorised by China Sport Information Centre of the General Administration of Sport of China to act as the exclusive official e-sports operator in China. For more information, please refer to the announcement published by the Company on 27 April 2010.

Over these few months, the Group has established a solid team to manage the e-sports business. Through the dedicated efforts of e-sports and management teams, e-sports has been widely broadcast by a number of media and aroused public interest in Hong Kong and China. Not only the Group has formed strategic cooperation with e-sports, media and gaming industry players, but also it has established a customer database for liaison in the future. It is expected that more e-sports activities will be launched in China in the future so as to grasp the market opportunities of rapidly developing e-sports market in China. For details about the latest development of the Group's e-sports activities, please visit the Group's official e-sports website: [www.e-sports.org.cn](http://www.e-sports.org.cn).

Furthermore, the Group has formed strategic alliance on new media project in relation to the development of sports and sports lottery new media and infotainment products for launch via the mobile and telecommunication platforms of key operator(s) in the PRC. Such products are planned to cover most large-scale and popular sports events with rich and entertaining sports and sports lottery contents to satisfy the entertainment and information needs of sports enthusiasts and lottery public in the PRC. The Group believes that the new media project has huge market potential for further development in the future and can help strengthen the Group's position in the sports lottery and sports leisure field.



## Business Outlook


According to the Ministry of Finance of the PRC, total lottery sales (including welfare lottery and sports lottery) in the PRC from January to June 2010 already reaching approximately RMB77.2 billion. The Group considers that the growth momentum will be sustained for the second half of the year and will continue to serve as a reliable provider of professional lottery products and services in China's lottery market to capitalise on the trend. Meanwhile, the Group will proactively seek the opportunities to carry out horizontal and vertical expansions such as extending its geographic reach to more provinces or cities, integrating the industry value chain, as well as developing new sports lottery terminals, systems and technologies.

On the front of e-sports business, the Group plans to organise two official national e-sports tournaments, namely National Electronic Sports Open and China E-sports Premier League, in the coming year. With the precedent of the success of Korea's e-sports market and in the context of the rapidly rising number of online game users in China, the Group remains optimistic that China's e-sports industry has tremendous market potential. Coupled with strong support from the Chinese government, it is expected that the revenue of this industry will increase as more Chinese internet users become e-sports enthusiasts following major sporting events in the future.

With strong market position, self-mastered innovation capabilities and enhanced operational efficiency, the Group is able to create high value in sports lottery and sports leisure industry in the PRC. The Group is well positioned to reach new height when the market opportunities emerge in the rapidly growing sports lottery and sports leisure industry. In the future, the Group will continue to seek for more potential business partners and forge more strategic business alliances, with a view to increasing its market share and ultimately maximizing returns for shareholders. Towards these ends, the Group will also continuously place great emphasis on maintaining close ties with major business partners.

## Financial Performance Review

For the Six-Month Period, the Group made approximately HK\$40.0 million in revenue, an increase of approximately 50.7% against the corresponding period in 2009, gross profit for the Six-Month Period amounted to approximately HK\$23.1 million, an increase of approximately HK\$10.9 million or 89.2% from the corresponding period in 2009. Gross margin stood at 57.7%, an increase of 11.7% from 46.0% of the corresponding period in 2009. The revenue was mainly derived from provision of sports lottery management and gaming technologies business in the PRC.



Loss from business operations amounted to approximately HK\$7.9 million, demonstrating an improvement of approximately HK\$6.9 million or 46.6% over the corresponding period in 2009. Loss attributable to owners of the Company for the Six-Month Period amounted to approximately HK\$35.2 million, an improvement of approximately HK\$17.7 million or 33.4% against the loss of approximately HK\$52.9 million in corresponding period in 2009. The decrease in loss of the Group was primarily attributable to (i) the increase in revenue (amounting to approximately HK\$40.0 million for the Six-Month period when compared to approximately HK\$26.6 million for the corresponding period in 2009), and (ii) the decrease in share-based payment expense (amounting to approximately HK\$12.5 million for the Six-Month Period when compared to approximately HK\$21.9 million for the corresponding period in 2009).

### **Capital resources and liquidity**

Net cash and bank balances at 30 June 2010 were approximately HK\$130.8 million. The total assets and net current assets of the Group as at 30 June 2010 were approximately HK\$1,056.3 million and approximately HK\$178.9 million respectively.

During the Six-Month Period, the Group maintained a debt-free capital structure. The Group financed its operations primarily with internally generated cashflows as well as the proceeds from previous fund raising exercises and from the exercising by grantees of the share options granted under the share option scheme.

### **Charges on Group's assets**

As at 30 June 2010, there was no charge on the Group's assets (as at 31 December 2009: Nil).

### **Foreign exchange exposure**

As at 30 June 2010, the Group held cash and bank deposits denominated in Hong Kong Dollars, Australian Dollars and Renminbi. Since all of its revenue-generating operations, monetary assets and liabilities of the Group are conducted or transacted substantially in Hong Kong Dollars and Renminbi, which is not freely convertible into foreign currencies, the Group faced minimal exchange rate risk during the period.

### **Employees' information**

As at 30 June 2010, the Group had 165 employees (30 June 2009: 214) in Hong Kong and the PRC. Total staff costs (excluding directors' remunerations) for the Six-Month Period amounted to approximately HK\$10.0 million.

The Group's remuneration policies are formulated on the basis of performance and experience of individual employees and are in line with the local market practices. In addition to salary, the Group also offers to its employees other fringe benefits including year-end bonus, share option scheme, contributory provident fund, medical benefits and training.





## 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 June 2010, 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 <i>(Note 1)</i>	2,033,328,000	55.70%
Mr. Bai Jinmin	3,343,750	44,876,600 <i>(Note 2)</i>	48,220,350	1.32%
Mr. Robert Geoffrey Ryan	3,343,750	–	3,343,750	0.09%
Mr. Liang Yu	3,343,750	–	3,343,750	0.09%
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%

#### 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, an executive Director and chairman of the Company, Mr. Sun was deemed to be interested in such Shares.
- 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 30 June 2010
				As at 1 January 2010	Granted during the Six-Month Period	Exercised during the Six-Month Period	
Mr. Robert Geoffrey Ryan	9-10-2008	0.2198	9-10-2009-8-10-2013	13,375,000	-	(3,343,750)	10,031,250 (representing approximately 0.27% 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	-	(3,343,750)	10,031,250 (representing approximately 0.27% 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	-	(3,343,750)	10,031,250 (representing approximately 0.27% 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)

*Note:* 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 June 2010, none of the Directors or 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 (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 AND UNDERLYING SHARES AND DEBENTURES**

As at 30 June 2010, 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 5% 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:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate percentage of issued share capital of the Company</b>
MAXPROFIT GLOBAL INC	Beneficial owner (Note)	2,006,250,000	54.96%

Note: As disclosed above, Mr. Sun Ho was deemed to be interested in these 2,006,250,000 Shares by virtue of his interest in MAXPROFIT GLOBAL INC.



Save as disclosed above, as at 30 June 2010, 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 5% 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 June 2010, 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.

## **INTERESTS IN COMPETING BUSINESS**

During the Six-Month period, none of the Directors or the controlling shareholder of the Company had an interest in a business, which competed or might 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 results of the Group for the Six-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 Six-Month period, 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 Six-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 Six-Month period, 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.

## **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 Six-Month Period.

## **SHARE OPTION SCHEME**

During the Six-Month Period, no options were granted by the Company pursuant to its share option scheme. During the Six-Month Period, options for 10,593,750 Shares were exercised and options for 812,500 Shares were lapsed. As at 30 June 2010, there were options for 173,493,750 Shares remained outstanding.

The following table discloses details and movements of the Company's share options held by Directors, eligible employees and eligible participants of the Group under the share option scheme of the Company during the Six-Month Period:

Name	Date of grant	Exercise price per share HK\$	Exercisable period	Outstanding at 1 January 2010	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding at 30 June 2010
<b>Directors:</b>								
Mr. Robert Geoffrey Ryan	9 October 2008	0.2198	9 October 2009 - 8 October 2010	3,343,750	-	(3,343,750)	-	-
			9 October 2010 - 8 October 2011	3,343,750	-	-	-	3,343,750
			9 October 2011 - 8 October 2012	3,343,750	-	-	-	3,343,750
			9 October 2012 - 8 October 2013	3,343,750	-	-	-	3,343,750
Mr. Bai Jinmin	9 October 2008	0.2198	9 October 2009 - 8 October 2010	3,343,750	-	(3,343,750)	-	-
			9 October 2010 - 8 October 2011	3,343,750	-	-	-	3,343,750
			9 October 2011 - 8 October 2012	3,343,750	-	-	-	3,343,750
			9 October 2012 - 8 October 2013	3,343,750	-	-	-	3,343,750
Mr. Liang Yu	9 October 2008	0.2198	9 October 2009 - 8 October 2010	3,343,750	-	(3,343,750)	-	-
			9 October 2010 - 8 October 2011	3,343,750	-	-	-	3,343,750
			9 October 2011 - 8 October 2012	3,343,750	-	-	-	3,343,750
			9 October 2012 - 8 October 2013	3,343,750	-	-	-	3,343,750
Ms. Yang Yang	9 October 2008	0.2198	9 October 2009 - 8 October 2010	334,375	-	-	-	334,375
			9 October 2010 - 8 October 2011	334,375	-	-	-	334,375
			9 October 2011 - 8 October 2012	334,375	-	-	-	334,375
			9 October 2012 - 8 October 2013	334,375	-	-	-	334,375



Name	Date of grant	Exercise price per share HK\$	Exercisable period	Outstanding at 1 January 2010	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding at 30 June 2010
<b>Eligible employees and other eligible participants:</b>								
	27 September 2006 (Note 1)	0.218	27 September 2009 - 26 September 2010	1,250,000	-	-	-	1,250,000
	9 October 2008	0.2198	9 October 2009 - 8 October 2010	35,171,875	-	(562,500)	(62,500)	34,546,875
			9 October 2010 - 8 October 2011	35,671,875	-	-	(250,000)	35,421,875
			9 October 2011 - 8 October 2012	35,671,875	-	-	(250,000)	35,421,875
			9 October 2012 - 8 October 2013	35,671,875	-	-	(250,000)	35,421,875
<b>Total</b>				<b>184,900,000</b>	<b>-</b>	<b>(10,593,750)</b>	<b>(812,500)</b>	<b>173,493,750</b>
Exercisable at the end of the period								<u>36,131,250</u>
Weighted average exercise price				<u>HK\$0.2198</u>		<u>HK\$0.2198</u> (Note 2)		<u>HK\$0.2198</u>

**Notes:**

1. The number and the exercise price of options which remained outstanding have been adjusted due to share subdivision of the Company with effect from 24 October 2006. The exercise price per share was adjusted from HK\$1.09 to HK\$0.218. The closing price of the shares immediately before the date on which the options were exercised was HK\$0.355.
2. The weighted average closing price of the Shares immediately before the date on which the options were exercised was HK\$0.269.



## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the Six-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, 12 August 2010

*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.*