



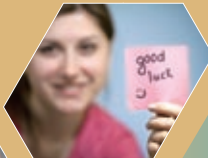
**AGTech**  
www.agtech.com

**AGTech Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

Stock Code: 8279

Third Quarterly Report  
**2011**



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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**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 (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

- Following the upward trend of the first half year, the Group continued to make profit from business operations for the Nine-Month Period amounting to approximately HK\$3.1 million, demonstrating an improvement of approximately HK\$14.0 million or 128.1% over the corresponding period in 2010. Gross margin stood at 76.7%, an increase of 18.8 percentage points from 57.9% in the corresponding period in 2010.
- Total revenue of the Group for the Nine-Month Period amounted to approximately HK\$66.7 million, an increase of approximately HK\$5.5 million or 9.1% from the corresponding period in 2010. All revenue was derived from provision of sports lottery management and marketing consultancy services and gaming technologies (game software, systems, hardware and terminals) business in the PRC.
- Loss attributable to owners of the Company for the Nine-Month Period amounted to approximately HK\$31.2 million, primarily due to (i) the share-based payment expense (totalling approximately HK\$7.1 million for the Nine-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\$32.0 million for the Nine-Month Period). Compared with the corresponding period in 2010, loss attributable to owners of the Company showed an improvement of approximately HK\$12.1 million or 27.9%.
- The Board does not recommend the payment of an interim dividend for the Nine-Month Period.

## THIRD 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 2011 (the "Three-Month Period") and the nine months ended 30 September 2011 (the "Nine-Month Period"), together with the comparative unaudited figures for the corresponding period in 2010 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the Three-Month Period and the Nine-Month Period

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Revenue	2	<b>23,115,738</b>	21,174,298	<b>66,737,378</b>	61,197,480
Cost of sales and services		<b>(5,342,239)</b>	(8,858,551)	<b>(15,542,703)</b>	(25,778,789)
Gross profit		<b>17,773,499</b>	12,315,747	<b>51,194,675</b>	35,418,691
Investment and other income		<b>251,877</b>	978,024	<b>787,592</b>	2,022,824
Selling and administrative expenses		<b>(14,787,957)</b>	(17,355,818)	<b>(47,578,290)</b>	(51,010,940)
Finance cost		<b>(1,574,816)</b>	-	<b>(2,275,283)</b>	-
Share of profits of an associate		<b>1,140,519</b>	1,047,570	<b>945,941</b>	2,633,544
Profit/(loss) from business operations		<b>2,803,122</b>	(3,014,477)	<b>3,074,635</b>	(10,935,881)
Share-based payments		<b>(1,856,390)</b>	2,105,908	<b>(7,149,833)</b>	(10,425,886)
Net foreign exchange (loss)/gain		<b>(58,824)</b>	322,204	<b>(80,140)</b>	(5,489)
Amortisation of other intangible assets		<b>(11,061,465)</b>	(10,111,814)	<b>(32,044,717)</b>	(29,879,103)
Loss before tax		<b>(10,173,557)</b>	(10,698,179)	<b>(36,200,055)</b>	(51,246,359)
Income tax	3	<b>1,800,565</b>	2,132,376	<b>1,406,876</b>	5,513,452
<b>Loss for the period</b>		<b>(8,372,992)</b>	(8,565,803)	<b>(34,793,179)</b>	(45,732,907)
Loss attributable to:					
Owners of the Company		<b>(7,594,235)</b>	(8,127,913)	<b>(31,239,825)</b>	(43,311,405)
Non-controlling interests		<b>(778,757)</b>	(437,890)	<b>(3,553,354)</b>	(2,421,502)
		<b>(8,372,992)</b>	(8,565,803)	<b>(34,793,179)</b>	(45,732,907)

#### Loss per Share

Basic and diluted 4 **HK0.206 cent** HK0.223 cent **HK0.847 cent** HK1.196 cents

	Three months ended		Nine months ended	
	30 September		30 September	
	2011	2010	2011	2010
	HK\$	HK\$	HK\$	HK\$
Loss for the period	<b>(8,372,992)</b>	(8,565,803)	<b>(34,793,179)</b>	(45,732,907)
<b>Other comprehensive income, net of income tax</b>				
Exchange differences on translating foreign operations	<b>13,169,747</b>	11,482,957	<b>34,692,773</b>	20,887,729
<b>Total comprehensive income for the period</b>	<b>4,796,755</b>	2,917,154	<b>(100,406)</b>	(24,845,178)
Total comprehensive income attributable to:				
Owners of the Company	<b>5,517,046</b>	3,346,232	<b>3,352,357</b>	(22,439,479)
Non-controlling interests	<b>(720,291)</b>	(429,078)	<b>(3,452,763)</b>	(2,405,699)
<b>Total comprehensive income for the period</b>	<b>4,796,755</b>	2,917,154	<b>(100,406)</b>	(24,845,178)

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 year ended 31 December 2010.

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) REVENUE**

Revenue represents the amounts received and receivable from provision of sports lottery management and marketing consultancy services and gaming technologies (game software, systems, hardware and terminals) business in the People’s Republic of China (“China” or the “PRC”) during the Three-Month Period and the Nine-Month Period.

## **(3) INCOME TAX**

Income tax for the Nine-Month Period represents the net amount of deferred taxation credit of approximately HK\$7.9 million and PRC profits tax of approximately HK\$6.5 million.

## **(4) LOSS PER SHARE**

The calculation of basic and diluted loss per share for the Three-Month Period and the Nine-Month Period is based on the unaudited loss attributable to owners of the Company of HK\$7,594,235 and HK\$31,239,825 respectively (for the three months and nine months ended 30 September 2010: net loss of HK\$8,127,913 and HK\$43,311,405 respectively), and the weighted average number of 3,691,765,785 and 3,688,626,784 ordinary shares in issue during the Three-Month Period and the Nine-Month Period respectively (for the three months and nine months ended 30 September 2010: weighted average number of 3,650,894,082 and 3,621,692,636 ordinary shares in issue respectively).

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 Nine-Month Period (2010: Nil).

## (6) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the Nine-Month Period

	Attributable to owners of the Company							Attributable to non-controlling interests		Total
	Share capital	Share premium	Share options reserve	Statutory reserve	Exchange reserve	Contributed surplus	Accumulated losses	Subtotal	Interests	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Balance at 1 January 2011	7,356,321	1,076,602,404	188,193,324	3,134,905	125,681,032	47,191,476	(408,907,047)	1,039,252,415	2,924,638	1,042,177,053
Loss for the period	-	-	-	-	-	-	(31,239,825)	(31,239,825)	(3,553,354)	(34,793,179)
Other comprehensive income for the period	-	-	-	-	34,592,182	-	-	34,592,182	100,591	34,692,773
Total comprehensive income for the period	-	-	-	-	34,592,182	-	(31,239,825)	3,352,357	(3,452,763)	(100,406)
Recognitions of equity-settled share-based payments	-	-	7,828,232	-	-	-	-	7,828,232	-	7,828,232
Shares issued on exercise of part of share options	45,336	39,796,760	(34,789,468)	-	-	-	-	5,052,628	-	5,052,628
Lapse of share options	-	-	(685,292)	-	-	-	6,893	(678,399)	-	(678,399)
Transfer to accumulated losses	-	-	-	(567,672)	-	-	(1,631,353)	(2,199,025)	-	(2,199,025)
<b>Balance at 30 September 2011</b>	<b>7,401,657</b>	<b>1,116,399,164</b>	<b>160,546,796</b>	<b>2,567,233</b>	<b>160,273,214</b>	<b>47,191,476</b>	<b>(441,771,332)</b>	<b>1,052,608,208</b>	<b>(528,125)</b>	<b>1,052,080,083</b>
Balance 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	-	-	-	-	-	-	(43,311,405)	(43,311,405)	(2,421,502)	(45,732,907)
Other comprehensive income for the period	-	-	-	-	20,871,926	-	-	20,871,926	15,803	20,887,729
Total comprehensive income for the period	-	-	-	-	20,871,926	-	(43,311,405)	(22,439,479)	(2,405,699)	(24,845,178)
Recognitions of equity-settled share-based payments	-	-	15,824,167	-	-	-	-	15,824,167	-	15,824,167
Shares issued on exercise of part of share options	24,563	16,852,166	(14,179,559)	-	-	-	-	2,697,170	-	2,697,170
Lapse of share options	-	-	(15,757,116)	-	-	-	10,358,834	(5,398,282)	-	(5,398,282)
Shares issued on acquisition of a subsidiary	115,788	23,331,282	-	-	-	-	-	23,447,070	-	23,447,070
Transfer to accumulated losses	-	-	-	(169,165)	-	-	(1,437)	(170,602)	-	(170,602)
<b>Balance at 30 September 2010</b>	<b>7,304,021</b>	<b>1,039,733,014</b>	<b>223,537,816</b>	<b>988,305</b>	<b>109,998,720</b>	<b>47,191,476</b>	<b>(412,310,745)</b>	<b>1,016,442,607</b>	<b>654,180</b>	<b>1,017,096,787</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### About the Group

The Group is the largest professional services provider in China's sports lottery market in terms of business scope and geographic coverage. Leveraging on its advanced research and development capabilities and cooperation with top international and domestic lottery and gaming enterprises, the Group is committed to become a leading lottery technology group. Upon completion of the acquisition of 北京長城高騰信息產品有限公司 (Beijing Greatwall GOT information Products Co., Ltd.\*) ("GOT"), the Group will also become the largest sports lottery terminal and system provider in the PRC.

The principal business of the Group is lottery management, gaming technologies (game software, systems, hardware and terminals), as well as online and phone lottery distribution. The Group is also committed to applying advanced technologies and internet technologies to the lottery industry for comprehensive coverage in various areas such as paper tickets, internet, mobile phone, video, wireless networking and streaming media, thereby providing sports lottery authorities and millions of lottery players in China with professional integrated lottery services.

Currently, the Company is a member of the World Lottery Association (WLA) and the Asia Pacific Lottery Association (APLA). As of today, the footprints of the Group's sports lottery business cover 80% of provinces and municipalities across China.


### Industry Overview

For the Nine-Month Period, the PRC lottery market continued its rapid growth with lottery sales exceeding RMB157.8 billion, an increase of over 33.7% against the corresponding period in 2010. Among which, sports lottery amounted to approximately RMB66.0 billion and accounted for 41.8% of total lottery sales, while welfare lottery amounted to RMB91.8 billion and accounted for 58.2% of total lottery sales.

In the third quarter of 2011, the Chinese government continued its efforts to introduce new games, systems, equipment and terminals. For instance, the official launch of the first fixed-odds rapid-draw sports lottery system and its first game, Lucky Racing Game, has brought rapid sales growth in the launching province. In the future, it is expected that the Chinese government will further open up online and phone lottery distribution and release related regulations in order to facilitate healthy and rapid development of lottery industry. In particular, real and virtual sports betting products, paperless scratch products, phone and online lottery distribution will become key areas for industry development.

\* For identification purpose only





With robust economic growth, increase in people's disposable income, as well as more positive shifts in government policy and social perception towards lottery, China's lottery sales continued to hit historical highs and be ranked as the market with the most rapid growth in the world. As an established leading player with state-of-the-art technologies and innovation capabilities, the Group expects to benefit from the enormous potential for future growth in the PRC sports lottery market.

## **Business Review**

### ***Lottery Management Business***

The Group's lottery management business (which is the Group's existing core business) has maintained stable growth with revenue and profit margin improving steadily. These lottery management services consist primarily of: direct and franchise retail shop management, lottery sales through partnerships with major retailers (like supermarkets, convenience stores and so forth) as well as lottery sales, marketing and promotion management. The Board believes that the services and corresponding infrastructure and experience built and developed over time have created a seasoned backbone of management and talent skills, which will enable the Group to win and execute large multi-disciplinary/diverse projects for the lottery authorities in the PRC in the coming future.

### ***Gaming Technologies Business***

#### *Virtual Fixed-Odds Sports Betting*

During the period under review, the virtual sports betting game "Lucky Racing" ("幸運賽車") has exceeded RMB100 million in total sales following the game's official launch on 30 August 2011. The game has been rolled out to about 1,300 lottery shops (of which over 1,000 shops are fully operational) in Hunan province within the first month of launch and sales of "Lucky Racing" now exceed sales of all other lottery and wagering products in Hunan province.

The Directors are pleased that the launch of this new form of betting in China received nationwide television news coverage and has sparked enormous interest in this form of fixed odds betting (simulated rapid racing). With more exciting and entertaining game features, higher prize return ratio and higher drawing frequency, this game could better attract the burgeoning middle to high-income players and introduces a new form of social gaming product to the PRC lottery public.

“Lucky Racing” and the underlying betting transaction system was supplied by the Group’s majority-owned joint venture with Ladbroke Group (a world leader in betting and gaming markets, based in the United Kingdom). This game is a fixed-odds betting game that is broadcast to lottery shops via a central computer and cable television, with computer generated car race (formula one style) with similar betting options as horse racing. The approval by the central Chinese regulators for this form of betting is a milestone in China, and the game’s acceptance by lottery players strongly indicates that this new market segment could achieve significant market share.

The joint venture, having successfully introduced and launched its betting platform in China, is now in a unique position to expand its initial game and introduce stable virtual sports games for China Sports Lottery, targeting the expansive growth of the leisure and entertainment “wallet” in China. Virtual sports are a rapidly growing and key revenue contributor for gaming operators in the United Kingdom, greater Europe, the United States of America and Australia and represent a solid model of mature market success to be imported into China’s lottery market.

With continued success in the initial province of Hunan province combined with the central regulators’ game and game rule approvals, it is expected that the game has the potential to expand nationwide in terms of retail betting shops and the newly approved media channels such as mobile, internet and Internet Protocol Television (IPTV). Apart from sales in traditional dedicated sports lottery shops, the Group also plans to sell the game in leisure venues (such as karaoke, pubs and massage centres) as well as introduce a world-class rapid-draw fixed-odds sports lottery central betting system and associated games progressively to more provinces in the PRC.

#### *Gaming Hardware and Technology Development*

On 29 March 2011, the Group announced the acquisition of the remaining 65% equity interest of its 35%-owned GOT. Upon completion of the acquisition, GOT shall become a wholly-owned subsidiary of the Group. This articulates an expanded role for the Group to become the largest sports lottery terminal and system provider in the PRC. In addition, it helps drive the overall vision and long-term strategy for the Group to develop new technologies to meet the increasing demand from the PRC government. It is expected that the synergistic benefits arising from GOT will be realised early next year.



Currently, GOT is the only authorised sports lottery terminal and system provider in the PRC which possesses its own research and development centre. With advanced technologies and innovation capabilities, GOT has successfully developed an extensive sales network in about 26 provinces in China and maintained its leading market share of 50% in China. After over 10 years of development, GOT has become a reputable brand in the PRC commercial information products fields, and was praised by General Administration of Sport of China as the “Outstanding Company Contributing to Sports Lottery”. Based on the various competitive advantages possessed by GOT, the Board believes that GOT is very well positioned to introduce new sports lottery projects for the Chinese government in the future.

In addition, during the period under review, the Group’s other gaming technologies projects and strategic business developments have sustained good momentum and have been making steady progress. The Group is committed to delivering world-class innovative solutions to satisfy the requirements of the Chinese authorities and entertainment needs of the lottery public, and has continuously devoted efforts and resources on research and development of gaming technologies. During the period under review, the Group has continued its focus on several business development projects such as self-service terminals, portable terminals, as well as other new lottery technologies. The Group’s international strategic partners for these projects include some of the world’s gaming and wagering industry giants in their respective fields.

### ***Online and Phone Lottery Distribution Business***

On 23 May 2011, the Group announced the acquisition of the entire issued share capital of 深圳市銀溪數碼技術有限公司 (Shenzhen Silvercreek Digital Technology Co., Ltd.\*) (“Silvercreek”). As one of the most competitive phone and mobile lottery service providers in China, Silvercreek provides lottery organisations with comprehensive phone and mobile betting solutions. These solutions include development of an intermediate platform between lottery organisations and telecom operators; provision of fund settlement services such as lottery betting, withdrawal and lottery prize distribution; provision of lottery information publication services; and phone and mobile betting promotion services.

Currently, Silvercreek has already established phone and mobile betting business in six provinces in the PRC, namely Hunan, Fujian, Jiangxi, Zhejiang, Ningxia and Yunnan. The acquisition will enable the Group to tap the rapidly growing phone and mobile lottery sector in China. Considering that there is huge potential for Silvercreek to create synergies with the Group’s existing businesses, the Board believes that the transaction will significantly strengthen our leading position in China’s lottery market.

\* For identification purpose only

As a leading sports lottery enterprise in China, the Group will continue to pay attention to policy development with respect to the government approval of lottery sales via internet and phone and make corresponding strategic deployments. In the coming future, the Group will seek investment opportunities in related businesses to drive new earnings growth for shareholders and consolidate the leading position of the Group in the industry.

### **Business Outlook**

The upcoming few months will be an important period for the Group as it expects a further rollout of “Lucky Racing” in Hunan followed by launch of the game in other provinces in the PRC. Furthermore, upon completion of several new lottery projects, the Board expects to achieve synergies from existing resources to improve returns to the shareholders. The Board believes that all of these initiatives will help improve the Group’s financial performance.

Looking ahead, the Directors are optimistic about the prospects of the sports lottery market. The future lottery development in China will include online and mobile betting with the development focusing on betting games including real and virtual sports games and electronic scratch tickets. Meanwhile, it is expected that the Chinese government will continuously promulgate positive initiatives to support sports lottery development, thereby enabling continuous healthy growth in the PRC sports lottery market. To capture these market opportunities, the Group will seek out opportunities to carry out horizontal and vertical expansion by extending its geographic reach to more provinces or cities, integrating the industry value chain through developing new sports lottery terminals, systems, and distribution channels, as well as introducing new games.

With a solid business foundation, excellent customer and government relationships as well as strong international gaming partnerships, the Board strongly believes the advanced products and technological advantages of the Group will help it capture new potential opportunities and consolidate its leading position in the industry.



## Financial Performance Review

Following the upward trend of the first half year, the Group continued to make profit from business operations for the Nine-Month Period amounting to approximately HK\$3.1 million, demonstrating an improvement of approximately HK\$14.0 million or 128.1% over the corresponding period in 2010. The Group made approximately HK\$66.7 million in revenue, an increase of approximately 9.1% against the corresponding period in 2010, gross profit for the Nine-Month Period amounted to approximately HK\$51.2 million, an increase of approximately HK\$15.8 million or 44.5% from the corresponding period in 2010. Gross margin stood at 76.7%, an increase of 18.8 percentage points from 57.9% of the corresponding period in 2010. All revenue was derived from provision of sports lottery management and marketing consultancy services and gaming technologies (game software, systems, hardware and terminals) business in the PRC.

Loss attributable to owners of the Company for the Nine-Month Period amounted to approximately HK\$31.2 million, an improvement of approximately HK\$12.1 million or 27.9% against the loss of approximately HK\$43.3 million in corresponding period in 2010. The decrease in loss of the Group was primarily attributable to (i) the increase in revenue (amounting to approximately HK\$66.7 million for the Nine-Month period when compared to approximately HK\$61.2 million for the corresponding period in 2010), and (ii) the decrease in share-based payment expense (amounting to approximately HK\$7.1 million for the Nine-Month Period when compared to approximately HK\$10.4 million for the corresponding period in 2010).

## 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 2011, 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 1)	2,033,328,000	54.94%
Mr. Robert Geoffrey Ryan	3,347,750	–	3,347,750	0.09%
Mr. Bai Jinmin	6,687,500	44,876,600 (Note 2)	51,564,100	1.39%
Mr. Liang Yu	3,343,750	–	3,343,750	0.09%
Ms. Yang Yang	414,375	–	414,375	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 & 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 30 September 2011
				As at 1 January 2011	Granted during the Nine-Month Period	Exercised during the Nine-Month Period	
Mr. Robert Geoffrey Ryan	9-10-2008	0.2198	9-10-2009 – 8-10-2013	10,031,250	-	-	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	10,031,250	-	(3,343,750)	6,687,500 (representing approximately 0.18% of the issued share capital of the Company)
Mr. Liang Yu	9-10-2008	0.2198	9-10-2009 – 8-10-2013	10,031,250	-	-	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	1,003,125	-	-	1,003,125 (representing approximately 0.027% 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 September 2011, 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 September 2011, 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:

Name of shareholder	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
MAXPROFIT GLOBAL INC	Beneficial owner <i>(Note)</i>	2,006,250,000	54.21%
TIG Advisors LLC	Investment manager	261,400,000	7.06%

*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 September 2011, 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 September 2011, 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 Nine-Month period, 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 results of the Group for the Nine-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 Nine-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 CEO should be separate and should not be performed by the same individual. The roles of chairman and CEO of the Company were performed by the executive Director, Mr. Sun Ho, during the Nine-Month Period. The Company considered that the combination of the roles of chairman and CEO 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 Nine-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 Nine-Month Period.

## **SHARE OPTION SCHEME**

During the Nine-Month Period, options carrying right to subscribe for 43,000,000 Shares were granted by the Company pursuant to its Share Option Scheme. During the Nine-Month Period, options for 22,668,125 Shares were exercised and options for 750,000 Shares were lapsed. As at 30 September 2011, there were options for 149,444,375 Shares remained outstanding.

The following table discloses details and movements of the Company's share options held by Directors, eligible employees and other eligible participants of the Group under the Share Option Scheme of the Company during the Nine-Month Period:

Name	Date of grant	Exercise price per Share HK\$	Exercisable period	Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30 September 2011
<b>Directors:</b>								
Mr. Robert Geoffrey Ryan	9 October 2008	0.2198	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 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 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 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
<b>Eligible employees and other eligible participants:</b>								
	9 October 2008	0.2198	9 October 2010 – 8 October 2011	29,046,875	-	(18,449,375)	-	10,597,500
			9 October 2011 – 8 October 2012	30,359,375	-	-	(375,000)	29,984,375
			9 October 2012 – 8 October 2013	30,359,375	-	-	(375,000)	29,984,375
	6 July 2010	0.3000	6 July 2011 – 5 July 2012	2,250,000	-	(875,000)	-	1,375,000
			6 July 2012 – 5 July 2013	2,250,000	-	-	-	2,250,000
			6 July 2013 – 5 July 2014	2,250,000	-	-	-	2,250,000
			6 July 2014 – 5 July 2015	2,250,000	-	-	-	2,250,000
	30 March 2011	0.3300	30 March 2012 – 29 March 2013	-	4,350,000	-	-	4,350,000
			30 March 2013 – 29 March 2014	-	4,350,000	-	-	4,350,000
			30 March 2014 – 29 March 2015	-	4,350,000	-	-	4,350,000
			30 March 2015 – 29 March 2016	-	4,350,000	-	-	4,350,000
	24 May 2011	0.4650	24 May 2012 – 23 May 2013	-	6,400,000	-	-	6,400,000
			24 May 2013 – 23 May 2014	-	6,400,000	-	-	6,400,000
			24 May 2014 – 23 May 2015	-	6,400,000	-	-	6,400,000
			24 May 2015 – 23 May 2016	-	6,400,000	-	-	6,400,000
<b>Total</b>				<b>129,862,500</b>	<b>43,000,000</b>	<b>(22,668,125)</b>	<b>(750,000)</b>	<b>149,444,375</b>
<b>Exercisable at the end of the period</b>				<b>39,412,500</b>				<b>18,994,375</b>
<b>Weighted average exercise price</b>				<b>HK\$0.2254</b>		<b>HK\$0.2229</b> <i>(Note)</i>		<b>HK\$0.2790</b>

**Note:**

The weighted average closing price of the Shares immediately before the date on which the options were exercised was HK\$0.3589.

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

During the Nine-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 & CEO*

Hong Kong, 10 November 2011

*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.*