



AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279



FIRST QUARTERLY REPORT 2012



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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 Three-Month Period amounted to approximately HK\$42.3 million, an increase of approximately HK\$22.9 million or 117.3% from the corresponding period in 2011. The substantial increase of total revenue of the Group was mainly attributable to the new subsidiary GOT upon its complete acquisition by the Group in December 2011. 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.
- Gross profit of the Group amounted to approximately HK\$25.2 million, an increase of approximately HK\$10.6 million or 73.2% over the corresponding period in 2011. This was mainly attributable to the contribution from the new subsidiary GOT.
- Profit from business operations of the Group amounted to approximately HK\$0.7 million for the Three-Month Period. This demonstrated a turnaround improvement of approximately HK\$3.1 million or 128.1% over approximately HK\$2.4 million loss from business operations of the Group of the corresponding period in 2011.
- Loss attributable to owners of the Company for the Three-Month Period amounted to approximately HK\$11.8 million, primarily due to the amortisation of other intangible assets (totalling approximately HK\$10.4 million for the Three-Month Period). Compared with the corresponding period in 2011, loss attributable to owners of the company showed a continuing improvement of approximately HK\$1.5 million or 11.1%.
- 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 31 March 2012 (the "Three-Month Period"), together with the comparative unaudited figures for the corresponding period in 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 March 2012

	Notes	Three months ended 31 March 2012 HK\$	2011 HK\$
Revenue	2	42,335,992	19,485,320
Cost of sales and services		(17,169,119)	(4,956,678)
Gross profit		25,166,873	14,528,642
Investment and other income		781,702	284,994
Selling and administrative expenses		(25,273,704)	(16,780,624)
Share of loss of an associate		–	(435,463)
Profit/(Loss) from business operations		674,871	(2,402,451)
Share-based payments		(1,141,547)	(2,661,755)
Net foreign exchange (loss)/gain		(549)	14,174
Amortisation of other intangible assets		(10,449,836)	(10,352,704)
Finance costs		(1,555,683)	–
Loss before tax		(12,472,744)	(15,402,736)
Income tax credit	3	1,494,126	691,239
Loss for the period		(10,978,618)	(14,711,497)
Loss attributable to:			
Owners of the Company		(11,797,631)	(13,272,712)
Non-controlling interests		819,013	(1,438,785)
		(10,978,618)	(14,711,497)
Loss per share			
Basic and diluted	4	HK0.307 cent	HK0.360 cent

	Three months ended 31 March	
	2012	2011
	HK\$	HK\$
Loss for the period	(10,978,618)	(14,711,497)
Other comprehensive income, net of income tax		
Translation differences on translating foreign operations	4,696,948	3,720,217
Total comprehensive income for the period, net of income tax	(6,281,670)	(10,991,280)
Total comprehensive income attributable to:		
Owners of the Company	(7,119,400)	(9,551,430)
Non-controlling interests	837,730	(1,439,850)
Total comprehensive income for the period	(6,281,670)	(10,991,280)

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 2011.

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 HKFRS”).

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

(2) REVENUE

Revenue represents the amounts received and receivable from 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.

(3) INCOME TAX CREDIT

Income tax for the Three-Month Period represents the net amount of deferred taxation credit of approximately HK\$2.6 million and PRC profits tax of approximately HK\$1.1 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 owners of the Company of HK\$11,797,631 (2011: HK\$13,272,712) and the weighted average number of 3,843,953,375 (2011: 3,685,246,611) shares in issue during the period.

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

(5) DIVIDEND

The Board does not recommend the payment of an interim dividend for the Three-Month Period (2011: nil).

(6) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share							Attributable to non-controlling		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 2012	7,687,907	1,174,554,927	132,388,040	5,999,326	158,026,661	47,191,476	(445,840,958)	1,080,007,379	601,341	1,080,608,720
Loss for the period	-	-	-	-	-	-	(11,797,631)	(11,797,631)	819,013	(10,978,618)
Other comprehensive income for the period	-	-	-	-	4,678,231	-	-	4,678,231	18,717	4,696,948
Total comprehensive income for the period	-	-	-	-	4,678,231	-	(11,797,631)	(7,119,400)	837,730	(6,281,670)
Recognitions of equity-settled share-based payments	-	-	4,188,612	-	-	-	-	4,188,612	-	4,188,612
Lapse of share options	-	-	(5,453,212)	-	-	-	2,406,141	(3,047,071)	-	(3,047,071)
Transfer from accumulated losses	-	-	-	697,743	-	-	(697,743)	-	-	-
Balance at 31 March 2012	7,687,907	1,174,554,927	131,123,440	6,697,069	162,704,892	47,191,476	(455,930,191)	1,074,029,520	1,439,071	1,075,468,591
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	-	-	-	-	-	-	(13,272,712)	(13,272,712)	(1,438,785)	(14,711,497)
Other comprehensive income for the period	-	-	-	-	3,721,282	-	-	3,721,282	(1,065)	3,720,217
Total comprehensive income for the period	-	-	-	-	3,721,282	-	(13,272,712)	(9,551,430)	(1,439,850)	(10,991,280)
Recognitions of equity-settled share-based payments	-	-	2,661,755	-	-	-	-	2,661,755	-	2,661,755
Shares issued on exercise of parts of share options	19,500	13,006,111	(10,882,561)	-	-	-	-	2,143,050	-	2,143,050
Balance at 31 March 2011	7,375,821	1,089,608,515	179,972,518	3,134,905	129,402,314	47,191,476	(422,179,759)	1,034,505,790	1,484,788	1,035,990,578

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) as well as the largest sports lottery terminal and system provider in the PRC. Leveraging on its advanced research and development capabilities and cooperation with top international and domestic lottery and gaming enterprises, the Group is committed to becoming a leading lottery technology group.

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

As of today, the Group has a team of over 300 professionals and the footprints of its sports lottery business cover 80% of provinces and municipalities across China. It is a member of the World Lottery Association (WLA) and the Asia Pacific Lottery Association (APLA).

Industry Overview

According to the information published by the Ministry of Finance of the PRC, in the first quarter of 2012, the PRC lottery market has continued its rapid growth with lottery sales reached RMB60.3 billion, an increase of approximately 30.1% against the corresponding period in 2011. Among which, sports lottery amounted to approximately RMB25.0 billion (accounted for 41.5% of total lottery sales), an increase of approximately 30.2% against the corresponding period in 2011, while welfare lottery amounted to approximately RMB35.3 billion (accounted for 58.5% of total lottery sales), an increase of approximately 30.0% against the corresponding period in 2011.

At the beginning of this year, upon the approval of the State Council, principals from the Ministry of Finance, the Ministry of Civil Affairs and the General Administration of Sport of China have signed an order to release the “Implementing Rules for the Regulations on the Administration of Lotteries” (the “Rules”), which has come into force on 1 March 2012. Not only does the release of the Rules confirm the determination of the central government to crack down on illegal lotteries, but it also indicates that the Chinese government will start to deal with the issuance of licenses for online and mobile lottery distribution. The Directors believe that it will bring great business opportunities for the Group to further expand its business to more innovative lottery games and distribution channels in the future.

In respect of the sales performance of different sports lottery games during the period under review, high frequency games and Jing Cai (競彩) were the key growing focus. In addition, the increase of prize payout ratio in certain provinces, adoption of new game rules, the increase of points of sales, as well as increased marketing efforts, all contributed to the robust growth of the PRC sports lottery market. Coupled with the government’s initiative to facilitate lottery industry development, it is expected that China’s lottery sales will continue to have explosive growth and maintain its rank as the most rapid growing market in the world.

Business Review

For the Three-Month Period, the Group achieved outstanding performance in total revenue, gross profit and profit from business operations showing significant improvements. Given that the Group achieved certain important milestones in year 2011 by launching the first legitimate rapid-draw virtual sports lottery platform and its initial game, named “Lucky Racing” (“幸運賽車”), and completing the acquisitions of 北京亞博高騰科技有限公司 (Beijing AGTech GOT Technology Co., Ltd.*) (“GOT”) and 深圳市銀溪數碼技術有限公司 (Shenzhen Silvercreek Digital Technology Co., Ltd.*) (“Silvercreek”), the Group has successfully completed the puzzle in China and brought together international and domestic industry expertise, technologies, management, skills and infrastructures. It is expected that such sustainable and profitable growth path will continue and bring better returns to the shareholders as a whole.

* For identification purpose only

Gaming Technologies Business

Virtual Sports Betting

During the period under review, the virtual sports betting game “Lucky Racing” (“幸運賽車”) has exceeded RMB260 million in total sales. The game has been rolled out to about 1,700 lottery shops (of which over 1,400 shops are fully operational) in Hunan province.

Sales performance of the game is satisfactory and highly recognised by the Chinese authorities. With enormous interest from players on this form of virtual betting (simulated rapid racing), the Group has been in active discussion with several provinces to seek the opportunities to launch the system and game to more provinces or cities. During the period under review, the game was successfully launched in traditional dedicated sports lottery shops and leisure venues (such as coffee shops and restaurants). 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).

“Lucky Racing” (“幸運賽車”) and the underlying betting transaction system are 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 virtual 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. 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.

Virtual sports betting is 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.

Gaming Hardware and Technology Development

Upon completion of acquisition of GOT in December 2011, GOT has 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 this 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’s sports lottery and commercial information products fields, and was appraised 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 Directors believe 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 development 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 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 are amongst the world’s gaming and wagering industry giants in their respective fields.

Lottery Management Business

The Group's lottery management business has maintained a stable growth with revenue and profit margins improved steadily. These lottery management services compose 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.

Through years of remarkable services and proactive participation, the Group has improved its operational efficiency and effectiveness and built up solid delivery infrastructure: talent skills, management expertise, provincial offices etc. and is well-equipped to execute large multi-disciplinary/diverse projects for the lottery authorities in the PRC. It helped the Group strengthen its leading position as a reliable supplier of quality lottery products and services in the PRC's sports lottery market.

Online and Phone Lottery Distribution Business

Following the completion of acquisition of Silvercreek in December 2011, the Group continued to pay attention to policy development with respect to the government approval of lottery sales via internet and phone. As Silvercreek is one of the most competitive phone and mobile lottery service providers in China which provides lottery organisations with comprehensive phone and mobile betting solutions, the Board believes that the acquisition helped the Group strengthen its technology development capability, team expertise and project operation experience in phone lottery field, thereby being well equipped to react promptly when opportunities arise. Currently, AGTech is qualified to apply for the related licenses and is well positioned to capture such huge market opportunities.

Business Outlook

With continued improvement in revenue performance, the Directors are optimistic on the business outlook and excited about the growth opportunities they see ahead. The Board believes that, in the upcoming quarters of this year, there will have rapid business growth for the Group. First of all, following the successful launch of "Lucky Racing" ("幸運賽車") virtual sports betting in Hunan province, the Group expects a further rollout of the game to more provinces across China and through other more innovative distribution channels. Secondly, the Group will continue to seek the opportunities to develop and introduce more exciting

new games and contents to the Chinese sports lottery market. Thirdly, the Group has been eyeing on the prospective online and mobile lottery distribution business and is well equipped to react quickly in response to any new development of government policies. Furthermore, the Group will endeavor to expand the existing sales networks of GOT by utilising its strong overseas lottery and gaming networks. Coupled with continuing revenue growth driven by existing lottery business and the synergistic benefits brought about by new lottery projects, the business outlook of the Group remains positive for this year.

Following the implementation of the “Rules” on 1 March 2012, the Directors believe that the Chinese government will start to deal with the issuance of licenses for online and mobile lottery distribution. As a prudent lottery group which has been providing legitimate lottery products and services in compliance with the regulations and rules of the Chinese government, the Group is in a very good position to cope with this regulatory change. The Directors believe that it will bring great business opportunities for the Group to further expand its business to more innovative lottery games and distribution channels in the future.

Looking ahead, the Group will continue to explore new business opportunities and forge more strategic business alliances, with a view to increasing its market share and ultimately maximizing returns for shareholders. The Board strongly believes that the Group’s solid business foundation, its customer and government relationships as well as its international gaming partnerships, the Group is well positioned to reach new height when market opportunities emerge in the rapidly growing sports lottery industry.

Financial Performance Review

For the Three-Month Period, the Group made approximately HK\$42.3 million in revenue, an increase of approximately HK\$22.9 million or 117.3% against the corresponding period in 2011. Gross profit for the Three-Month Period amounted to approximately HK\$25.2 million, an increase of approximately HK\$10.6 million or 73.2% against the corresponding period in 2011. The substantial increase of total revenue and gross profit of the Group was mainly attributable to the new subsidiary GOT upon its complete acquisition by the Group in December 2011. All the 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.

Profit from business operations amounted to approximately HK\$0.7 million for the Three-Month Period. This demonstrated a turnaround improvement of approximately HK\$3.1 million or 128.1% against the loss from business operations of the Group of approximately HK\$2.4 million of the corresponding period in 2011.

The Group's selling and administrative expenses for the Three-Month Period was approximately HK\$25.3 million representing an increase of approximately HK\$8.5 million or 50.6% against the corresponding period in 2011. The increase was mainly due to general increase in staff cost in the PRC and the additional operating expenses from the new subsidiaries, GOT and Silvercreek.

Loss attributable to owners of the Company for the Three-Month Period amounted to approximately HK\$11.8 million primarily due to the amortisation of other intangible assets (totalling approximately HK\$10.4 million for the Three-Month Period). It showed a continuing improvement of approximately HK\$1.5 million or 11.1% against the loss of approximately HK\$13.3 million of the corresponding period in 2011.

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 31 March 2012, 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	52.90%
Mr. Robert Geoffrey Ryan	3,347,750	–	3,347,750	0.09%
Mr. Bai Jinmin	6,687,500	44,876,600 <i>(Note 2)</i>	51,564,100	1.34%
Mr. Liang Yu	6,187,500	–	6,187,500	0.16%
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:

1. These 2,006,250,000 Shares were held in the name of MAXPROFIT GLOBAL INC. As MAXPROFIT GLOBAL INC is beneficially and wholly-owned by Mr. Sun Ho, an executive Director, 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 31 March 2012	Approximate percentage of issued share capital of the Company
				As at 1 January 2012	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	6,687,500	-	-	6,687,500	0.17%
	21-12-2011	0.2900	21-12-2012 – 20-12-2016	21,264,000	-	-	21,264,000	0.55%
Mr. Bai Jinmin	9-10-2008	0.2198	9-10-2009 – 8-10-2013	6,687,500	-	-	6,687,500	0.17%
	21-12-2011	0.2900	21-12-2012 – 20-12-2016	21,264,000	-	-	21,264,000	0.55%
Mr. Liang Yu	9-10-2008	0.2198	9-10-2009 – 8-10-2013	6,687,500	-	-	6,687,500	0.17%
	21-12-2011	0.2900	21-12-2012 – 20-12-2016	21,264,000	-	-	21,264,000	0.55%
Ms. Yang Yang	9-10-2008	0.2198	9-10-2009 – 8-10-2013	668,750	-	-	668,750	0.017%
	21-12-2011	0.2900	21-12-2012 – 20-12-2016	2,000,000	-	-	2,000,000	0.052%
Mr. Wang Ronghua	21-12-2011	0.2900	21-12-2012 – 20-12-2016	2,000,000	-	-	2,000,000	0.052%
Mr. Hua Fengmao	21-12-2011	0.2900	21-12-2012 – 20-12-2016	2,000,000	-	-	2,000,000	0.052%
Mr. Kwok Wing Leung Andy	21-12-2011	0.2900	21-12-2012 – 20-12-2016	2,000,000	-	-	2,000,000	0.052%

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 31 March 2012, 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 31 March 2012, 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	52.19%
TIG ADVISORS LLC	Investment manager	261,400,000	6.80%

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 31 March 2012, 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 31 March 2012, 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 Three-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 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 Three-Month Period, the Company has adopted the code provisions and certain recommended best practices in the Corporate Governance Code and Corporate Governance Report 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 Three-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 Three-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.

Corporate Governance Committee

The corporate governance committee was established on 23 March 2012 with written terms of reference. The corporate governance committee is to assist the Board in performing the corporate governance duties as required under the Corporate Governance Code and Corporate Governance Report set out in Appendix 15 to the GEM Listing Rules. The committee is also provided with sufficient resources enabling it to perform its duties. The corporate governance committee comprises two persons, namely, the Chairman Mr. Sun Ho and the Company Secretary Mr. Wong Wai Sing.

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 & CEO

Hong Kong, 9 May 2012

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.

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