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AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279

First Quarterly Report 2011



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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\$19.5 million, an increase of approximately HK\$1.1 million or 6.1% from the corresponding period in 2010. All revenue was derived from provision of sports lottery management and marketing consultancy services, supply of sports lottery sales terminals (and accessories) and sports and media business in the PRC.
- The Group recorded a loss from business operations of approximately HK\$2.4 million, demonstrating an improvement of approximately HK\$4.4 million or 64.7% over the corresponding period in 2010. Gross margin stood at 74.6%, an increase of 19.4% from 55.2% of the corresponding period in 2010. This was mainly due to the material reduction in direct marketing expenses in the Three-Month Period.
- Loss attributable to owners of the Company for the Three-Month Period amounted to approximately HK\$13.3 million, primarily due to (i) the share-based payment expense (totalling approximately HK\$2.7 million for the Three-Month Period) as a result of the adoption of Hong Kong Financial Reporting Standard 2 *Share-based Payment* for share options of the Company granted to Directors, 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\$10.4 million for the Three-Month Period).
- 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 2011 (the “Three-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 months ended 31 March 2011

		Three months ended	
		31 March	
	Notes	2011	2010
		HK\$	HK\$
Revenue	2	19,485,320	18,359,293
Cost of sales and services		(4,956,678)	(8,226,110)
Gross profit		14,528,642	10,133,183
Investment and other income		284,994	192,881
Selling and administrative expenses		(16,780,624)	(17,132,099)
Share of loss of an associate		(435,463)	–
Loss from business operations		(2,402,451)	(6,806,035)
Share-based payments		(2,661,755)	(6,417,234)
Net foreign exchange gain/(loss)		14,174	(12,646)
Amortisation of other intangible assets		(10,352,704)	(9,840,776)
Loss before tax		(15,402,736)	(23,076,691)
Income tax	3	691,239	1,363,944
Loss for the period		(14,711,497)	(21,712,747)
Loss attributable to:			
Owners of the Company		(13,272,712)	(20,588,502)
Non-controlling interests		(1,438,785)	(1,124,245)
		(14,711,497)	(21,712,747)
Loss per share			
Basic and diluted	4	HK0.360 cent	HK0.574 cent



	Three months ended	
	31 March	
	2011	2010
	HK\$	HK\$
Loss for the period	(14,711,497)	(21,712,747)
Other comprehensive income, net of income tax		
Exchange differences on translating foreign operations	3,720,217	1,984,208
Total comprehensive income for the period, net of income tax	(10,991,280)	(19,728,539)
Total comprehensive income attributable to:		
Owners of the Company	(9,551,430)	(18,605,654)
Non-controlling interests	(1,439,850)	(1,122,885)
Total comprehensive income for the period	(10,991,280)	(19,728,539)

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, supply of sports lottery sales terminals (and accessories) and sports and media business in the People’s Republic of China (“China” or the “PRC”) during the Three-Month Period.

(3) INCOME TAX

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\$1.9 million.

(4) LOSS PER SHARE

The calculation of basic and diluted loss per share for the Three-Month Period is based on the unaudited loss attributable to owners of the Company of HK\$13,272,712 (2010: HK\$20,588,502) and the weighted average number of 3,685,246,611 (2010: 3,584,584,306) shares in issue during the period.

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

(5) DIVIDEND

The Board does not recommend the payment of an interim dividend for the Three-Month Period (2010: nil).

(6) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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	-	-	-	-	-	-	(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)	(1,438,850)	(10,991,280)	
Recognitions of equity-settled share-based payments	-	-	2,661,755	-	-	-	-	2,661,755	-	2,661,755	
Shares issued on exercises 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	
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	-	-	-	-	-	-	(20,588,502)	(20,588,502)	(1,124,245)	(21,712,747)	
Other comprehensive income for the period	-	-	-	-	1,982,848	-	-	1,982,848	1,360	1,984,208	
Total comprehensive income for the period	-	-	-	-	1,982,848	-	(20,588,502)	(18,605,654)	(1,122,885)	(19,728,539)	
Recognitions of equity-settled share-based payments	-	-	6,417,234	-	-	-	-	6,417,234	-	6,417,234	
Shares issued on exercises of parts of share options	13,375	9,277,520	(7,820,983)	-	-	-	-	1,469,912	-	1,469,912	
Balance at 31 March 2010	7,177,045	1,008,827,086	236,246,575	1,157,470	91,109,642	47,191,476	(399,945,239)	991,764,055	1,936,994	993,701,049	

MANAGEMENT DISCUSSION AND ANALYSIS

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 industry players, the Group is committed to become a leading lottery technology group. Upon completion of the complete acquisition of 北京長城高騰信息產品有限公司 (Beijing Greatwall GOT information Products Co., Ltd.*) ("GOT") as announced by the Company on 29 March 2011, 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.

Given a new rapid-draw fixed-odds sports lottery system and game to be launched in the first half of 2011 by the Group and its operation will be expanded into virtual sports betting and new development of online and phone lottery distribution business, coupled with the expected continuing revenue growth driven by existing lottery management business, it is expected that the Group will maintain such sustainable and profitable growth path and bring better returns to the shareholders as a whole.

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 municipality across China.

Industry Overview

In the first quarter of 2011, the PRC sports lottery market has continued its rapid growth with lottery sales over RMB19.1 billion, an increase of approximately 32.9% against the corresponding period in 2010 (Source: Ministry of Finance of the PRC). 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.



During the period under review, sports betting was the key growing focus with quarterly sales reaching approximately RMB5.1 billion (representing a year-on-year growth of 1.4 times). Among which, new single match betting amounted to approximately RMB2.9 billion (representing a year-on-year growth of 6.5 times). Such figures signify that sports betting (including real and virtual sports betting) will become a more and more important sports lottery product in the future. Coupled with the introduction of new rapid-draw lottery games, the opening up of online and phone lottery distribution and the promulgation of the first lottery regulations, it is expected that China's sports lottery industry will enter into a new era with introduction of new games, systems, equipment and terminals, as well as distribution channels. In particular, real and virtual sports betting products, paperless scratch products, phone and online lottery distribution will become key areas for industry development. As an established leading player with state-of-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 a stable growth with revenue and profit margin improving steadily. In addition, the enhancement in operational efficiency and effectiveness has helped the Group strengthen its leading position as a reliable supplier of quality lottery products and services in the PRC sports lottery market. 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. The Board believes that the services and corresponding infrastructure and experience built and developed over time in the field necessary to perform the services have created a seasoned backbone of management and talent skill. Thriving on the sophisticated experience and insight of the needs and operations of the market accumulated through years of proactive participation, the Group is apt to win and be ready to execute large multi-disciplinary/diverse projects for the lottery authorities in the PRC.

Gaming Technologies Business

Virtual Fixed-Odds Sports Betting

After months of efforts, the Group has made significant progress in preparing for the launch of a new rapid-draw fixed-odds sports lottery platform and its first game, named “Lucky Racing” (“幸運賽車”). This virtual sports betting system and game was operated by the Group’s majority-owned joint venture with Ladbroke Group (a world-leader in betting and gaming markets, based in the United Kingdom). It is expected that the Group will first launch the rapid-draw fixed-odds betting platform and Lucky Racing in Hunan province (the trial province) in the second quarter of year 2011.

By introducing the first legitimate rapid-draw sports lottery platform and game in China approved by the lottery industry regulator (the Ministry of Finance of the PRC) pursuant to the new lottery regulations, the Group becomes the first international provider to supply a world-class nationwide rapid-draw fixed-odds sports lottery central betting system and associated game in China. Currently, the sports betting platform has been successfully built and deployed in the sports lottery central data centre and both the betting platform and the initial game software have been tested and certified by a third party testing authority authorised by the Ministry of Finance of the PRC. Meanwhile, the relevant lottery authorities are eagerly paving the way for live launch of the game by preparing appropriate venues (lottery shops and leisure venues), marketing campaigns and other necessary logistics.

Apart from being able to be played within existing dedicated sports lottery shops and leisure venues, Lucky Racing and similar games to be launched on the betting platform are highly suited as potential lottery games for the quickly expanding PRC internet and phone distribution channels. The Board believes that such new forms of lottery games and distribution channels can have extensive reach and can obtain additional important benefit of being able to access the rapidly growing demographic segment of middle to high-income players in the PRC. Arguably, this higher leisure spend enabled demographic segment has not adequately been penetrated by the existing legitimate market product and distribution channels. The Board believes that the Group’s newly approved betting system and game are designed for and are highly appropriate not only for the existing distribution market but also the higher yield per player markets and advanced distribution methods. These new solutions are expected to become a key potential growth driver for the Group and the PRC sports lottery market.



Gaming Hardware and Technology Development

On 29 March 2011, the Group announced the acquisition of the remaining 65% equity interest of 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 in this year, eventually helping to maximize shareholders' returns.

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 appraised by General Administration of Sport of China as the "Outstanding Company Contributing to Sports Lottery". Based on the various competitive advantages possesses 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.

Online and Phone Lottery Distribution Business

As a leading sports lottery enterprise in China, the Group had been paying attention to the policy development with respect to the government approval of lottery sales via internet and phone and made corresponding strategic plans. In the coming future, the Group will continuously make good use of the existing resources and its competitive advantages to seek for investment opportunities to further develop the related business, thus creating new earnings growth for the shareholders and consolidating the leading position of the Group in the industry.

Business Outlook

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. The future lottery development in China will incline to the development of online and mobile betting business and the development will concentrate on betting games including real and virtual sports games and electronic scratch tickets. The Group considers that the growth momentum will be sustained well into the future and will continue to serve as a reliable provider of professional lottery products and services in the PRC lottery market to capitalise on the trend. Meanwhile, the Group will accelerate to seek the opportunities to carry out horizontal and vertical expansions 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.

The Directors are optimistic about the business outlook and excited about the growth opportunities they see ahead. The Board strongly believes that the Group's solid business foundation, its customer and government relationships as well as its international gaming partnerships, and the advanced products and technological advantages of the Group will help it capture new potential opportunities and consolidate its leading position in the industry so as to maximise returns to the shareholders.

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. Towards these ends, the Group will also continuously place great emphasis on maintaining close ties with major business partners.

Financial Performance Review

For the Three-Month Period, the Group made approximately HK\$19.5 million in revenue, an increase of approximately 6.1% against the corresponding period in 2010, gross profit for the Three-Month Period amounted to approximately HK\$14.5 million, an increase of approximately HK\$4.4 million or 43.4% against the corresponding period in 2010. Gross margin stood at 74.6%, an increase of 19.4% from 55.2% of the corresponding period in 2010. This was mainly due to the material reduction in direct marketing expenses in the Three-Month Period. All revenue was derived from provision of sports lottery management and marketing consultancy services, supply of sports lottery sales terminals (and accessories) and sports and media business in the PRC.

Loss from business operations amounted to approximately HK\$2.4 million, demonstrating an improvement of approximately HK\$4.4 million or 64.7% over the corresponding period in 2010. Loss attributable to owners of the Company for the Three-Month Period amounted to approximately HK\$13.3 million, an improvement of approximately HK\$7.3 million or 35.5% against the loss of approximately HK\$20.6 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\$19.5 million for the Three-Month Period when compared to approximately HK\$18.4 million for the corresponding period in 2010), and (ii) the decrease in share-based payment expense (amounting to approximately HK\$2.7 million for the Three-Month Period when compared to approximately HK\$6.4 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 31 March 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	55.13%
Mr. Robert Geoffrey Ryan	3,347,750	–	3,347,750	0.09%
Mr. Bai Jinmin	3,343,750	44,876,600 (Note 2)	48,220,350	1.31%
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, chairman & chief executive officer 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 31 March 2011
				As at 1 January 2011	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	10,031,250	-	-	10,031,250 (representing approximately 0.27% of the issued share capital of the Company) (Note)
Mr. Bai Jinmin	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) (Note)
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) (Note)
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)

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 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 31 March 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 (Note)	2,006,250,000	54.40%
TIG ADVISORS LLC	Investment manager	224,643,000	6.09%

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 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 31 March 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 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 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 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 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. However, pursuant to the bye-laws of the Company, the chairman of the Board shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. 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.

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 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.

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.