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AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279

Interim 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

- The Group showed a turnaround for the Six-Month Period by making profit from business operations amounted to approximately HK\$0.3 million, demonstrating an improvement of approximately HK\$8.2 million or 103.4% over the corresponding period in 2010. Gross margin stood at 76.6%, an increase of 18.9 percentage points from 57.7% of the corresponding period in 2010.
- Total revenue of the Group for the Six-Month Period amounted to approximately HK\$43.6 million, an increase of approximately HK\$3.6 million or 9.0% 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.
- Loss attributable to owners of the Company for the Six-Month Period amounted to approximately HK\$23.6 million, primarily due to (i) the share-based payment expense (totalling approximately HK\$5.3 million for the Six-Month Period) as a result of the adoption of Hong Kong Financial Reporting Standard 2 *Share-based Payment* for share options of the Company granted to Directors, eligible employees and other eligible participants under the Share Option Scheme of the Company; and (ii) the amortisation of other intangible assets (totalling approximately HK\$21.0 million for the Six-Month Period). Compared with the corresponding period in 2010, loss attributable to owners of the Company shows an improvement of approximately HK\$11.5 million or 32.8%.
- The Board does not recommend the payment of an interim dividend for the Six-Month Period.

INTERIM RESULTS

The board of directors (the “Board”) of AGTech Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 30 June 2011 (the “Three-Month Period”) and the six months ended 30 June 2011 (the “Six-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 Six-Month Period

	Notes	Three months ended 30 June		Six months ended 30 June	
		2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Revenue	2	24,136,320	21,663,889	43,621,640	40,023,182
Cost of sales and services		(5,243,786)	(8,694,128)	(10,200,464)	(16,920,238)
Gross profit		18,892,534	12,969,761	33,421,176	23,102,944
Investment and other income		250,721	851,919	535,715	1,044,800
Selling and administrative expenses		(16,009,709)	(16,523,023)	(32,790,333)	(33,655,122)
Finance cost		(700,467)	–	(700,467)	–
Share of profit/(loss) of an associate		240,885	1,585,974	(194,578)	1,585,974
Profit/(loss) from business operations		2,673,964	(1,115,369)	271,513	(7,921,404)
Share-based payments		(2,631,688)	(6,114,560)	(5,293,443)	(12,531,794)
Net foreign exchange loss		(35,490)	(315,047)	(21,316)	(327,693)
Amortisation of other intangible assets		(10,630,548)	(9,926,513)	(20,983,252)	(19,767,289)
Loss before tax		(10,623,762)	(17,471,489)	(26,026,498)	(40,548,180)
Income tax	3	(1,084,929)	2,017,132	(393,690)	3,381,076
Loss for the period	4	(11,708,691)	(15,454,357)	(26,420,188)	(37,167,104)
Loss attributable to:					
Owners of the Company		(10,372,878)	(14,594,990)	(23,645,590)	(35,183,492)
Non-controlling interests		(1,335,813)	(859,367)	(2,774,598)	(1,983,612)
		(11,708,691)	(15,454,357)	(26,420,188)	(37,167,104)
Loss per share					
Basic and diluted	5	HK 0.281 cent	HK 0.402 cent	HK 0.641 cent	HK 0.975 cent

	Three months ended		Six months ended	
	30 June		30 June	
	2011	2010	2011	2010
	HK\$	HK\$	HK\$	HK\$
Loss for the period	(11,708,691)	(15,454,357)	(26,420,188)	(37,167,104)
Other comprehensive income, net of income tax				
Exchange differences on translating foreign operations	17,802,809	7,420,564	21,523,026	9,404,772
Total comprehensive income for the period	6,094,118	(8,033,793)	(4,897,162)	(27,762,332)
Total comprehensive income attributable to:				
Owners of the Company	7,386,741	(7,180,057)	(2,164,689)	(25,785,711)
Non-controlling interests	(1,292,623)	(853,736)	(2,732,473)	(1,976,621)
Total comprehensive income for the period	6,094,118	(8,033,793)	(4,897,162)	(27,762,332)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	Unaudited As at 30 June 2011 HK\$	Audited As at 31 December 2010 HK\$
Non-current assets			
Property, plant and equipment		12,790,110	15,474,499
Goodwill		702,143,324	688,498,150
Other intangible assets		43,035,232	62,864,771
Interest in an associate		52,857,102	52,124,417
Deposits and prepayments		29,088,764	33,358,991
Other assets		1,709,822	1,676,594
		841,624,354	853,997,422
Current assets			
Trade receivables	7	39,957,480	37,595,399
Other receivables, deposits and prepayments		85,420,241	54,741,888
Bank balances and cash		163,349,220	140,867,489
		288,726,941	233,204,776
Current liabilities			
Trade payables	8	619,144	6,444,817
Accruals and other payables		13,489,063	20,011,359
Amount due to an associate		–	1,285,310
Current tax liabilities		3,196,658	2,560,234
Secured bank borrowing	9	60,205,000	–
		77,509,865	30,301,720
Net current assets		211,217,076	202,903,056
Total assets less current liabilities		1,052,841,430	1,056,900,478
Non-current liabilities			
Deferred tax liabilities		9,811,826	14,723,425
Net assets		1,043,029,604	1,042,177,053
Capital and reserves			
Share capital		7,380,289	7,356,321
Reserves		1,035,457,150	1,031,896,094
Equity attributable to owners of the Company		1,042,837,439	1,039,252,415
Non-controlling interests		192,165	2,924,638
Total equity		1,043,029,604	1,042,177,053

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the Six-Month Period

	Attributable to owners of the Company							Attributable to non-controlling interests		Total HK\$
	Share capital HK\$	Share premium HK\$	Share options reserve HK\$	Statutory reserve HK\$	Exchange reserve HK\$	Contributed surplus HK\$	Accumulated losses HK\$	Subtotal 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	-	-	-	-	-	-	(23,645,590)	(23,645,590)	(2,774,598)	(26,420,188)
Other comprehensive income for the period	-	-	-	-	21,480,901	-	-	21,480,901	42,125	21,523,026
Total comprehensive income for the period	-	-	-	-	21,480,901	-	(23,645,590)	(2,164,689)	(2,732,473)	(4,897,162)
Recognitions of equity-settled share-based payments	-	-	5,971,842	-	-	-	-	5,971,842	-	5,971,842
Shares issued on exercise of part of share options	23,968	17,417,433	(14,807,237)	-	-	-	-	2,634,164	-	2,634,164
Lapse of share options	-	-	(678,399)	-	-	-	-	(678,399)	-	(678,399)
Transfer to accumulated losses	-	-	-	(567,672)	-	-	(1,610,222)	(2,177,894)	-	(2,177,894)
Balance at 30 June 2011	7,380,289	1,094,019,837	178,679,530	2,567,233	147,161,933	47,191,476	(434,162,859)	1,042,837,439	192,165	1,043,029,604
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	-	-	-	-	-	-	(35,183,492)	(35,183,492)	(1,983,612)	(37,167,104)
Other comprehensive income for the period	-	-	-	-	9,397,781	-	-	9,397,781	6,991	9,404,772
Total comprehensive income for the period	-	-	-	-	9,397,781	-	(35,183,492)	(25,785,711)	(1,976,621)	(27,762,332)
Recognitions of equity-settled share-based payments	-	-	12,864,971	-	-	-	-	12,864,971	-	12,864,971
Shares issued on exercise of part of share options	21,188	15,703,216	(13,395,897)	-	-	-	-	2,328,507	-	2,328,507
Lapse of share options	-	-	(807,179)	-	-	-	474,003	(333,176)	-	(333,176)
Shares issued on acquisition of a subsidiary	115,788	23,331,282	-	-	-	-	-	23,447,070	-	23,447,070
Transfer to accumulated losses	-	-	-	(161,409)	-	-	(1,217,202)	(1,378,611)	-	(1,378,611)
Balance at 30 June 2010	7,300,646	1,038,584,064	236,312,219	996,061	98,524,575	47,191,476	(415,283,428)	1,013,625,613	1,083,258	1,014,708,871

CONDENSED CONSOLIDATED CASHFLOW (UNAUDITED)*For the Six-Month Period*

	Six months ended	
	30 June	
	2011	2010
	HK\$	HK\$
Net cash used in operating activities	(3,578,925)	(3,052,947)
Net cash used in investing activities	(38,940,936)	(14,961,615)
Net cash from financing activities	62,674,166	2,328,506
Net increase/(decrease) in cash and cash equivalents	20,154,305	(15,686,056)
Cash and cash equivalents at the beginning of the period	140,867,489	141,520,650
Effect of foreign exchange rate changes	2,327,426	4,924,995
Cash and cash equivalents at the end of the period	163,349,220	130,759,589
Analysis of balances of cash and cash equivalents		
Bank balances and cash	163,349,220	130,759,589

*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 AND SEGMENT INFORMATION

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 (“Lottery business”) in the People’s Republic of China (“China” or the “PRC”) during the Three-Month Period and the Six-Month Period. The Group’s revenue and assets were mainly derived from and related to the Lottery business in the PRC while other segments were immaterial. Hence, no business and geographical segment information is presented.

Three months ended		Six months ended	
30 June		30 June	
2011	2010	2011	2010
(unaudited)	(unaudited)	(unaudited)	(unaudited)
HK\$	HK\$	HK\$	HK\$

Revenue in respect of provision of				
Lottery business services to				
China Sports Lottery Administration				
Centres and authorised operators				
of the sports lottery in the PRC	24,136,320	21,663,889	43,621,640	40,023,182

(3) INCOME TAX

Income tax for the Six-Month Period represents the net amount of deferred taxation credit of approximately HK\$5.2 million and PRC profits tax of approximately HK\$5.6 million.

(4) LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging/(crediting):

	Three months ended		Six months ended	
	30 June		30 June	
	2011	2010	2011	2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$	HK\$	HK\$	HK\$
Share-based payment	2,631,688	6,114,560	5,293,443	12,531,794
Amortisation of other intangible assets	10,630,548	9,926,513	20,983,252	19,767,289
Depreciation of property, plant and equipment	1,558,124	1,900,768	3,235,273	3,794,693
Bank interest income	(250,713)	(836,105)	(535,707)	(1,028,986)
Finance cost	700,467	–	700,467	–
Operating lease rentals in respect of rented premises	1,280,851	1,294,204	2,475,774	2,588,988
Staff cost (including Directors' remunerations)	7,590,792	6,621,886	15,134,857	14,668,086

(5) LOSS PER SHARE

The calculation of basic and diluted loss per share for the Three-Month Period and the Six-Month Period is based on the unaudited loss attributable to owners of the Company of HK\$10,372,878 and HK\$23,645,590 respectively (for the three months and six months ended 30 June 2010: net loss of HK\$14,594,990 and HK\$35,183,492 respectively), and the weighted average number of 3,688,664,621 and 3,686,965,058 ordinary shares in issue during the Three-Month Period and the Six-Month Period respectively (for the three months and six months ended 30 June 2010: weighted average number of 3,629,244,102 and 3,607,037,573 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.

(6) DIVIDEND

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

(7) TRADE RECEIVABLES

As at 30 June 2011, the aged analysis of the Group's trade receivables is as follows:

	As at 30 June 2011 HK\$	As at 31 December 2010 HK\$
0 to 30 days	19,367,406	32,879,123
31 to 60 days	4,998,709	3,830,844
61 to 90 days	4,619,440	614,986
91 to 120 days	2,944,608	270,446
121 to 365 days	8,027,317	–
	39,957,480	37,595,399

(8) TRADE PAYABLES

As at 30 June 2011, the aged analysis of the Group's trade payables is as follows:

	As at 30 June 2011 HK\$	As at 31 December 2010 HK\$
0 to 30 days	–	6,444,817
121 to 365 days	619,144	–
	619,144	6,444,817

(9) SECURED BANK BORROWING

During the six months ended 30 June 2011, the Group obtained a new bank loan of RMB50.0 million (equivalent to approximately HK\$60.2 million), which is secured by pledge of the Group's bank deposits, 35% equity interest in Beijing Greatwall GOT Information Products Co., Ltd. ("GOT") and prospective subsidiary's property, plant and equipment, carries at a fixed interest rate of 10% per annum and is repayable within twelve months from the end of the reporting period. The proceeds are used to finance the acquisition of the remaining 65% equity interest in GOT.

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 industry players, the Group is committed to become a leading lottery and gaming 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"), 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 municipality across China.

Industry Overview

In the first half of 2011, the PRC lottery market has continued its rapid growth with lottery sales exceeded RMB100 billion, an increase of over 30% against the corresponding period in 2010. Among which, sports lottery amounted to approximately RMB42 billion and accounted for 42% of total lottery sales, while welfare lottery amounted to RMB59 billion and accounted for 58% of total lottery sales. 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.

* For identification purpose only



During the period under review, sports betting continued to be the key growing focus with interim sales over RMB10 billion (representing a year-on-year growth of 82%), accounting for approximately 24% of total sports lottery sales. Among which, the new single match betting amounted to approximately RMB6 billion (representing a year-on-year growth over 3 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. 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 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, our "Lucky Racing" game ("幸運賽車"), which is the first legitimate rapid-draw (high-frequency) fixed-odds sports lottery platform and game in the PRC, has been successfully launched for sales to the public in Hunan province in June 2011. 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).


During the initial launch period, the Board is very pleased to see that the game achieved outstanding sales performance and most lottery players represented that they enjoyed the game and treated it as a happy shared pastime with friends. The new game introduces a new form of social gaming product to the PRC lottery public. With more exciting and entertaining game features, higher prize return ratio and higher drawing frequency, we believe that this game could better attract the burgeoning middle to high-income players and become a significant contribution to China Sports Lottery.

Looking forward, it is expected that an extensive rollout of the game will be done in the third quarter of this year. 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 introduction of such a world-class nationwide rapid-draw fixed-odds sports lottery central betting system and associated games progressively to more provinces in the PRC. More importantly, to go in tandem with the Chinese government's initiative for opening phone and online lottery distribution, our system and games are highly suited to distribute through these creative channels too. 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 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 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 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 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

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.

As a leading sports lottery enterprise in China, the Group will continue to pay attention to the policy development with respect to the government approval of lottery sales via internet and phone and make corresponding strategic deployment. In the coming future, the Group will 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 upcoming second half year will be an important period to the Group as it is expected that an extensive rollout of "Lucky Racing" game in Hunan province will be executed, also the Group expects to launch the game in leisure venues (such as karaoke, pubs and massage centres) as well as other provinces in the PRC. Furthermore, upon completion of several new lottery projects, the Board will also collaborate and synergies existing resources to improve returns to the shareholders. The Board believes that all of these will help improve the Group's financial performance and eventually maximise returns to the shareholders.

* For identification purpose only

Looking ahead, the Directors are optimistic about the prospects of 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. 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 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 Group considers that the growth momentum is sustainable in 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 thriving trend.

With 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 so as to maximise returns to the shareholders.

Financial Performance Review

For the Six-Month Period, the Group showed a turnaround by making profit from business operations amounted to approximately HK\$0.3 million, demonstrating an improvement of approximately HK\$8.2 million or 103.4% over the corresponding period in 2010. The Group made approximately HK\$43.6 million in revenue, an increase of approximately 9.0% against the corresponding period in 2010, gross profit for the Six-Month Period amounted to approximately HK\$33.4 million, an increase of approximately HK\$10.3 million or 44.7% from the corresponding period in 2010. Gross margin stood at 76.6%, an increase of 18.9 percentage points from 57.7% of 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.

Loss attributable to owners of the Company for the Six-Month Period amounted to approximately HK\$23.6 million, an improvement of approximately HK\$11.5 million or 32.8% against the loss of approximately HK\$35.2 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\$43.6 million for the Six-Month period when compared to approximately HK\$40.0 million for the corresponding period in 2010), and (ii) the decrease in share-based payment expense (amounting to approximately HK\$5.3 million for the Six-Month Period when compared to approximately HK\$12.5 million for the corresponding period in 2010).



Capital resources, liquidity and gearing ratio

Net cash and bank balances as at 30 June 2011 were approximately HK\$163.3 million. The total assets and net current assets of the Group as at 30 June 2011 were approximately HK\$1,130.4 million and approximately HK\$211.2 million respectively.

The Group financed its operations primarily with internally generated cashflows as well as the proceeds from previous fund raising exercises and from the exercising by grantees of the share options granted under the Share Option Scheme. The Group has raised a bank loan of RMB50.0 million (equivalent to approximately HK\$60.2 million) during the Six-Month Period to finance the acquisition of the remaining 65% equity interest in GOT. It is expected that this bank borrowing will be repaid by internal generated funds.

The gearing ratio (determined as the proportion of bank borrowing to equity) of the Group as at 30 June 2011 was approximately 0.058 (as at 31 December 2010: Nil). The liquidity ratio (defined as current assets over current liabilities) of the Group as at 30 June 2011 was approximately 3.7 (as at 31 December 2010: 7.7), continuously reflecting adequacy of financial resources.

Charges on the Group's assets

As at 30 June 2011, The Group's bank deposit with a carrying value of RMB20.0 million (equivalent to approximately HK\$24.1 million) is pledged to a bank to secure for the bank borrowing with an outstanding amount of RMB50.0 million (equivalent to approximately HK\$60.2 million).

Foreign exchange exposure

As at 30 June 2011, the Group held cash and bank deposits denominated in Hong Kong Dollars and Renminbi. Since all of its revenue-generating operations, monetary assets and liabilities of the Group are conducted or transacted substantially in Hong Kong Dollars and Renminbi, which is not freely convertible into foreign currencies, the Group faced minimal exchange rate risk during the period.

Employees' information

As at 30 June 2011, the Group had 143 employees (30 June 2010: 165) in Hong Kong and the PRC. Total staff costs (excluding directors' remunerations) for the Six-Month Period amounted to approximately HK\$10.2 million.

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES OF HK\$0.002 EACH IN THE CAPITAL OF THE COMPANY ("SHARES"), UNDERLYING SHARES AND DEBENTURES

As at 30 June 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	2,033,328,000	55.10%
		(Note 1)		
Mr. Robert Geoffrey Ryan	3,347,750	–	3,347,750	0.09%
Mr. Bai Jinmin	3,343,750	44,876,600	48,220,350	1.31%
		(Note 2)		
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, which is beneficially and wholly-owned by Mr. Sun Ho, an executive Director and chairman & chief executive officer ("CEO") of the Company. Accordingly, 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, which is beneficially and wholly-owned by HB Resources Investment Limited, which in turn is beneficially and wholly-owned by Mr. Bai Jinmin, an executive Director of the Company. Accordingly, HB Resources Investment Limited and Mr. Bai were deemed to be interested in such Shares.

- b. Long position in the underlying Shares in respect of the share options of the Company (which were regarded as unlisted physically settled equity derivatives):

Name of Director	Date of grant	Exercise price per Share HK\$	Exercisable period	Number of underlying Shares entitled (in respect of share options of the Company)			As at 30 June 2011
				As at 1 January 2011	Granted during the Six-Month Period	Exercised during the Six-Month Period	
Mr. Robert Geoffrey Ryan	9-10-2008	0.2198	9-10-2009 – 8-10-2013	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	–	–	10,031,250 (representing approximately 0.27% of the issued share capital of the Company)
Mr. Liang Yu	9-10-2008	0.2198	9-10-2009 – 8-10-2013	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 June 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 June 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	54.37%
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 30 June 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 June 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 Six-Month period, none of the Directors or the controlling shareholder of the Company had an interest in a business, which competed or might compete with the business of the Group.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely, Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua and Mr. Hua Fengmao. The unaudited consolidated results of the Group for the Six-Month Period have been reviewed and commented on by the audit committee.

CORPORATE GOVERNANCE

The Board is committed to maintaining high standards of corporate governance in order to uphold the transparency of the Group and safeguard interests of the shareholders of the Company.

During the Six-Month Period, the Company has adopted the code provisions and certain recommended best practices in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules, except that:

- under the code provision A.2.1, the roles of chairman and 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 Six-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 Six-Month period, the chairman of the Board was not subject to retirement by rotation, as the Board considered that the continuity of the office of the chairman provided the Group with strong and consistent leadership and was of great importance to the smooth operations of the Group.

REQUIRED STANDARD OF DEALINGS REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings regarding securities transactions by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct for dealings in securities of the Company by the Directors (the "Code of Conduct"). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings set out in the Code of Conduct during the Six-Month Period.

SHARE OPTION SCHEME

During the Six-Month Period, options for 43,000,000 Shares were granted by the Company pursuant to its Share Option Scheme. During the Six-Month Period, options for 11,984,375 Shares were exercised and option for 750,000 Shares were lapsed. As at 30 June 2011, there were options for 160,128,125 Shares remained outstanding.

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

Name	Date of grant	Exercise price per Share HK\$	Exercisable period	Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30 June 2011
Directors:								
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
Eligible employees and other eligible participants:								
9 October 2008	0.2198	9 October 2010 – 8 October 2011	29,046,875	–	(11,984,375)	(750,000)	16,312,500	
		9 October 2011 – 8 October 2012	30,359,375	–	–	–	30,359,375	
		9 October 2012 – 8 October 2013	30,359,375	–	–	–	30,359,375	
6 July 2010	0.3000	6 July 2011 – 5 July 2012	2,250,000	–	–	–	2,250,000	
		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	
Total				129,862,500	43,000,000	(11,984,375)	(750,000)	160,128,125
Exercisable at the end of the period				39,412,500				26,678,125
Weighted average exercise price				HK\$0.2254		HK\$0.2198 (Note 1)		HK\$0.2755

Note:

- The weighted average closing price of the Shares immediately before the date on which the options were exercised was HK\$0.3329.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Six-Month Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

For illustration purposes, figures in RMB in this report have been translated into HK\$ at the exchange rate of RMB1 = HK\$1.204.

By order of the Board
AGTech Holdings Limited
SUN Ho
Chairman & CEO

Hong Kong, 8 August 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.