



# AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279



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

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

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “Directors”) of AGTech Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## HIGHLIGHTS

- Total revenue of the Group for the Six-Month Period amounted to approximately HK\$97.2 million, a decrease of approximately HK\$2.1 million or 2.1% from the corresponding period in 2012. Most of the revenue was derived from gaming technologies (game software, systems, hardware and terminals) business and provision of sports lottery management and marketing consultancy services in the PRC.
- Gross profit of the Group amounted to approximately HK\$50.9 million, an increase of approximately HK\$3.3 million or 6.9% over the corresponding period in 2012.
- Profit from business operations amounted to approximately HK\$1.4 million, an increase of approximately HK\$4.0 million over the corresponding period in 2012.
- Loss attributable to owners of the Company for the Six-Month Period amounted to approximately HK\$52.7 million, primarily due to the share-based payments (totalling approximately HK\$49.0 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 to a company which is beneficially owned by Mr. Cheung Lup Kwan under general mandate (this share option alone resulted in an once-off share-based payment of approximately HK\$38.6 million).
- 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 2013 (the "Three-Month Period") and the six months ended 30 June 2013 (the "Six-Month Period"), together with the comparative unaudited figures for the corresponding period in 2012 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	
		2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
Revenue	2	<b>59,552,851</b>	56,950,675	<b>97,193,848</b>	99,286,667
Cost of sales and services		<b>(32,860,505)</b>	(34,478,938)	<b>(46,265,763)</b>	(51,648,057)
Gross profit		<b>26,692,346</b>	22,471,737	<b>50,928,085</b>	47,638,610
Investment and other income		<b>604,720</b>	217,474	<b>1,029,769</b>	999,176
Selling and administrative expenses		<b>(29,119,165)</b>	(26,008,034)	<b>(50,566,582)</b>	(51,281,738)
(Loss)/profit from business operations		<b>(1,822,099)</b>	(3,318,823)	<b>1,391,272</b>	(2,643,952)
Share-based payments		<b>(44,118,900)</b>	(3,486,851)	<b>(48,955,672)</b>	(4,628,398)
Net foreign exchange loss		<b>(48,403)</b>	(134,082)	<b>(36,164)</b>	(134,631)
Amortisation of other intangible assets		<b>(120,549)</b>	(8,702,527)	<b>(237,364)</b>	(19,152,363)
Finance costs		<b>(169,065)</b>	(519,004)	<b>(336,272)</b>	(2,074,687)
Loss before tax		<b>(46,279,016)</b>	(16,161,287)	<b>(48,174,200)</b>	(28,634,031)
Income tax (expense)/credit	3	<b>(3,165,000)</b>	1,266,286	<b>(4,867,085)</b>	2,760,412
<b>Loss for the period</b>	4	<b>(49,444,016)</b>	(14,895,001)	<b>(53,041,285)</b>	(25,873,619)
Loss attributable to:					
Owners of the Company		<b>(48,701,372)</b>	(15,417,531)	<b>(52,650,351)</b>	(27,215,162)
Non-controlling interests		<b>(742,644)</b>	522,530	<b>(390,934)</b>	1,341,543
		<b>(49,444,016)</b>	(14,895,001)	<b>(53,041,285)</b>	(25,873,619)
<b>Loss per share</b>					
Basic and diluted	5	<b>HK 1.206 cents</b>	HK 0.401 cent	<b>HK 1.335 cents</b>	HK 0.708 cent

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the Three-Month Period and the Six-Month Period

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
	HK\$	HK\$	HK\$	HK\$
Loss for the period	<b>(49,444,016)</b>	(14,895,001)	<b>(53,041,285)</b>	(25,873,619)
<b>Other comprehensive income, net of income tax</b>				
Translation differences on translating foreign operations	<b>15,090,493</b>	(133,107)	<b>23,066,786</b>	4,563,841
<b>Total comprehensive income for the period</b>	<b>(34,353,523)</b>	(15,028,108)	<b>(29,974,499)</b>	(21,309,778)
Total comprehensive income attributable to:				
Owners of the Company	<b>(34,021,015)</b>	(15,550,751)	<b>(29,721,807)</b>	(22,670,150)
Non-controlling interests	<b>(332,508)</b>	522,643	<b>(252,692)</b>	1,360,372
<b>Total comprehensive income for the period</b>	<b>(34,353,523)</b>	(15,028,108)	<b>(29,974,499)</b>	(21,309,778)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	<i>Notes</i>	<b>Unaudited As at 30 June 2013 HK\$</b>	Audited As at 31 December 2012 HK\$
<b>Non-current assets</b>			
Property, plant and equipment		<b>52,194,400</b>	54,158,208
Goodwill		<b>789,096,795</b>	772,518,603
Other intangible assets		<b>2,928,151</b>	3,135,488
Investment in a jointly controlled entity		<b>647,250</b>	647,250
Deposits and prepayments		<b>12,762,553</b>	16,466,487
Other assets		<b>1,784,372</b>	1,746,884
Deferred tax assets		<b>3,217,536</b>	3,488,071
		<b>862,631,057</b>	852,160,991
<b>Current assets</b>			
Inventories		<b>24,258,261</b>	24,477,548
Trade receivables	7	<b>50,887,196</b>	77,077,646
Other receivables, deposits and prepayments		<b>56,055,156</b>	42,336,355
Amount due from a jointly controlled entity		<b>5,500</b>	5,500
Pledged bank deposits	8	<b>18,849,000</b>	18,453,000
Bank balances and cash		<b>295,017,209</b>	137,666,360
		<b>445,072,322</b>	300,016,409
<b>Current liabilities</b>			
Trade payables	9	<b>2,493,740</b>	4,714,449
Accruals and other payables		<b>25,652,789</b>	33,497,691
Amount due to a jointly controlled entity		<b>650,000</b>	650,000
Secured bank borrowings	10	<b>17,550,000</b>	17,550,000
Current tax liabilities		<b>2,474,059</b>	2,662,984
		<b>48,820,588</b>	59,075,124

<i>Notes</i>	<b>Unaudited As at 30 June 2013 HK\$</b>	Audited As at 31 December 2012 HK\$
Net current assets	<b>396,251,734</b>	240,941,285
Total assets less current liabilities	<b>1,258,882,791</b>	1,093,102,276
Non-current liabilities		
Provision for warranties	<b>24,803,106</b>	23,152,758
Deferred tax liabilities	<b>4,526,436</b>	4,598,558
	<b>29,329,542</b>	27,751,316
Net assets	<b>1,229,553,249</b>	1,065,350,960
Capital and reserves		
Share capital	<b>8,540,794</b>	7,687,907
Reserves	<b>1,219,138,546</b>	1,055,536,452
Equity attributable to owners of the Company	<b>1,227,679,340</b>	1,063,224,359
Non-controlling interests	<b>1,873,909</b>	2,126,601
Total equity	<b>1,229,553,249</b>	1,065,350,960

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the Six-Month Period

	Attributable to owners of the Company							Attributable to non-controlling interests		Total
	Share capital	Share premium	Share options reserve	Statutory reserve	Exchange reserve	Contributed surplus	Accumulated losses	Subtotal		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
Balance at 1 January 2013	7,687,907	1,174,554,927	75,317,280	10,746,631	164,107,837	47,191,476	(416,381,699)	1,063,224,359	2,126,601	1,065,350,960
Loss for the period	-	-	-	-	-	-	(52,650,351)	(52,650,351)	(390,934)	(53,041,285)
Other comprehensive income for the period	-	-	-	-	22,928,544	-	-	22,928,544	138,242	23,066,786
Total comprehensive income for the period	-	-	-	-	22,928,544	-	(52,650,351)	(29,721,807)	(252,692)	(29,974,499)
Recognition of equity-settled share-based payments	-	-	49,109,172	-	-	-	-	49,109,172	-	49,109,172
Shares issued on exercise of part of share options	39,844	22,962,742	(18,031,468)	-	-	-	-	4,971,118	-	4,971,118
Lapse of share options	-	-	(497,665)	-	-	-	344,165	(153,500)	-	(153,500)
Issue of Shares upon share placing	813,043	139,436,955	-	-	-	-	-	140,249,998	-	140,249,998
Transfer to accumulated losses	-	-	-	(1,403,763)	-	-	1,403,763	-	-	-
<b>Balance at 30 June 2013</b>	<b>8,540,794</b>	<b>1,336,954,624</b>	<b>105,897,319</b>	<b>9,342,868</b>	<b>187,036,381</b>	<b>47,191,476</b>	<b>(467,284,122)</b>	<b>1,227,679,340</b>	<b>1,873,909</b>	<b>1,229,553,249</b>
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	-	-	-	-	-	-	(27,215,162)	(27,215,162)	1,341,543	(25,873,619)
Other comprehensive income for the period	-	-	-	-	4,545,012	-	-	4,545,012	18,829	4,563,841
Total comprehensive income for the period	-	-	-	-	4,545,012	-	(27,215,162)	(22,670,150)	1,360,372	(21,309,778)
Recognition of equity-settled share-based payments	-	-	7,850,272	-	-	-	-	7,850,272	-	7,850,272
Shares issued on exercise of part of share options	-	-	-	-	-	-	-	-	-	-
Lapse of share options	-	-	(5,783,491)	-	-	-	2,561,617	(3,221,874)	-	(3,221,874)
Transfer from accumulated losses	-	-	-	697,743	-	-	(697,743)	-	-	-
<b>Balance at 30 June 2012</b>	<b>7,687,907</b>	<b>1,174,554,927</b>	<b>134,454,821</b>	<b>6,697,069</b>	<b>162,571,673</b>	<b>47,191,476</b>	<b>(471,192,246)</b>	<b>1,061,965,627</b>	<b>1,961,713</b>	<b>1,063,927,340</b>



## CONDENSED CONSOLIDATED CASHFLOW (UNAUDITED)

For the Six-Month Period

	Six months ended 30 June	
	2013	2012
	HK\$	HK\$
Net cash generated by/(used in) operating activities	<b>8,921,989</b>	15,969,368
Net cash (used in)/generated by investing activities	<b>(1,416,419)</b>	24,962,513
Net cash generated by/(used in) financing activities	<b>144,943,390</b>	(63,555,261)
Net increase/(decrease) in cash and cash equivalents	<b>152,448,960</b>	(22,623,380)
Cash and cash equivalents at the beginning of the period	<b>137,666,360</b>	132,378,464
Effect of foreign exchange rate changes	<b>4,901,889</b>	(310,946)
Cash and cash equivalents at the end of the period	<b>295,017,209</b>	109,444,138
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<b>295,017,209</b>	109,444,138

Notes:

### (1) BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited condensed consolidated accounts have been prepared in accordance with Hong Kong Accounting Standard 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of the Stock Exchange (the "GEM Listing Rules").

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 2012.

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 AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from gaming technologies (game software, systems, hardware and terminals) business and provision of sports lottery management and marketing consultancy services in the People's Republic of China ("China" or the "PRC") during the Three-Month Period and the Six-Month Period and is analysed as follows:

	Three months ended 30 June		Six months ended 30 June	
	2013 (unaudited) HK\$	2012 (unaudited) HK\$	2013 (unaudited) HK\$	2012 (unaudited) HK\$
Provision of gaming technologies (game software, systems, hardware and terminals)	<b>53,080,303</b>	34,816,042	<b>77,706,764</b>	54,020,613
Provision of sports lottery management and marketing consultancy services	<b>6,472,548</b>	22,134,633	<b>19,487,084</b>	45,266,054
	<b>59,552,851</b>	56,950,675	<b>97,193,848</b>	99,286,667

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 geographical segment information is presented.

## (3) INCOME TAX

Income tax for the Six-Month Period represents the net amount of deferred taxation credit of approximately HK\$0.2 million and PRC Enterprise Income Tax of approximately HK\$5.0 million.

#### (4) LOSS FOR THE PERIOD

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

	Three months ended 30 June		Six months ended 30 June	
	2013 (unaudited) HK\$	2012 (unaudited) HK\$	2013 (unaudited) HK\$	2012 (unaudited) HK\$
Cost of inventories recognised as expenses	<b>25,212,234</b>	19,378,298	<b>31,291,589</b>	29,430,438
Provision for warranties	<b>3,111,454</b>	1,908,895	<b>4,124,909</b>	3,343,032
Share-based payment	<b>44,118,900</b>	3,486,851	<b>48,955,672</b>	4,628,398
Amortisation of other intangible assets	<b>120,549</b>	8,702,527	<b>237,364</b>	19,152,363
Depreciation of property, plant and equipment	<b>1,953,964</b>	2,242,711	<b>3,994,083</b>	5,251,491
Bank interest income	<b>(524,347)</b>	(334,853)	<b>(902,021)</b>	(1,073,174)
Finance costs	<b>169,065</b>	519,004	<b>336,272</b>	2,074,687
Operating lease rentals in respect of rented premises	<b>2,151,340</b>	2,150,809	<b>4,287,460</b>	4,232,488
Staff cost (including Directors' remunerations)	<b>10,352,976</b>	12,232,844	<b>19,876,394</b>	24,624,622

#### (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\$48,701,372 and HK\$52,650,351 respectively (for the three months and six months ended 30 June 2012: net loss of HK\$15,417,531 and HK\$27,215,162 respectively), and the weighted average number of 4,037,547,818 and 3,943,906,935 ordinary shares in issue during the Three-Month Period and the Six-Month Period respectively (for both the three months and six months ended 30 June 2012: 3,843,953,375).

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 (2012: Nil).

#### (7) TRADE RECEIVABLES

As at 30 June 2013, the aged analysis of the Group's trade receivables is as follows:

	<b>As at</b> <b>30 June</b> <b>2013</b> <b>HK\$</b>	As at 31 December 2012 HK\$
0 to 30 days	<b>39,561,622</b>	75,090,285
31 to 60 days	<b>242,715</b>	143,088
61 to 90 days	<b>10,178,460</b>	320,624
91 to 120 days	–	73,450
121 to 365 days	<b>498,351</b>	839,261
Over 365 days	<b>406,048</b>	610,938
	<b>50,887,196</b>	77,077,646

#### (8) PLEDGED BANK DEPOSITS

As at 30 June 2013, pledged bank deposits represent deposits held in certain designated bank accounts to secure short-term bank borrowings and letter of guarantee granted to the Group. The charges will be released upon settlement of relevant bank borrowings or expiry of the letters of guarantee.

#### (9) TRADE PAYABLES

As at 30 June 2013, the aged analysis of the Group's trade payables is as follows:

	<b>As at</b> <b>30 June</b> <b>2013</b> <b>HK\$</b>	As at 31 December 2012 HK\$
0 to 30 days	<b>2,122,058</b>	4,361,688
31 to 60 days	<b>11,350</b>	–
91 to 120 days	–	295,408
Over 365 days	<b>360,332</b>	57,353
	<b>2,493,740</b>	4,714,449

#### (10) SECURED BANK BORROWINGS

As at 30 June 2013, the Group had term-loan facilities with a bank amounting HK\$17,550,000 and the loans were secured by a charge over letters of guarantee granted by another bank. The term loans bear interest at HIBOR plus 3% per annum. The weighted average effective interest rate on the bank loans is 3.86% per annum.

## MANAGEMENT DISCUSSION AND ANALYSIS

### About the Group

The Group is the leading integrated gaming company in China's sports lottery market. The Group is principally engaged in (i) gaming technologies (game software, systems, hardware and terminals); (ii) lottery management; and (iii) online and mobile lottery. The Group is committed to applying international best practice and advanced technologies to the lottery industry in various areas such as lottery systems, lottery hardware, lottery/betting games, internet and mobile phone distribution & systems, wireless network and streaming media, thereby providing China's lottery authorities and millions of lottery players in China with professional, integrated lottery services.

Over the past six years, the Group has demonstrated a strong track record of delivery, successfully building a uniquely balanced, complementary suite of businesses that now occupy leading positions in the key verticals of the Chinese sports lottery market. This growth is testament to the quality and depth of the Group's relationships with industry regulators and officials at both a national and provincial level, as well as the quality of its management, employees, technology and partners.

Through Asia Gaming Technologies Limited ("AGT"), the Group's joint venture with Ladbroke Group, the Group has developed and successfully launched China's only nationally-approved virtual fixed odds sports betting game, "Lucky Racing".

The Group has a team of approximately 200 professionals and the footprint of its sports lottery business now covers 80% of the provinces and municipalities across China. The Group is a member of the World Lottery Association (WLA) and the Asia Pacific Lottery Association (APLA).

### Corporate Strategy and Objectives

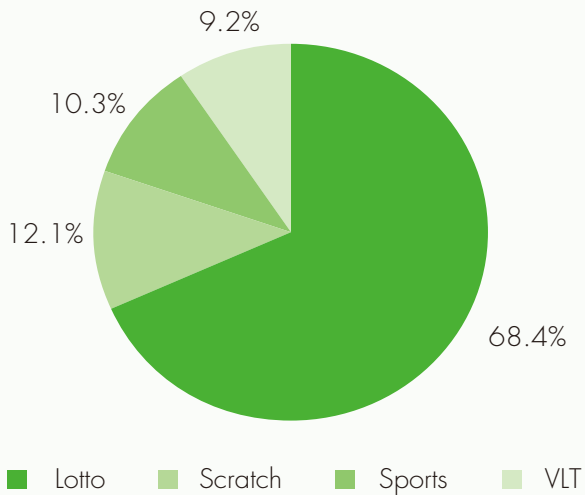
Our long-term objectives are to maintain a leading position as a lottery technology group in China and to provide innovative and legal lottery games to help the Chinese government to crack down on illegal gambling. In order to achieve these objectives, we are committed to bringing together international and domestic industry expertise, technologies, management, skills and infrastructure into the Chinese lottery markets through both the existing and any new remote channels. Our Group has been working with various world-renowned strategic partners in these efforts for many years. It is also our corporate strategy to expand into China's welfare lottery market in due course.

## Industry Overview

According to information published by the Ministry of Finance of the PRC, for the Six-Month Period, the lottery market recorded sales of RMB149.7 billion, an increase of approximately 16.0% compared to the corresponding period in 2012 (versus 27.6% growth in the first six months of last year). Of this, sports lottery amounted to approximately RMB64.4 billion (accounting for 43.0% of total lottery sales), an increase of approximately 19.6% year on year. The Welfare lottery achieved sales of approximately RMB85.3 billion (57.0% of total lottery sales), an increase of approximately 13.5% against the corresponding period in 2012.

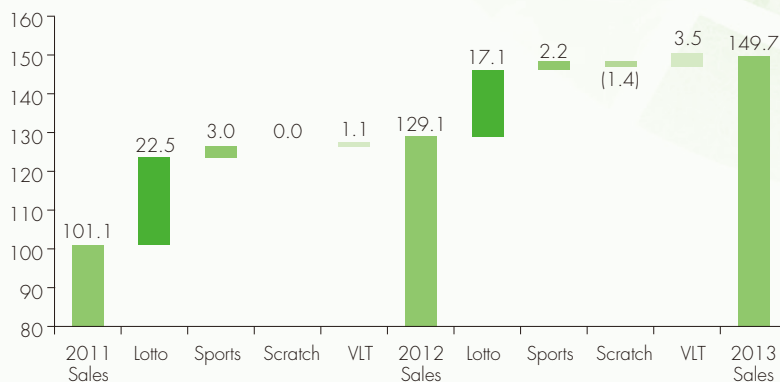
### Product review

Market share of Sales by Product (H1 2013)



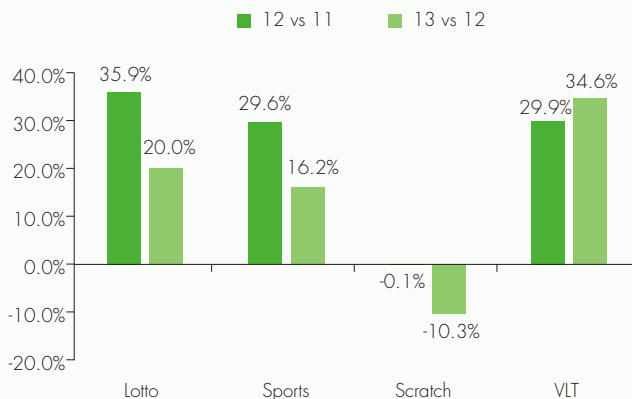
Source: PRC Ministry of Finance

### China Lottery Sales Bridge H1 2011–H1 2013 (RMB billion)



Source: PRC Ministry of Finance

### China Lottery Sales Growth Comparison by Product (H1 2013 vs. H1 2012)



Source: PRC Ministry of Finance

The decline in the pace of overall sales growth in the first half of 2013 relative to the first half of 2012 has been mainly driven by weakness in the largest segment of Lotto and, to a lesser extent, in the smaller segments of Scratch and Sports. Given its relatively small contribution to the overall sales mix, the improved growth rate in video lottery terminals (“VLT”) was not sufficient to counteract the declines in Lotto, Scratch and Sports. The decline in the growth rate of Sports was limited to the second quarter specifically and reflects the absence of a major international football tournament in the quarter (EURO 2012 took place in June 2012).

The Lotto category contains both traditional weekly and daily lotto draw games as well as high frequency games (“HFG”) which are characterised by multiple daily draws and higher prize payout ratios of up to 59%. Whilst traditional lotto draw games have experienced a declining sales pattern, the HFG category is growing very rapidly. The Group’s Lucky Racing game is classified as a High Frequency Game and is expected to play a significant role in maintaining the HFG category’s high growth rates in the months and years ahead.

The Group believes that the trend of slowing growth that has been witnessed in recent quarters will lead to an increased pace of regulatory progress in the lottery market in terms of the approval and roll-out of new products as well as the development of new, remote distribution channels. Further development in such areas would be extremely positive for the Group and its Virtual Sports, GOT and Online and Mobile Lottery businesses in particular.

### **Business Review**

During the period under review, the Group recorded relatively stable revenue while delivering strong growth in gross profit and profit from business operations.

The Group is in the process of transitioning its focus from the legacy, lower-growth Lottery Management business to its high growth Gaming Technology business.

Our Gaming Technologies division has performed extremely strongly, with our GOT business benefitting not only from the domestic lottery terminal replacement cycle that is currently underway but also from its nascent overseas sales. Our Virtual Sports Betting sales are expected to increase meaningfully in the coming quarters as we make progress on our planned second game and the national roll-out of our existing game, “Lucky Racing”.



## **Gaming Technologies Business**

### *Virtual Fixed Odds Sports Betting*

During the period under review, the virtual sports betting game “Lucky Racing” (「幸運賽車」) has continued to be operated in the trial province of Hunan, in advance of a planned national rollout across the PRC. In the Six Month Period, the game has continued to perform strongly, delivering approximately 30% of total sports lottery sales in Hunan province in the period.

“Lucky Racing” and the underlying betting transaction system are supplied by “AGT”, the Group’s majority-owned joint venture with Ladbroke Group (a world leader in betting and gaming, based in the United Kingdom). The game is a virtual betting game that is broadcast to lottery shops via a central computer and cable television, allowing customers to bet on computer generated car races (Grand Prix style) with similar betting options to horse racing such as win, place (first two), first three or accumulator style bets. 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 in Hunan strongly indicates that virtual betting could be a significant new market segment on a national basis.

Sales and technical performance of Lucky Racing have been highly satisfactory and the game is therefore fully operational and no longer considered to be in a trial phase. The Group is actively working with the national authorities to integrate the game and system into the national sports lottery’s “Next Generation” system that is currently under construction. With Lucky Racing already achieving national approval, the conclusion of the national sports lottery’s “Next Generation” IT project will remove the final technical hurdle for the game’s national roll-out. To date, Lucky Racing in Hunan has been successfully launched in traditional dedicated sports lottery shops and a small number of selected leisure venues (such as coffee shops and restaurants). It is expected that the game also has the potential to expand nationwide in terms of other channels such as mobile, internet and Internet Protocol Television (IPTV) (subject to the necessary approvals).

Given the spectacular performance of Lucky Racing in Hunan, the Group has been approached by a number of other provinces that are anxious to have access to virtual fixed odds sports betting. As a consequence, the Group is currently working with one of the country’s leading provinces in order to launch another new approved virtual fixed odds sports betting game in China. Whilst the new virtual game will share many characteristics with Lucky Racing such as frequency of play and high quality graphical display, the new game will feature a virtual match rather than a virtual race. The new game will initially be launched in a trial province in anticipation of a potential national roll-out in due course.

Building on the success of Lucky Racing, the planned introduction of this additional new game would represent a very significant development for the Group in terms of both geographical and game product development and would confirm virtual fixed odds sports betting as a fully accepted, rapidly growing, multi-product game category in China.

#### *Gaming Hardware and Technology Development*

With a domestic market share of more than 50%, GOT is the leading manufacturer and supplier of lottery and sports betting terminals to China's sports lottery. GOT is a critically important growth driver within the Group, with opportunities to expand not only in the domestic lottery and betting terminal supply arena, but also in the overseas lottery and betting terminal markets as well as through new technologies such as domestic and international VLT manufacture and delivery.

With the recent conclusion of the National Sports Lottery Administration Centre's terminal supplier selection and evaluation process, the keenly anticipated terminal replacement cycle has now started. Earlier this year, the Group was pleased to announce that it won the first supply tender of this replacement cycle and is confident that GOT's new range of approved terminals, the M6 Smart Terminal, the C8 Terminal and the A210 Portable Terminal, will continue to play a leading role in this replacement cycle. In May 2013, GOT successfully won a competitive tender to supply Anhui Sports Lottery Administration Centre with an initial order of next-generation C8 sports lottery terminals. This is the first deal of China's keenly anticipated sports lottery terminal replacement cycle and confirms GOT's leadership position in the market.

GOT's first international order of over 500 next generation GOT C8 terminals for South Africa's Gold Circle (PTY) Limited was delivered during the period and the terminals are now fully operational. The Group is in active discussions with a number of other potential international customers and distributors.

The Group is proud to be working with some of the world's leading lottery technology companies as it seeks to internationalise the GOT business and to broaden its product spectrum domestically and overseas.

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

The Group's Lottery Management Business is performing in-line with expectations. Lottery management services primarily comprise long term contracts with provincial sports lottery authorities for services such as direct and franchise retail shop management, as well as lottery sales, marketing and promotion management.

Over the many years of its successful operation, the track record of the Lottery Management Business as a reliable supplier of quality lottery products and services to the provincial sports lottery authorities in China has been a key enabler of the Group's strategy, cementing the Group's first class relationships and reputation across the country. Going forward, as it increasingly focuses on the growth businesses of Gaming Technology and Internet and Mobile, the Group expects that the Lottery Management Business will gradually become a less important Group division.

### ***Online and Mobile Lottery Distribution Business***

In light of the very high levels of internet and mobile/smart phone penetration in China (over 510 million and over 1 billion/330m respectively according to recent publicly available estimates), the potential regulation of online and mobile distribution of approved lottery products in China promises to create enormous opportunities for the Group.

The Group intends to directly participate in this exciting development via the provision of mobile systems and as a distributor/retailer. Sales of the Group's approved games, such as Lucky Racing, should also benefit from any introduction of a legitimate remote distribution channel in China.

The provincial mobile systems trials that are underway or being prepared in the welfare and sports lotteries are expected to lead to the creation of a fully regulated mobile lottery distribution market in China. In Silvercreek, the group's wholly-owned subsidiary, we control one of the most competitive mobile lottery service providers in China. Thanks to its valuable PRC internet content provider and PRC telecom service provider licenses, as well as its track-record and relationships in the lottery industry, the Group is fully qualified to apply for mobile and internet system and distribution licenses as and when they become available.

## Business Outlook

The Directors are optimistic about the outlook for the business and excited about the growth opportunities they see ahead in 2013 and beyond. The Board believes that, in the coming months, the business will continue to enjoy rapid growth and achieve further significant milestones. Firstly, the Group expects to launch a new virtual fixed odds sports betting game in one of China's leading provinces in the relatively near future, part of a planned pipeline of approved, exciting new games for the Chinese sports lottery market. Secondly, as part of its ongoing co-operation with the national sports lottery with respect to "Lucky Racing", the Group expects the final technical hurdle to national rollout of this game to be removed during the course of this year. Thirdly, the Group continues to closely monitor the prospective online and mobile lottery distribution business and is well equipped to react quickly in response to any new development of government policies. Such developments will bring opportunities in terms of our approved content (games) as well as in systems and distribution. Finally, in the GOT business, the Group will capitalize on the terminal replacement cycle in the sports lottery, continue its overseas expansion and look to broaden its product range to VLT.

In light of a number of important regulatory announcements that have conceptually legitimised the distribution of lottery products via internet and mobile channels, most recently the "Administrative Measures on Lottery Distribution and Sales" 《彩票發行銷售管理辦法》 issued in January 2013, 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 that has been providing legitimate lottery products and services in compliance with the regulations and rules of the Chinese government for many years, and in light of its Silvercreek acquisition, the Group is well positioned to react to any such regulatory change. The Directors believe that such a development would bring great opportunities for the Group to further expand its business into more innovative lottery games and distribution channels in the future.

Taken together with the continuing underlying revenue growth of the sports lottery business in China, the multiple potential areas of expansion outlined above suggest a very positive outlook for the Group during 2013 and beyond.

Looking ahead, the Group will continue to explore new business opportunities and forge more strategic business alliances, with a view to increasing its sales and profitability and ultimately to maximizing returns for shareholders. The Board strongly believes that the solid business foundations, strong customer and government relationships as well as the quality of international gaming partnerships enjoyed by the Group, ideally position it to reach new heights when market opportunities emerge in the rapidly growing regulated lottery industry in China.

## Financial Performance Review

For the Six-Month Period, the Group made approximately HK\$97.2 million in revenue, a decrease of approximately HK\$2.1 million or 2.1% against the corresponding period in 2012. Gross profit for the Six-Month Period amounted to approximately HK\$50.9 million, an increase of approximately HK\$3.3 million or 6.9% against the corresponding period in 2012. Most of the revenue was derived from gaming technologies (game software, systems, hardware and terminals) business and provision of sports lottery management and marketing consultancy services in the PRC.

Loss attributable to owners of the Company for the Six-Month Period amounted to approximately HK\$52.7 million primarily due to the share-based payment expense (totalling approximately HK\$49.0 million) 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 to Rainwood Resources Limited, which is beneficially and wholly-owned by Mr. Cheung Lup Kwan, under general mandate (this share option alone resulted in once-off share-based payment of approximately HK\$38.6 million). The share option granted to Rainwood Resources Limited entitling it to subscribe for up to a maximum of 212,879,224 Shares at an exercise price of HK\$0.40 per Share (subject to adjustments) exercisable for a period of three years on 21 May 2013 was vested on the day of grant.

## Capital resources, liquidity and gearing ratio

Net bank balances and cash (defined as total bank balance and cash and pledged bank deposits less total bank borrowings) as at 30 June 2013 were approximately HK\$296.3 million. The total assets and net current assets of the Group as at 30 June 2013 were approximately HK\$1,307.7 million and approximately HK\$396.3 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 of the Company. On 21 May 2013, the Company successfully raised net fund of approximately HK\$138.3 million upon completion of placement of 406,521,739 new Shares via a placing agent to not less than six places at the placing price of HK\$0.3450 per Share.

The gearing ratio (determined as the proportion of bank borrowings to equity) of the Group as at 30 June 2013 was approximately 0.01 (as at 31 December 2012: approximately 0.02). The liquidity ratio (defined as current assets over current liabilities) of the Group as at 30 June 2013 was approximately 9.1 (as at 31 December 2012: approximately 5.1). These continuously reflect the adequacy of financial resources of the Group.

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

As at 30 June 2013, the Group's bank deposits with a total carrying value of RMB15.0 million (equivalent to approximately HK\$18.8 million) were pledged to a bank to secure for the bank borrowings with an outstanding amount of approximately HK\$17.6 million.

### **Foreign exchange exposure**

As at 30 June 2013, 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 2013, the Group had 223 employees (30 June 2012: 227) in Hong Kong and the PRC. Total staff costs (excluding Directors' remunerations) for the Six-Month Period amounted to approximately HK\$14.5 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 2013, the interests and short positions of the Directors and chief executive 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	<b>27,078,000</b>	2,006,250,000 <i>(Note 1)</i>	<b>2,033,328,000</b>	47.61%
Mr. Robert Geoffrey Ryan	<b>5,347,750</b>	–	<b>5,347,750</b>	0.13%
Mr. Bai Jinmin	<b>6,687,500</b>	44,876,600 <i>(Note 2)</i>	<b>51,564,100</b>	1.21%
Mr. Liang Yu	<b>6,187,500</b>	–	<b>6,187,500</b>	0.14%
Ms. Yang Yang	<b>414,375</b>	–	<b>414,375</b>	0.01%
Mr. Ho King Fung, Eric	–	–	–	0%
Mr. Wang Ronghua	<b>2,275,000</b>	–	<b>2,275,000</b>	0.05%
Mr. Hua Fengmao	<b>1,355,000</b>	–	<b>1,355,000</b>	0.03%
Ms. Monica Maria Nunes	–	–	–	0%

#### Notes:

- These 2,006,250,000 Shares were held in the name of MAXPROFIT GLOBAL INC. As MAXPROFIT GLOBAL INC is beneficially and wholly-owned by Mr. Sun Ho, an executive Director and chairman & chief executive officer ("CEO") of the Company, Mr. Sun was deemed to be interested in such Shares.

2. These 44,876,600 Shares were held in the name of Fine Bridge International Limited. Fine Bridge International Limited is beneficially and wholly-owned by HB Resources Investment Limited, which in turn is beneficially and wholly-owned by Mr. Bai Jinmin, an executive Director of the Company. Accordingly, HB Resources Investment Limited and Mr. Bai were deemed to be interested in such Shares.

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

Name of Director	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Number of underlying Shares entitled (in respect of share options of the Company)				As at 30 June 2013	Approximate percentage of issued share capital of the Company
				As at 1 January 2013	Granted during the Six-Month Period	Exercised during the Six-Month Period	Lapsed during the Six-Month Period		
Mr. Robert Geoffrey Ryan	9-10-2008	0.2198	9-10-2009-8-10-2013	3,343,750	-	-	-	3,343,750	0.08%
	21-12-2011	0.2900	21-12-2012-20-12-2016	21,264,000	-	-	-	21,264,000	0.50%
	17-8-2012	0.1006	17-8-2013-16-8-2017	3,500,000	-	-	-	3,500,000	0.08%
	9-1-2013	0.4250	9-1-2014-8-1-2018	-	8,000,000	-	-	8,000,000	0.19%
Mr. Bai Jinmin	9-10-2008	0.2198	9-10-2009-8-10-2013	3,343,750	-	-	-	3,343,750	0.08%
	21-12-2011	0.2900	21-12-2012-20-12-2016	21,264,000	-	-	-	21,264,000	0.50%
	17-8-2012	0.1006	17-8-2013-16-8-2017	3,500,000	-	-	-	3,500,000	0.08%
	9-1-2013	0.4250	9-1-2014-8-1-2018	-	8,000,000	-	-	8,000,000	0.19%



Number of underlying Shares entitled  
(in respect of share options of the Company)

Name of Director	Date of grant	Exercise price per Share (HK\$)	Exercisable period	As at 1 January 2013	Granted during the Six-Month Period	Exercised during the Six-Month Period	Lapsed during the Six-Month Period	As at 30 June 2013	Approximate percentage of issued share capital of the Company
Mr. Liang Yu	9-10-2008	0.2198	9-10-2009-8-10-2013	3,343,750	-	-	-	3,343,750	0.08%
	21-12-2011	0.2900	21-12-2012-20-12-2016	21,264,000	-	-	-	21,264,000	0.50%
	17-8-2012	0.1006	17-8-2013-16-8-2017	3,500,000	-	-	-	3,500,000	0.08%
	9-1-2013	0.4250	9-1-2014-8-1-2018	-	8,000,000	-	-	8,000,000	0.19%
Ms. Yang Yang	9-10-2008	0.2198	9-10-2009-8-10-2013	334,375	-	-	-	334,375	0.01%
	21-12-2011	0.2900	21-12-2012-20-12-2016	2,000,000	-	-	-	2,000,000	0.05%
	9-1-2013	0.4250	9-1-2014-8-1-2018	-	1,000,000	-	-	1,000,000	0.02%
Mr. Ho King Fung, Eric	23-5-2013	0.4890	23-5-2014-22-5-2018	-	42,575,844	-	-	42,575,844	1.00%
Mr. Wang Ronghua	21-12-2011	0.2900	21-12-2012-20-12-2016	2,000,000	-	-	-	2,000,000	0.05%
	9-1-2013	0.4250	9-1-2014-8-1-2018	-	1,000,000	-	-	1,000,000	0.02%
Mr. Hua Fengmao	21-12-2011	0.2900	21-12-2012-20-12-2016	2,000,000	-	-	-	2,000,000	0.05%
	9-1-2013	0.4250	9-1-2014-8-1-2018	-	1,000,000	-	-	1,000,000	0.02%

Number of underlying Shares entitled  
(in respect of share options of the Company)

Name of Director	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Number of underlying Shares entitled				As at 30 June 2013	Approximate percentage of issued share capital of the Company
				As at 1 January 2013	Granted during the Six-Month Period	Exercised during the Six-Month Period	Lapsed during the Six-Month Period		
Mr. Kwok Wing Leung	21-12-2011	0.2900	21-12-2012-20-12-2016	2,000,000	-	(500,000)	(1,500,000)	-	0%
Andy (resigned on 20 June 2013)	9-1-2013	0.4250	9-1-2014-8-1-2018	-	1,000,000	-	(1,000,000)	-	0%
Ms. Monica Maria Nunes	20-6-2013	0.4740	20-6-2014-19-6-2018	-	1,500,000	-	-	1,500,000	0.04%

*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 2013, none of the Directors or chief executive 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 2013, so far as was known to the Directors or chief executive of the Company, the following persons (not being Directors or chief executive 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:

a. Interests in the ordinary Shares:

Name of shareholder	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
MAXPROFIT GLOBAL INC	Beneficial owner	2,006,250,000 <i>(Note 1)</i>	46.98%
Hegglin, Daniel Robert	Beneficial Owner	255,483,933	5.98%
Rainwood Resources Limited	Beneficial Owner	289,852,000	6.79%
Cheung Lup Kwan	Interest of controlled corporation	289,852,000 <i>(Note 2)</i>	6.79%

Notes:

1. 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.
2. These 289,852,000 Shares were held in the name of Rainwood Resources limited, which is beneficially and wholly-owned by Mr. Cheung Lup Kwan. Accordingly, Mr. Cheung was deemed to be interested in such Shares.

- b. Long position in the underlying Shares in respect of the share option granted under general mandate by the Company (which was regarded as an unlisted physically settled equity derivative):

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of underlying Shares held</b>	<b>Approximate percentage of issued share capital of the Company</b>
Rainwood Resources Limited	Beneficial owner	212,879,224	4.98%
Cheung Lup Kwan	Interest of controlled corporation	212,879,224	4.98%

*(Note)*

*Note:* On 21 May 2013, Rainwood Resources Limited was granted a share option under general mandate by the Company entitling it to subscribe for up to a maximum of 212,879,224 Shares at an exercise price of HK\$0.40 per Share (subject to adjustments) exercisable for a period of three years, which was vested in the grantee on the date of grant. As disclosed above, Mr. Cheung Lup Kwan was deemed to be interested in this share option by virtue of his interest in Rainwood Resources Limited.

Save as disclosed above, as at 30 June 2013, the Directors or chief executive 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 2013, apart from the interests in the Shares, underlying Shares and debentures of the Company and its associated corporations held by the Directors, chief executive 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 and their respective associates had an interest in a business, which competes or might compete with the business of the Group.

## **APPOINTMENT OF A NEW NON-EXECUTIVE DIRECTOR**

Mr. Ho King Fung, Eric was appointed as a non-executive Director of the Company with effect from 23 May 2013 for enhancement of talents and experience, hence diversity, of the Board.

Mr. Ho, aged 36, graduated from the University of New South Wales, Australia with Bachelor of Commerce (Finance) and Bachelor of Laws degrees, is a solicitor of the Hong Kong Special Administrative Region and the chairman and executive director of Ample Hope Limited. In Macau, Mr. Ho is also the chairman of P&W Money Changer Limited and Jing Yang Company Limited, and an executive director of Mascargo (Macau) Company Limited. Mr. Ho joined JP Morgan in 2000 as an analyst and worked as a trainee solicitor at Linklaters between 2003 and 2005 and an associate solicitor between 2005 and 2006. Between 2007 and 2010, Mr. Ho worked at Deutsche Bank AG, Hong Kong Branch and his last position held was vice president and their head of Hong Kong and Macau Origination. He is a committee member of the Chinese People's Political Consultative Conference of Beijing and the president of Macau Money Exchangers' Association of Macao. Mr. Ho was also the award winner of the Chinese Economics Elite Award in 2009.

From April 2011 to April 2012, Mr. Ho was the non-executive director of United Energy Group Limited (HKSE Stock Code: 467). Mr. Ho has been appointed as the independent non-executive director of China Flooring Holding Company Limited (HKSE Stock Code: 2083) since May 2011. And, Mr. Ho has been appointed as the non-executive director of EPI (Holdings) Limited (HKSE Stock Code: 689) since April 2013 and was re-designated as non-executive chairman of EPI (Holdings) Limited on 30 July 2013.

Save as disclosed above, Mr. Ho does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and its subsidiaries or other major appointments and professional qualifications.

Mr. Ho has entered into a service agreement with the Company for a term of two years, and his appointment shall be for an initial term up to the conclusion of the next annual general meeting of the Company, when he will retire in accordance with the Bye-Laws of the Company and, being eligible, may offer themselves for re-election. Thereafter, he will be subject to retirement by rotation and re-election. Mr. Ho will receive annual director's fee of HK\$120,000 and be granted a share option entitling him to subscribe up to a maximum of 42,575,844 Shares of the Company pursuant to the Share Option Scheme adopted by the Company on 18 November 2004 for his service, which is determined by the Board based on the recommendation from the remuneration committee of the Company with reference to his qualification, duties and responsibilities with the Company, the Company's performance and the prevailing market conditions.

## **RESIGNATION AND APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

Upon the resignation of Mr. Kwok Wing Leung Andy and appointment of Ms. Monica Maria Nunes as independent non-executive Director of the Company on 20 June 2013, the Board has appointed Ms. Nunes as the chairperson of each of the nomination, remuneration and audit committees of the Company.

Ms. Nunes, aged 44, is an executive director of Vodatel Networks Holdings Limited ("Vodatel"), the shares of which are listed on GEM (stock code: 8033). She is also the finance director and the Compliance Officer of Vodatel. She graduated from the University of Calgary, Canada with a bachelor degree in commerce. She has over twenty years of accounting and banking experience. She holds a Certified Management Accountant Designation of Certified Management Accountants of Alberta, Canada. She is an associate of the Chartered Institute of Management Accountants and is entitled to use the description Chartered Management Accountant. She is also entitled to hold and use the designation of Chartered Global Management Accountant.

Save as disclosed above, Ms. Nunes does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years, or any other position with the Company and other members of the Group, or other major appointments and professional qualifications.

Other than her appointment as an independent non-executive Director, Ms. Nunes does not have any relationship with other Directors, senior management, substantial or controlling shareholders of the Company (within the meaning of the GEM Listing Rules). The Company has received from Ms. Nunes a written confirmation of her independence pursuant to Rule 5.09 of the GEM Listing Rules.

Ms. Nunes is appointed by way of a service agreement with an initial term of two years and either party thereto may terminate such agreement by giving the other party not less than one month's written notice. In accordance with the bye-laws of the Company, Ms. Nunes will hold office until the next following general meeting of the Company and shall be eligible for re-election at that meeting. She shall then be subject to retirement by rotation and re-election at the Company's general meetings pursuant to the bye-laws of the Company. Ms. Nunes shall receive a director's fee of HK\$120,000 per annum and has been granted on 20 June 2013 a share option entitling her to subscribe for up to 1,500,000 Shares at an exercise price of HK\$0.4740 each (subject to adjustments) pursuant to the Share Option Scheme adopted by the Company on 18 November 2004, and such remuneration package is determined with reference to her duties and responsibilities with the Company and the prevailing market remuneration packages for independent non-executive directors of listed issuers in Hong Kong.

### **AUDIT COMMITTEE**

The audit committee of the Company comprises three independent non-executive Directors, namely, Ms. Monica Maria Nunes, 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.

The audit committee also discussed and recommended the "Disclosure Policy" to the Board for approval. The Disclosure Policy was designed to provide a general guide for the staff of the Company in handling confidential information and/or monitoring information disclosure regarding inside information pursuant to Part XIVA of the SFO and rules 17.10, 17.11 and 17.11A of the GEM Listing Rules.

## 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 Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules, except that:

- under 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;
- under 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, the chairman of the Company 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 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;



- under code provision A.2.7, the chairman of the Board should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors' presence. During the Six-Month Period the chairman of the Board did not hold such kind of private meetings with the non-executive Directors. The chairman of the Board considered that it was unnecessary as it would be more transparent to let the non-executive Directors speak out their views to all executive Directors in the Board meetings which would be held at least four times a year. Besides, the chairman of the Board, being an executive director himself, always welcomes all non-executive Directors to communicate with him directly via email or phone to discuss any matters of the Company from time to time;
- under code provision A.6.6, each Director should disclose to the Company, among other things, an indication of the time involved by him/her in his/her offices held in other public companies or organisations and other significant commitments. During the Six-Month Period, no such disclosure was made by the Directors to the Company. As the Board had adopted a new corporate governance practice that each Director's contributions to the Group were reviewed and discussed at the Board meeting annually (the "Annual Contributions Review"), the Board considered that assessing the time spent by each Director on his/her commitments outside the Group was not necessary for the purposes of the Annual Contributions Review and that the disclosure of the time spent by a Director in performing his/her duties did not necessarily indicate accurately the efficiency of such Director and the effectiveness of his/her work, and may therefore be misleading;
- under code provision B.1.2, the remuneration committee should review and recommend to the Board for approval of the specific remuneration packages of senior management. The remuneration committee of the Company had reviewed its scope of duties and considered that the delegated responsibility to review and recommend to the Board to approve the specific remuneration packages of senior management should be vested in the executive Directors who have a better understanding of the level of expertise, experience and performance expectation of the senior management in the daily business operations. Notwithstanding the foregoing, the remuneration committee would continue to be primarily responsible for the review and recommendation of the remuneration packages of the Directors; and

- under code provision B.1.5, the Company should disclose details of any remuneration payable to members of senior management by band in its annual report. The Company did not make such disclosure in its annual report as the Board considered that (i) the remuneration of any newly appointed “chief executive” (as defined under the GEM Listing Rules) would have already been disclosed in the announcement previously issued by the Company in respect of such appointment in accordance with GEM Listing Rule 17.50(2)(g); (ii) the five highest paid employees within the Group had already been disclosed in the notes to the consolidated financial statements of the Group in the annual report, and (iii) giving further details of remuneration for each and every senior management staff would result in particulars of excessive length and no additional value to the Shareholders, whilst at the same time may impair the flexibility of the Group in its negotiations of remuneration packages for senior management staff (especially those who are not Directors or chief executive of the Group and hence are not supposed to be subject to the aforesaid disclosure requirement under GEM Listing Rule 17.50(2)(g)) should it need to find replacement staff or recruit additional senior personnel in the future.

(The above deviations were similarly disclosed on page 29 and 30 of the Company’s annual report for the year ended 31 December 2012).

### **Corporate Governance Committee**

The corporate governance committee comprises two persons, namely, the Chairman Mr. Sun Ho and the Company Secretary Mr. Wong Wai Sing. During the Six-Month Period, a meeting was held to devise internal control policy to ensure compliance with the requirements of the amendments to SFO on 1 January 2013 regarding inside information. This was subsequently incorporated in the “Disclosure Policy” discussed and approved by the audit committee and the Board.

## **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 236,651,688 Shares were granted by the Company pursuant to its Share Option Scheme. During the Six-Month Period, options for 19,921,875 Shares were exercised and options for 6,350,000 Shares were lapsed. As at 30 June 2013, there were options for 513,937,313 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	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding
				as at 1 January 2013				as at 30 June 2013
<b>Directors:</b>								
Mr. Robert Geoffrey Ryan	9-10-2008	0.2198	9-10-2012-8-10-2013	3,343,750	-	-	-	3,343,750
	21-12-2011	0.2900	21-12-2012-20-12-2013	5,316,000	-	-	-	5,316,000
			21-12-2013-20-12-2014	5,316,000	-	-	-	5,316,000
			21-12-2014-20-12-2015	5,316,000	-	-	-	5,316,000
			21-12-2015-20-12-2016	5,316,000	-	-	-	5,316,000
			17-8-2012	0.1006	17-8-2013-16-8-2014	875,000	-	-
	17-8-2014-16-8-2015	875,000	-		-	-	875,000	
	17-8-2015-16-8-2016	875,000	-		-	-	875,000	
	17-8-2016-16-8-2017	875,000	-		-	-	875,000	
	9-1-2013	0.4250	9-1-2014-8-1-2015	-	2,000,000	-	-	2,000,000
			9-1-2015-8-1-2016	-	2,000,000	-	-	2,000,000
			9-1-2016-8-1-2017	-	2,000,000	-	-	2,000,000
			9-1-2017-8-1-2018	-	2,000,000	-	-	2,000,000

Name	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2013	
Mr. Bai Jimin	9-10-2008	0.2198	9-10-2012-8-10-2013	3,343,750	-	-	-	3,343,750	
			21-12-2011	0.2900	21-12-2012-20-12-2013	5,316,000	-	-	-
				21-12-2013-20-12-2014	5,316,000	-	-	-	5,316,000
				21-12-2014-20-12-2015	5,316,000	-	-	-	5,316,000
				21-12-2015-20-12-2016	5,316,000	-	-	-	5,316,000
	17-8-2012	0.1006	17-8-2013-16-8-2014	875,000	-	-	-	875,000	
			17-8-2014-16-8-2015	875,000	-	-	-	875,000	
			17-8-2015-16-8-2016	875,000	-	-	-	875,000	
			17-8-2016-16-8-2017	875,000	-	-	-	875,000	
	9-1-2013	0.4250	9-1-2014-8-1-2015	-	2,000,000	-	-	2,000,000	
			9-1-2015-8-1-2016	-	2,000,000	-	-	2,000,000	
			9-1-2016-8-1-2017	-	2,000,000	-	-	2,000,000	
9-1-2017-8-1-2018			-	2,000,000	-	-	2,000,000		

Name	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2013	
Mr. Liang Yu	9-10-2008	0.2198	9-10-2012-8-10-2013	3,343,750	-	-	-	3,343,750	
			21-12-2011	0.2900	21-12-2012-20-12-2013	5,316,000	-	-	-
				21-12-2013-20-12-2014	5,316,000	-	-	-	5,316,000
				21-12-2014-20-12-2015	5,316,000	-	-	-	5,316,000
				21-12-2015-20-12-2016	5,316,000	-	-	-	5,316,000
	17-8-2012	0.1006	17-8-2013-16-8-2014	875,000	-	-	-	875,000	
			17-8-2014-16-8-2015	875,000	-	-	-	875,000	
			17-8-2015-16-8-2016	875,000	-	-	-	875,000	
			17-8-2016-16-8-2017	875,000	-	-	-	875,000	
	9-1-2013	0.4250	9-1-2014-8-1-2015	-	2,000,000	-	-	-	2,000,000
			9-1-2015-8-1-2016	-	2,000,000	-	-	-	2,000,000
			9-1-2016-8-1-2017	-	2,000,000	-	-	-	2,000,000
			9-1-2017-8-1-2018	-	2,000,000	-	-	-	2,000,000

Name	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2013	
Ms. Yang Yang	9-10-2008	0.2198	9-10-2012-8-10-2013	334,375	-	-	-	334,375	
			21-12-2011	0.2900	21-12-2012-20-12-2013	500,000	-	-	500,000
					21-12-2013-20-12-2014	500,000	-	-	500,000
					21-12-2014-20-12-2015	500,000	-	-	500,000
					21-12-2015-20-12-2016	500,000	-	-	500,000
	9-1-2013	0.4250	9-1-2014-8-1-2015	-	250,000	-	-	250,000	
					9-1-2015-8-1-2016	-	250,000	-	250,000
					9-1-2016-8-1-2017	-	250,000	-	250,000
					9-1-2017-8-1-2018	-	250,000	-	250,000
Mr. Ho King Fung, Eric	23-5-2013	0.4890	23-5-2014-22-5-2015	-	10,643,961	-	-	10,643,961	
					23-5-2015-22-5-2016	-	10,643,961	-	10,643,961
					23-5-2016-22-5-2017	-	10,643,961	-	10,643,961
					23-5-2017-22-5-2018	-	10,643,961	-	10,643,961

Name	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2013			
Mr. Wang Ronghua	21-12-2011	0.2900	21-12-2012-20-12-2013	500,000	-	-	-	500,000			
			21-12-2013-20-12-2014	500,000	-	-	-	500,000			
			21-12-2014-20-12-2015	500,000	-	-	-	500,000			
			21-12-2015-20-12-2016	500,000	-	-	-	500,000			
			9-1-2013	0.4250	9-1-2014-8-1-2015	-	250,000	-	-	250,000	
	9-1-2013	0.4250	9-1-2015-8-1-2016	-	250,000	-	-	250,000			
			9-1-2016-8-1-2017	-	250,000	-	-	250,000			
			9-1-2017-8-1-2018	-	250,000	-	-	250,000			
			Mr. Hua Fenghao	21-12-2011	0.2900	21-12-2012-20-12-2013	500,000	-	-	-	500,000
						21-12-2013-20-12-2014	500,000	-	-	-	500,000
21-12-2014-20-12-2015	500,000	-				-	-	500,000			
21-12-2015-20-12-2016	500,000	-				-	-	500,000			
9-1-2013	0.4250	9-1-2014-8-1-2015				-	250,000	-	-	250,000	
9-1-2013	0.4250	9-1-2015-8-1-2016	-	250,000	-	-	250,000				
		9-1-2016-8-1-2017	-	250,000	-	-	250,000				
		9-1-2017-8-1-2018	-	250,000	-	-	250,000				



Name	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2013
Mr. Kwok Wing Leung Andy (resigned on 20 June 2013)	21-12-2011	0.2900	21-12-2012-20-12-2013	500,000	-	(500,000)	-	-
			21-12-2013-20-12-2014	500,000	-	-	(500,000)	-
			21-12-2014-20-12-2015	500,000	-	-	(500,000)	-
			21-12-2015-20-12-2016	500,000	-	-	(500,000)	-
	9-1-2013	0.4250	9-1-2014-8-1-2015	-	250,000	-	(250,000)	-
			9-1-2015-8-1-2016	-	250,000	-	(250,000)	-
			9-1-2016-8-1-2017	-	250,000	-	(250,000)	-
			9-1-2017-8-1-2018	-	250,000	-	(250,000)	-
			20-6-2014-19-6-2015	-	375,000	-	-	375,000
			20-6-2015-19-6-2016	-	375,000	-	-	375,000
Ms. Monica Maria Nunes	20-6-2013	0.4740	20-6-2016-19-6-2017	-	375,000	-	-	375,000
			20-6-2017-19-6-2018	-	375,000	-	-	375,000

Date of grant	Exercise price per Share (HK\$)	Exercisable period	Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2013
<b>Eligible employees and other eligible participants:</b>							
9-10-2008	0.2198	9-10-2012-8-10-2013	28,171,875	-	(11,609,375)	-	16,562,500
6-7-2010	0.3000	6-7-2012-5-7-2013	1,000,000	-	(875,000)	-	125,000
		6-7-2013-5-7-2014	1,000,000	-	-	-	1,000,000
		6-7-2014-5-7-2015	1,000,000	-	-	-	1,000,000
30-3-2011	0.3300	30-3-2012-29-3-2013	2,850,000	-	-	(2,850,000)	-
		30-3-2013-29-3-2014	2,850,000	-	-	-	2,850,000
		30-3-2014-29-3-2015	2,850,000	-	-	-	2,850,000
		30-3-2015-29-3-2016	2,850,000	-	-	-	2,850,000
21-12-2011	0.2900	21-12-2012-20-12-2013	21,159,750	-	(6,937,500)	-	14,222,250
		21-12-2013-20-12-2014	21,159,750	-	-	-	21,159,750
		21-12-2014-20-12-2015	21,159,750	-	-	-	21,159,750
		21-12-2015-20-12-2016	21,159,750	-	-	-	21,159,750
17-8-2012	0.1006	17-8-2013-16-8-2014	20,922,250	-	-	-	20,922,250
		17-8-2014-16-8-2015	20,922,250	-	-	-	20,922,250
		17-8-2015-16-8-2016	20,922,250	-	-	-	20,922,250
		17-8-2016-16-8-2017	20,922,250	-	-	-	20,922,250

Date of grant	Exercise price per Share (HK\$)	Exercisable period	Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2013
9-1-2013	0.4250	9-1-2014-8-1-2015	-	30,500,000	-	(250,000)	30,250,000
		9-1-2015-8-1-2016	-	30,500,000	-	(250,000)	30,250,000
		9-1-2016-8-1-2017	-	30,500,000	-	(250,000)	30,250,000
		9-1-2017-8-1-2018	-	30,500,000	-	(250,000)	30,250,000
23-5-2013	0.4890	23-5-2014-22-5-2015	-	10,643,961	-	-	10,643,961
		23-5-2015-22-5-2016	-	10,643,961	-	-	10,643,961
		23-5-2016-22-5-2017	-	10,643,961	-	-	10,643,961
		23-5-2017-22-5-2018	-	10,643,961	-	-	10,643,961
Total			303,557,500	236,651,688	(19,921,875)	(6,350,000)	513,937,313
Exercisable at the end of the period			81,495,250				61,573,375
Weighted average exercise price of the outstanding share option			HK\$0.2239				HK\$0.3247

## **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 purpose, figures in RMB in this report have been translated into HK\$ at the exchange rate of RMB1 = HK\$1.257.*

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

Hong Kong, 9 August 2013

*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 and Mr. Ho King Fung, Eric as non-executive Directors; and (iii) Mr. Wang Ronghua, Mr. Hua Fengmao and Ms. Monica Maria Nunes 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](http://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](http://www.agtech.com).*