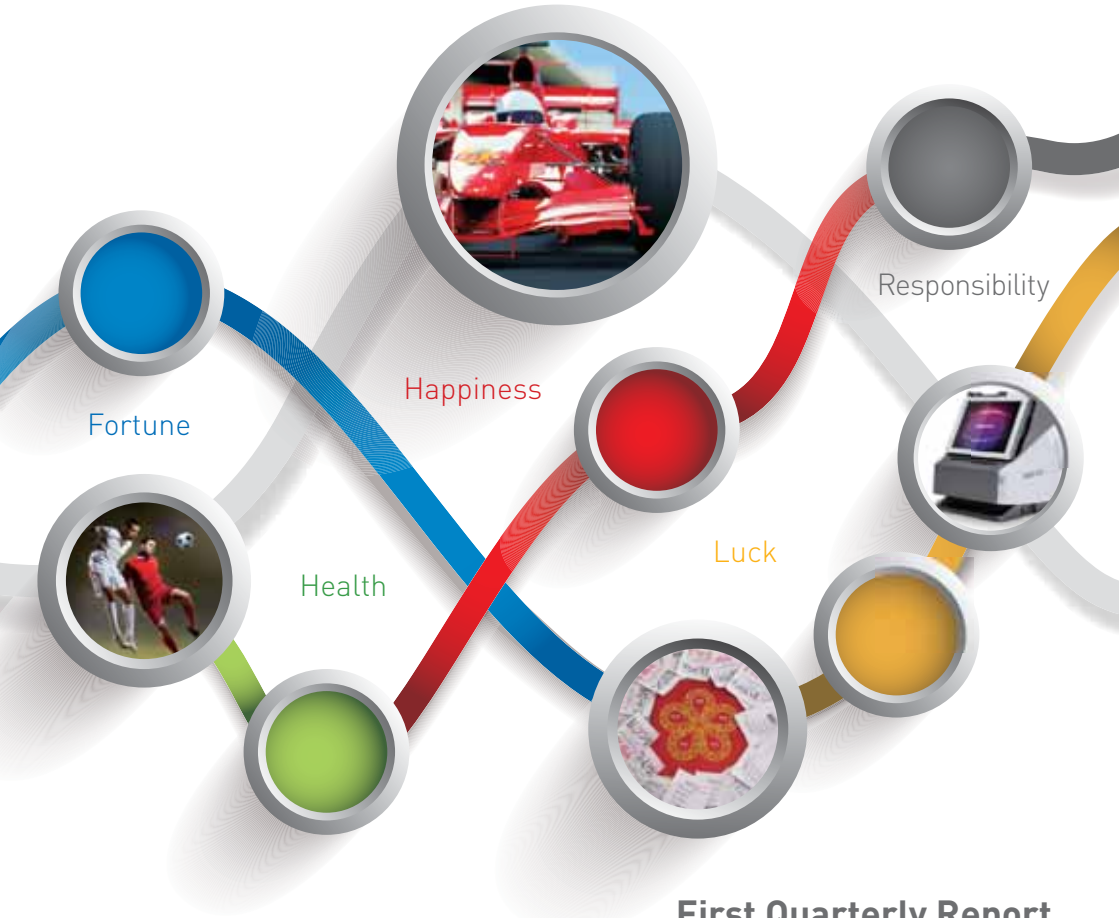




# AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279



## First Quarterly Report 2014



## **CHARACTERISTICS OF THE GEM OF THE 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 of the Company collectively and individually accept full responsibility, includes particulars given in compliance with 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.*

## FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED 31 MARCH 2014

- Total revenue of the Group for the Three-Month Period amounted to approximately HK\$25.7 million (2013: approximately HK\$37.6 million). 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. The decrease in revenue was mainly due to the expiry of certain contracts in the Lottery Management division as a result of the Group's transition of its core business from the legacy, lower-growth Lottery Management business to fully integrated services involving its advanced, high-growth Gaming Technologies business.
- Loss attributable to owners of the Company for the Three-Month Period amounted to approximately HK\$45.9 million, primarily due to (i) the increase in depreciation expenses due to the establishment of a data centre for rolling out the e-Ball Lottery game, (ii) the relocation of the Group's Beijing office in China, and (iii) the rise in share-based payments totalling approximately HK\$29.0 million (2013: approximately HK\$4.8 million) as a result of the increase in share options of the Company granted to Directors, eligible employees and other eligible participants under the Share Option Scheme during the Three-Month Period.
- The Board does not recommend the payment of an interim dividend for the Three-Month Period.

## FIRST QUARTERLY RESULTS

The Board announces the unaudited consolidated results of the Group for the three months ended 31 March 2014 (the "Three-Month Period"), together with the comparative unaudited figures for the corresponding period in 2013 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 March 2014

	Notes	Three months ended 31 March	
		2014 HK\$	2013 HK\$
Revenue	2	<b>25,743,669</b>	37,640,997
Cost of sales and services		<b>(13,452,081)</b>	(13,405,258)
Gross profit		<b>12,291,588</b>	24,235,739
Investment and other income		<b>305,153</b>	425,049
Selling and administrative expenses		<b>(29,176,704)</b>	(21,447,417)
(Loss)/profit from business operations		<b>(16,579,963)</b>	3,213,371
Share-based payments		<b>(29,028,588)</b>	(4,836,772)
Net foreign exchange gain		<b>10,509</b>	12,239
Amortisation of other intangible assets		<b>(119,311)</b>	(116,815)
Finance costs		–	(167,207)
Loss before tax		<b>(45,717,353)</b>	(1,895,184)
Income tax expense	3	<b>(721,139)</b>	(1,702,085)
<b>Loss for the period</b>		<b>(46,438,492)</b>	(3,597,269)
Loss attributable to:			
Owners of the Company		<b>(45,929,556)</b>	(3,948,979)
Non-controlling interests		<b>(508,936)</b>	351,710
		<b>(46,438,492)</b>	(3,597,269)
<b>Loss per Share</b>			
Basic and diluted	4	<b>HK1.052 cents</b>	HK0.103 cent


	<b>Three months ended 31 March</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
<b>Loss for the period</b>	<b>(46,438,492)</b>	(3,597,269)
<b>Other comprehensive income, net of income tax</b>		
Translation differences on translating foreign operations	<b>(9,274,878)</b>	7,976,293
<b>Total comprehensive income for the period</b>	<b>(55,713,370)</b>	4,379,024
Total comprehensive income attributable to:		
Owners of the Company	<b>(55,143,541)</b>	4,299,208
Non-controlling interests	<b>(569,829)</b>	79,816
	<b>(55,713,370)</b>	4,379,024

Notes:

#### 1. BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited consolidated accounts have been prepared in accordance with the requirements of GEM Listing Rules, accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

The 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 2013.



HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (the “new and revised HKFRS”). The Group has not early adopted the new and revised HKFRS that have been issued but are not yet effective, the Group is in the process of assessing the impact of these new and revised HKFRS on the financial performance and financial position of the Group.

**2. REVENUE**

Revenue represents the amounts received and receivable from gaming technologies (game software, systems, hardware and terminals) business and provision of sports lottery management and marketing consultancy services in the PRC during the Three-Month period.

**3. INCOME TAX EXPENSE**

Income tax expense for the Three-Month Period represents the net amount of deferred taxation credit of approximately HK\$0.1 million and PRC Enterprise Income Tax of approximately HK\$0.8 million.

**4. LOSS PER SHARE**

The calculation of basic and diluted loss per share is based on the unaudited loss attributable to owners of the Company for the Three-Month Period of HK\$45,929,556 (2013: HK\$3,948,979) and the weighted average number of 4,366,615,658 Shares (2013: 3,849,225,597 Shares) in issue during the period.

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

**5. DIVIDEND**

The Board does not recommend the payment of an interim dividend for the Three-Month Period (2013: nil).

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2014

	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	-	-	-	-	-	-	(3,948,979)	(3,948,979)	351,710	(3,597,269)
Other comprehensive income for the period	-	-	-	-	7,928,497	-	-	7,928,497	47,796	7,976,293
Total comprehensive income for the period	-	-	-	-	7,928,497	-	(3,948,979)	3,979,518	399,506	4,379,024
Recognition of equity-settled share-based payments	-	-	4,836,772	-	-	-	-	4,836,772	-	4,836,772
Shares issued on exercise of part of share options	14,219	5,557,462	(3,634,853)	-	-	-	-	1,936,828	-	1,936,828
<b>Balance at 31 March 2013</b>	<b>7,702,126</b>	<b>1,180,112,389</b>	<b>76,519,199</b>	<b>10,746,631</b>	<b>172,036,334</b>	<b>47,191,476</b>	<b>(420,330,678)</b>	<b>1,073,977,477</b>	<b>2,526,107</b>	<b>1,076,503,584</b>
Balance at 1 January 2014	8,697,648	1,390,982,670	66,695,644	13,863,564	197,590,847	47,191,476	(490,934,022)	1,234,087,827	1,290,819	1,235,378,646
Loss for the period	-	-	-	-	-	-	(45,929,556)	(45,929,556)	(508,936)	(46,438,492)
Other comprehensive income for the period	-	-	-	-	(9,213,985)	-	-	(9,213,985)	(60,893)	(9,274,878)
Total comprehensive income for the period	-	-	-	-	(9,213,985)	-	(45,929,556)	(55,143,541)	(569,829)	(55,713,370)
Recognition of equity-settled share-based payments	-	-	29,165,305	-	-	-	-	29,165,305	-	29,165,305
Shares issued on exercise of part of share options	62,414	14,743,126	(3,601,136)	-	-	-	-	11,204,404	-	11,204,404
Lapse of share options	-	-	(136,717)	-	-	-	-	(136,717)	-	(136,717)
<b>Balance at 31 March 2014</b>	<b>8,760,062</b>	<b>1,405,725,796</b>	<b>92,123,096</b>	<b>13,863,564</b>	<b>188,376,862</b>	<b>47,191,476</b>	<b>(536,863,578)</b>	<b>1,219,177,278</b>	<b>720,990</b>	<b>1,219,898,268</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### About the Group

The Group is the leading integrated gaming company in China's lottery market. The Group is principally engaged in (i) gaming technologies (game software, systems, hardware and terminals); (ii) online and mobile lottery; and (iii) lottery management. The Group is committed to applying international management concepts and advanced technologies to the lottery industry in various areas such as lottery systems, lottery hardware, lottery 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 seven 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 lottery market. This growth is testament to the quality and depth of the Group's relationships with industry regulators at both national and provincial levels, as well as the quality of its management, employees, technology and partners.

Through Asia Gaming Technologies Limited ("AGT") and its subsidiaries, 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 system as well as its first games, "Lucky Racing" and "e-Ball Lottery".

The Group has a team of over 200 professionals and the footprint of its lottery business now covers over 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

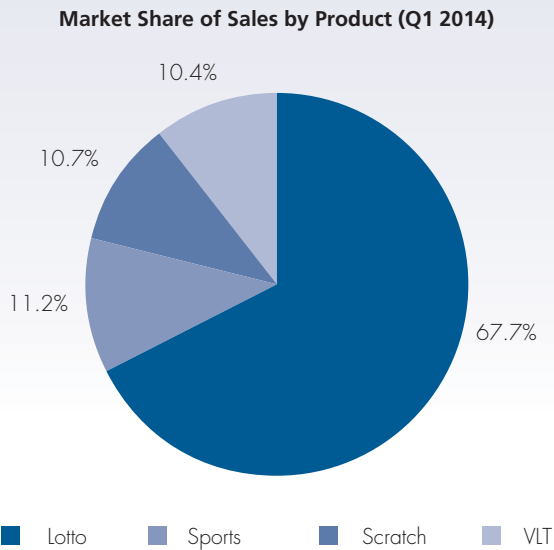
Our long-term objectives are to maintain a leading position as a lottery technology group and to provide innovative and competitive legal lottery games to help the Chinese government to crack down on illegal gambling. In order to achieve these objectives, we are committed to bringing together international and domestic industry expertise, technologies, management, skills and infrastructure into the Chinese lottery markets both through 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

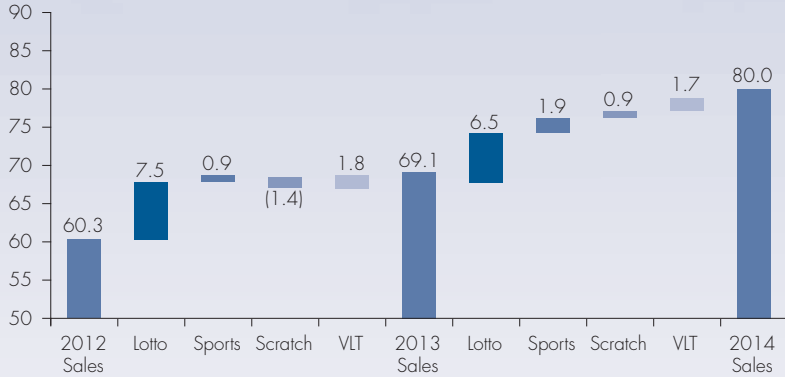
According to information published by the Ministry of Finance of the PRC, for the Three-Month Period, the lottery market recorded sales of approximately RMB80.0 billion, an increase of approximately 15.9% compared to the corresponding period in 2013 (versus 14.6% growth in the same period last year). Of this, sports lottery amounted to approximately RMB33.7 billion (accounting for 42.1% of total lottery sales), an increase of approximately 17.1% year on year. The welfare lottery achieved sales of approximately RMB46.3 billion (57.9% of total lottery sales), an increase of approximately 15.1% against the corresponding period in 2013.

## Product review



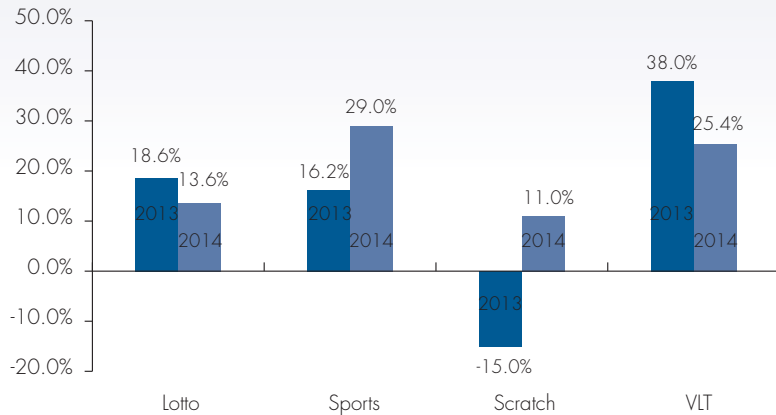
Source: PRC Ministry of Finance

### China Lottery Sales Bridge Q1 2012 – Q1 2014 (RMB billion)



Source: PRC Ministry of Finance

### China Lottery Sales Quarterly Growth Comparison by Product (Q1 2014 vs. Q1 2013)



Source: PRC Ministry of Finance

The slight increase in the pace of overall sales growth in the first quarter of 2014 relative to the first quarter of 2013 has been achieved thanks to a dramatically improved performance in instant scratch cards ("Scratch") and improved growth in sports betting ("Sports") which, taken together, was enough to offset the decline in growth in the largest segment, Lotto (i.e. traditional lotto games that have a daily or weekly draw pattern as well as high frequency games ("HFG")) and the smaller segment of video lottery terminal ("VLT") games.

In aggregate, and despite the declining pace of growth, Lotto remains the largest product in terms of sales and it contributed approximately 59.0% of the absolute growth in the quarter. The Lotto category contains both traditional weekly and daily lotto draw games as well as HFG which are characterised by multiple daily draws and higher prize payout ratios of up to 59%. In past quarters, Lotto has benefitted from rapid growth in HFG due to a gradual increase in payout ratios across the country. With this process largely complete, the pace of growth in Lotto has dipped somewhat. AGTech's Lucky Racing game is classified as HFG. The planned deployment of this game to other provinces could therefore be one of the new drivers to restore the strong growth in this category. In other categories, the increasing use of remote sales channels is likely to have contributed to the growth in the Sports segment while the improvement in Scratch reflects the correction of certain supply chain issues experienced during much of the past two years.

Overall, the trend of lottery sales growth of recent quarters is somewhat below historical levels. The Group believes that this is likely to 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 (lottery terminals) and new Online and Mobile Lottery channel businesses in particular.

## **Business Review**

As expected, during the quarter under review, the Group recorded a decline in revenue and gross profit. The decline in revenue was expected and was mainly attributable to the expiry of certain contracts in the Lottery Management division. Since these contracts expired in April 2013, the negative effect was fully reflected in this quarter. The process of transitioning the Group's core business from the legacy, lower-growth Lottery Management business to fully integrated services involving its advanced, high-growth Gaming Technology business is now largely complete and during the quarter the Lottery Management division contributed less than 10% of the Group's revenue (versus approximately 34% in the same period last year).

Our Gaming Technologies division has performed in line with expectations in the period and, towards the end of the quarter, our Virtual Sports Betting sales experienced meaningful improvement as the e-Ball game in Jiangsu was further refined and localised. In the coming quarters we expect this trend to continue through the commencement of the roll-out of “Lucky Racing” to more provinces or even nationwide and the further rollout of e-Ball in Jiangsu in the first instance.

## **Gaming Technologies Business**

### *Virtual Sports Betting*

The Three-Month Period under review is the first complete quarter during which the Group has supplied its new virtual sports lottery game “e-Ball Lottery” (“e球彩”) to the launch province of Jiangsu. Meanwhile, our first game, “Lucky Racing” (“幸運賽車”), has continued to be operated successfully in the province of Hunan, in advance of a planned rollout to more provinces across the PRC.

The launch of e-Ball Lottery in November 2013 confirmed virtual sports as a fully accepted, high-growth, multi-product game category in China. The game, which is a football themed virtual sports lottery game, joins the Group’s Lucky Racing as only the second nationally-approved, rapid-draw, fixed-odds virtual sports lottery game in China. e-Ball Lottery was launched in China’s largest sports lottery province, Jiangsu, and has been approved by the National Sports Lottery Administration Centre as a sports betting game and accordingly operates with a 69% payout ratio, the highest payout category in China. The launch of the game went smoothly as did its first full quarter of operation. In close cooperation with our customer and the relevant lottery authorities in China, we have been continuously optimising and localising the game since launch and we are particularly excited by the recent sales and popularity of the product. Like Lucky Racing, we expect that e-Ball Lottery will roll-out nationally in due course.

Lucky Racing, e-Ball Lottery and the underlying betting transaction system on which these games run 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 games are virtual sports lottery games that are broadcast to lottery shops via a central computer and cable television, allowing customers to bet on computer generated car races or football matches respectively. The betting options are like those typically offered for live car race or live football betting in other countries.

Lucky Racing continues to be a very popular game, which led to encouraging underlying sales growth during the quarter. In 2013 our partners at the sports lottery made major strides in completing the “next generation” national high frequency game platform that will carry our Lucky Racing game to other provinces beyond Hunan. The Group therefore expects the game to be launched in more provinces in China during this year.

To date, Lucky Racing and e-Ball Lottery have been successfully launched in traditional dedicated sports lottery shops and the games are expected to be deployed nationwide via this channel. In addition, in due course, the games could be deployed in selected leisure venues (such as coffee shops and restaurants) and, as approved lottery products, the games have the potential to expand nationwide through other remote channels such as mobile and internet.

### ***Gaming Hardware and Technology Development***

With a domestic market share of approximately 50% in recent years, GOT is the leading manufacturer and supplier of lottery and sports betting terminals to China’s sports lottery. GOT is a critically important growth division 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 VLT manufacture and delivery.

GOT enjoyed a strong 2013 domestically and has begun 2014 in similar vein, thanks partly to the initiation of the terminal replacement cycle in China’s sports lottery market, following the conclusion of the terminal supplier selection and evaluation process undertaken by the sports lottery authorities. This encouraging performance is testament to GOT’s unparalleled reputation in the sports lottery field, gained during more than ten years of successful operation. The Group is pleased to note that GOT’s new range of terminals, the M6 Smart Terminal, the C8 Terminal and the A210 Portable Terminal, are already proving to be very popular and that GOT was chosen as a supplier by most of the provinces which concluded tenders during the 2013 and 2014 year to date.

We are already supplying GOT terminals outside of China (e.g. South Africa) and plan to grow this international business in future. Currently, the Group is in active discussions with a number of other potential international customers and/or distributors of GOT terminals.

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

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

In light of the very high levels of internet and smart phone penetration in China (>560m and >330m respectively according to recent publicly available estimates), the potential regulation expected to be released by the Chinese government and lottery administration authorities in relation to online and mobile distribution of approved lottery products promises to create enormous opportunities for the Group. The Group intends to directly participate in this exciting development via the provision of internet/mobile systems and as a distributor, subject to government approval.

The provincial mobile systems trials that are being prepared in the lottery industry are expected to lead to the creation of a fully regulated mobile lottery distribution market in China. With the valuable PRC internet service provider and PRC internet content provider experience of Silvercreek (the Company's wholly-owned subsidiary), as well as its track-record and relationships in the lottery industry, the Group is fully qualified to grasp the opportunities in mobile and internet lottery systems and distribution as and when they become available. In this area, the Group is working with the most advanced international technology companies and has the experience to provide a full range of support and services to localise and develop China's internet/mobile lottery system and games.

The Group has not conducted any online lottery sales or maintained any website to conduct such sales. In line with the Group's past practice, all our lottery businesses in the PRC have been complying with all relevant lottery regulations in the PRC including obtaining approval from relevant government authorities in the PRC, where applicable.

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

Lottery management services as currently provided by the Group 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 consultancy and 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.

Looking forward, in view of the Group's transition to a professional and integrated lottery service provider, it is expected that the proportion of revenue contributed by the Lottery Management division will be modest. However, in light of the Group's valuable experience, solid background as well as its trusting cooperative relationships built up with various provincial lottery administration and distribution authorities through the existing lottery management business, together with new lottery technologies/terminals to be introduced and new developments in the new internet/mobile channel business, it is possible that new opportunities in the Lottery Management business will emerge. We are currently exploring and building new business cooperations and business models in this area.

### **Business Outlook**

In light of the continued strategic progress seen in 2013 and in the first quarter of 2014, as well as the further strengthening of our balance sheet through the May 2013 share placing, the Directors have confidence in the strong foundations of the business and are excited about the growth opportunities they see ahead in 2014 and beyond. The Board believes that 2014 will be a year of growth for the Group. Firstly, as expected, during the course of 2013 our partners at the sports lottery made major strides in completing the "next generation" national high frequency game platform that could carry our Lucky Racing game. Accordingly, the Group expects the game to be promoted to more provinces during the year. Secondly, the Group expects e-Ball Lottery to build on its successful launch in Jiangsu province, paving the way for a national deployment in due course. Thirdly, the Group continues to closely monitor the prospective online and mobile lottery opportunity and is well equipped to react quickly in response to any developments in government policy. Such developments will bring opportunities in terms of our approved content (games) as well as in systems and distribution. Fourthly, in the GOT division, the Group will continue to capitalise on the anticipated terminal replacement cycle in sports lottery, continue its overseas expansion and look to broaden its product range to VLT. Finally, through its relationship with its strategic shareholder in Macau, the Group will continue to explore business development opportunities in Macau.

The Directors believe that the Chinese government will start to regulate the development of the online and mobile lottery systems and distribution market. 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 division and first class international partnerships, the Group is well positioned to react to any such regulatory progress. The Directors believe that such developments 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 lottery industry in China, the multiple potential areas of expansion outlined above suggest a very positive outlook for the Group for 2014 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 maximising returns for Shareholders. The Board strongly believes that the solid business foundations, strong customer and regulatory 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**

Revenue of the Group for the Three-Month Period amounted to approximately HK\$25.7 million (2013: approximately HK\$37.6 million). 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. The decrease in revenue was mainly due to the expiry of certain contracts in the Lottery Management division as a result of the Group's transition of its core business from the legacy, lower-growth Lottery Management business to fully integrated services involving its advanced, high-growth Gaming Technologies business. During the Three-Month Period, the gross profit margin percentage stood at approximately 47.7% (2013: approximately 64.4%). The decrease in gross profit margin percentage was due to the increase in depreciation expenses resulting from the establishment of a data centre for rolling out the e-Ball Lottery game.

Loss attributable to owners of the Company for the Three-Month Period amounted to approximately HK\$45.9 million, primarily due to (i) the increase in depreciation expenses due to the establishment of a data centre for rolling out the e-Ball Lottery game, (ii) the relocation of the Group's Beijing office in China, and (iii) the rise in share-based payments totalling approximately HK\$29.0 million (2013: approximately HK\$4.8 million) as a result of the increase in share options of the Company granted to Directors, eligible employees and other eligible participants under the Share Option Scheme during the Three-Month Period.



## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2014, 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 of issued share capital of the Company
	Personal interest	Corporate Interest	Total	
Mr. Sun Ho	27,078,000	2,006,250,000 <i>(Note 1)</i>	2,033,328,000	46.42%
Mr. Robert Geoffrey Ryan	10,195,000	–	10,195,000	0.23%
Mr. Bai Jinmin	3,000,000	44,876,600 <i>(Note 2)</i>	47,876,600	1.09%
Mr. Liang Yu	8,038,250	–	8,038,250	0.18%
Ms. Yang Yang (retired on 5 May 2014)	1,248,750	–	1,248,750	0.03%
Mr. Ho King Fung, Eric	–	–	–	0%
Mr. Wang Ronghua	2,775,000	–	2,775,000	0.06%
Mr. Hua Fengmao	2,605,000	–	2,605,000	0.06%
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\$)	Exercise period	Number of underlying Shares entitled (in respect of share options of the Company)				Approximate percentage of issued share capital of the Company	
				Granted during the	Exercised during the	Lapsed during the	As at		
				As at	Three-	Three-	Three-		
				1 January	Month	Month	Month		
Mr. Robert Geoffrey Ryan	21 December 2011	0.2900	21 December 2012 – 20 December 2016	15,948,000	-	(5,316,000)	-	10,632,000	0.24%
	17 August 2012	0.1006	17 August 2013 – 16 August 2017	3,500,000	-	(875,000)	-	2,625,000	0.06%
	9 January 2013	0.4250	9 January 2014 – 8 January 2018	8,000,000	-	(2,000,000)	-	6,000,000	0.14%
	21 January 2014	1.3100	21 January 2015 – 20 January 2019	-	5,000,000	-	-	5,000,000	0.11%
Mr. Bai Jinmin	21 December 2011	0.2900	21 December 2012 – 20 December 2016	15,948,000	-	-	-	15,948,000	0.36%
	17 August 2012	0.1006	17 August 2013 – 16 August 2017	2,625,000	-	-	-	2,625,000	0.06%
	9 January 2013	0.4250	9 January 2014 – 8 January 2018	8,000,000	-	-	-	8,000,000	0.18%
	21 January 2014	1.3100	21 January 2015 – 20 January 2019	-	10,000,000	-	-	10,000,000	0.23%

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 31 March 2014	Approximate percentage of issued share capital of the Company	
				Granted during the Three-Month Period	Exercised during the Three-Month Period	Lapsed during the Three-Month Period			
Mr. Liang Yu	21 December 2011	0.2900	21 December 2012 – 20 December 2016	15,948,000	–	(5,316,000)	–	10,632,000	0.24%
	17 August 2012	0.1006	17 August 2013 – 16 August 2017	2,625,000	–	–	–	2,625,000	0.06%
	9 January 2013	0.4250	9 January 2014 – 8 January 2018	8,000,000	–	(2,000,000)	–	6,000,000	0.14%
	21 January 2014	1.3100	21 January 2015 – 20 January 2019	–	5,000,000	–	–	5,000,000	0.11%
Ms. Yang Yang (retired on 5 May 2014)	21 December 2011	0.2900	21 December 2012 – 20 December 2016	1,500,000	–	–	–	1,500,000	0.03%
	9 January 2013	0.4250	9 January 2014 – 8 January 2018	1,000,000	–	–	–	1,000,000	0.02%
	21 January 2014	1.3100	21 January 2015 – 20 January 2019	–	500,000	–	–	500,000	0.01%
Mr. Ho King Fung, Eric	23 May 2013	0.4890	23 May 2014 – 22 May 2018	42,575,844	–	–	–	42,575,844	0.97%
Mr. Wang Ronghua	21 December 2011	0.2900	21 December 2012 – 20 December 2016	1,500,000	–	–	–	1,500,000	0.03%
	9 January 2013	0.4250	9 January 2014 – 8 January 2018	1,000,000	–	–	–	1,000,000	0.02%
	21 January 2014	1.3100	21 January 2015 – 20 January 2019	–	500,000	–	–	500,000	0.01%
Mr. Hua Fengmao	21 December 2011	0.2900	21 December 2012 – 20 December 2016	1,500,000	–	(500,000)	–	1,000,000	0.02%
	9 January 2013	0.4250	9 January 2014 – 8 January 2018	1,000,000	–	(250,000)	–	750,000	0.02%
	21 January 2014	1.3100	21 January 2015 – 20 January 2019	–	500,000	–	–	500,000	0.01%

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 31 March 2014	Approximate percentage of issued share capital of the Company
				Granted during the Three-Month Period	Exercised during the Three-Month Period	Lapsed during the Three-Month Period		
Ms. Monica Maria Nunes	20 June 2013	0.4740	20 June 2014 – 19 June 2018	1,500,000	–	–	1,500,000	0.03%
	21 January 2014	1.3100	21 January 2015 – 20 January 2019	–	500,000	–	500,000	0.01%

*Note:* A portion of the option representing 25% of the total underlying Shares entitled under such option shall be vested in the grantee of the option in each of the 4 years during the exercisable period. If the grantee does not exercise such portion of the option within one year after it has been vested in him/her, such portion of the option will lapse.

Save as disclosed above, as at 31 March 2014, 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, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2014, 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 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>	45.80%
Hegglin, Daniel Robert	Beneficial owner	255,483,933	5.83%
Rainwood Resources Limited	Beneficial owner	311,852,000	7.12%
Mr. Cheung Lup Kwan	Interest of controlled corporation	311,852,000 <i>(Note 2)</i>	7.12%

Notes:

- 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.
- These 311,852,000 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 entitled</b>	<b>Approximate percentage of issued share capital of the Company</b>
Rainwood Resources Limited	Beneficial owner	212,879,224	4.86%
Mr. Cheung Lup Kwan	Interest of controlled corporation	212,879,224 (Note)	4.86%

*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 31 March 2014, 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 31 March 2014, 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 Three-Month period, none of the Directors or the controlling shareholder of the Company had an interest in a business, which competes or might compete with the business of the Group.

## **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 Three-Month Period have been reviewed and commented on by the audit committee.

## **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 Three-Month Period.

## **SHARE OPTION SCHEME**

During the Three-Month Period, options for 402,790,238 Shares were granted by the Company pursuant to the Share Option Scheme. During the Three-Month Period, options for 31,207,000 Shares were exercised and options for 2,750,000 Shares were lapsed. As at 31 March 2014, options for 778,674,926 Shares remained outstanding.

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

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

## **FUND RAISING ACTIVITIES AND USE OF PROCEEDS**

As disclosed in the announcements of the Company dated 6 May 2013 and 21 May 2013, the Company completed, on 21 May 2013, a placing of 406,521,739 Shares at the placing price of HK\$0.345 each ("Placing") under general mandate and the grant of an option ("Option") under general mandate 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) over an exercisable period of three years.

The net proceeds of the Placing received by the Company amounted to approximately HK\$138 million ("Placing Proceeds"), and the Option has not been exercised as at the date of this report. The Placing Proceeds together with the aggregate exercise price receivable by the Company if the Option is exercised in full shall amount to approximately HK\$223 million.

The Group financed its operations primarily with internally generated cashflows as well as the proceeds from the Placing and from the exercising by grantees of the share options granted under the Share Option Scheme. Primarily due to the Placing Proceeds raised, the bank balances and cash of the Group have increased from HK\$137,666,360 as at 31 December 2012 to HK\$295,017,209 as at 30 June 2013, thus strengthening the working capital position of the Group.

As disclosed in the aforesaid announcement dated 6 May 2013, the Placing Proceeds were intended to be used for business development, working capital of the Group, and/or investments undertaken or to be made by the Group should suitable investment opportunities arise including, but not limited to, investment opportunities in relation to any entertainment, hotel and/or leisure related business in Macau (collectively, the "Intended Usage"). The actual usage of the Placing Proceeds since completion of the Placing up to 31 March 2014 has been as follows:

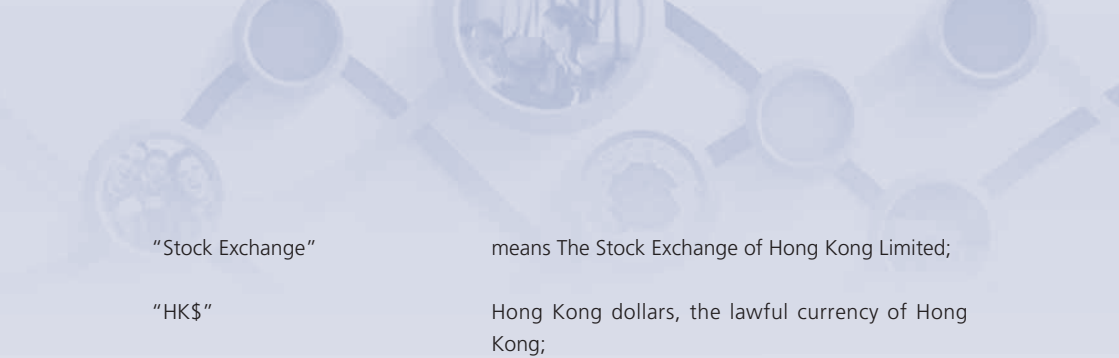
- (a) approximately HK\$45 million has been used for working capital of the Group; and
- (b) the remaining approximately HK\$93 million will be used for the Intended Usage (and has been placed in the savings account of the Company).



## DEFINITIONS

In this report, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	means the board of Directors;
“Company” or “AGTech”	means AGTech Holdings Limited, a company incorporated in Bermuda as an exempted company with limited liability and the issued Shares of which are listed on GEM;
“Director(s)”	means the director(s) of the Company;
“GEM”	means the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited;
“GEM Listing Rules”	means the Rules Governing the Listing of Securities on GEM;
“Group”	means the Company and its subsidiaries;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Macau”	means the Macau Special Administrative Region of the PRC;
“PRC” or “China”	means the People’s Republic of China which, for the purpose of this report, excludes Hong Kong, Macau and Taiwan;
“Share(s)”	means ordinary share(s) of HK\$0.002 each in the share capital of the Company;
“Shareholder(s)”	means holder(s) of the Share(s);
“Share Option Scheme”	means the share option scheme of the Company adopted on 18 November 2004;



“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC; and
“%”	per cent.

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

Hong Kong, 9 May 2014

*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) Mr. Ho King Fung, Eric as non-executive Director; and (iii) Ms. Monica Maria Nunes, Mr. Wang Ronghua and Mr. Hua Fengmao 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).*