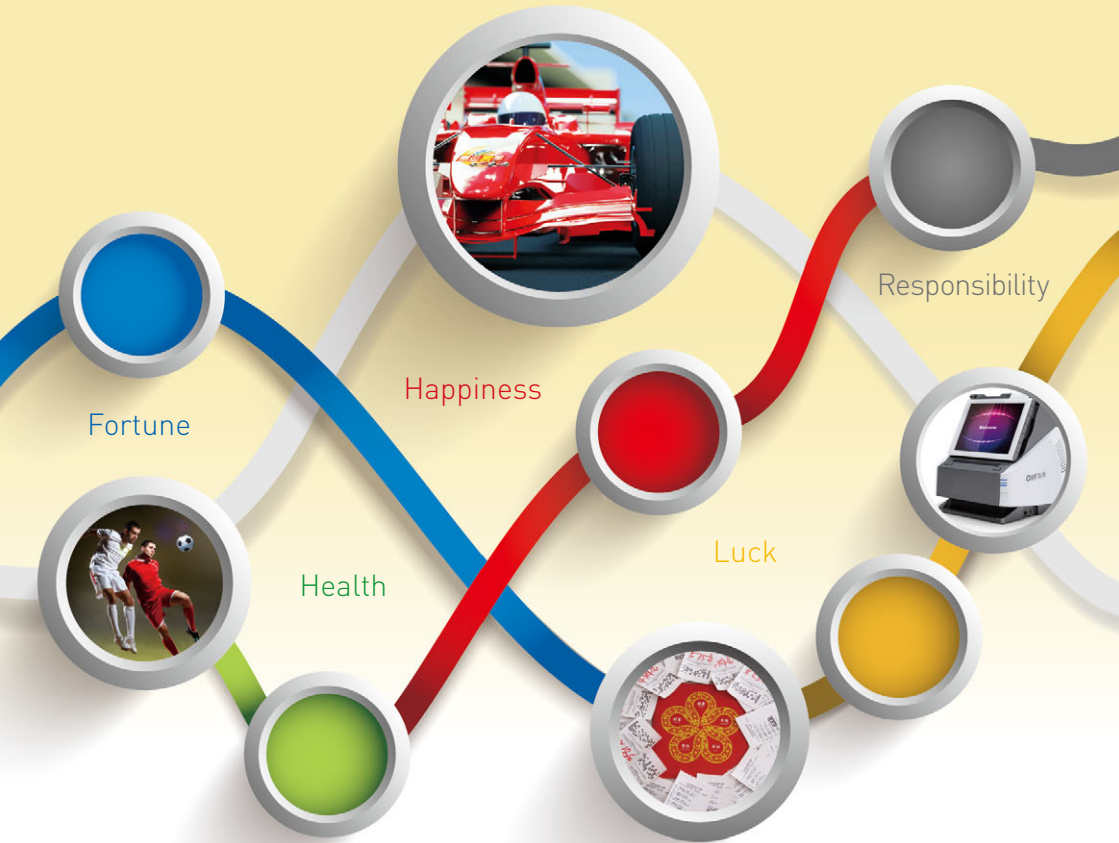




AGTech Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 8279



Interim Report 2014



CHARACTERISTICS OF GEM

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the Directors 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 SIX MONTHS ENDED 30 JUNE 2014

- Total revenue of the Group for the Six-Month Period amounted to approximately HK\$69.4 million (2013: approximately HK\$97.2 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 lower like-for-like sales in the Hardware division (GOT) in line with the market during the period as well as the expected 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 Six-Month Period amounted to approximately HK\$88.9 million (2013: approximately HK\$52.7 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 totaling approximately HK\$64.1 million (2013: approximately HK\$49.0 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 Six-Month Period.
- The Board does not recommend the payment of an interim dividend for the Six-Month Period.

INTERIM RESULTS

The Board announces the unaudited consolidated results of the Group for the three months ended 30 June 2014 (the "Three-Month Period") and the six months ended 30 June 2014 (the "Six-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 and six months ended 30 June 2014

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014 HK\$	2013 HK\$	2014 HK\$	2013 HK\$
Revenue	2	43,697,347	59,552,851	69,441,016	97,193,848
Cost of sales and services		(22,964,344)	(32,860,505)	(36,416,425)	(46,265,763)
Gross profit		20,733,003	26,692,346	33,024,591	50,928,085
Investment and other income		1,660,542	604,720	1,965,695	1,029,769
Selling and administrative expenses		(27,587,905)	(29,119,165)	(56,764,609)	(50,566,582)
(Loss)/profit from business operations		(5,194,360)	(1,822,099)	(21,774,323)	1,391,272
Share-based payments		(35,056,327)	(44,118,900)	(64,084,915)	(48,955,672)
Net foreign exchange gain/(loss)		7,820	(48,403)	18,329	(36,164)
Amortisation of other intangible assets		(118,364)	(120,549)	(237,675)	(237,364)
Finance costs		-	(169,065)	-	(336,272)
Loss before tax		(40,361,231)	(46,279,016)	(86,078,584)	(48,174,200)
Income tax expense	3	(634,595)	(3,165,000)	(1,355,733)	(4,867,085)
Loss for the period	4	(40,995,826)	(49,444,016)	(87,434,317)	(53,041,285)
Loss attributable to:					
Owners of the Company		(42,942,162)	(48,701,372)	(88,871,718)	(52,650,351)
Non-controlling interests		1,946,336	(742,644)	1,437,401	(390,934)
		(40,995,826)	(49,444,016)	(87,434,317)	(53,041,285)
Loss per share					
Basic and diluted	5	HK 0.978 cent	HK 1.206 cents	HK 2.030 cents	HK 1.335 cents

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$	2013 HK\$	2014 HK\$	2013 HK\$
Loss for the period	(40,995,826)	(49,444,016)	(87,434,317)	(53,041,285)
Other comprehensive income, net of income tax				
Translation differences on translating foreign operations	329,380	15,090,493	(8,945,498)	23,066,786
Total comprehensive income for the period	(40,666,446)	(34,353,523)	(96,379,815)	(29,974,499)
Total comprehensive income attributable to:				
Owners of the Company	(42,617,275)	(34,021,015)	(97,760,815)	(29,721,807)
Non-controlling interests	1,950,829	(332,508)	1,381,000	(252,692)
	(40,666,446)	(34,353,523)	(96,379,815)	(29,974,499)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	<i>Notes</i>	Unaudited As at 30 June 2014 HK\$	Audited As at 31 December 2013 HK\$
Non-current assets			
Property, plant and equipment		53,143,079	53,078,985
Goodwill		790,855,088	796,946,317
Other intangible assets		2,455,251	2,700,348
Investment in a joint venture		647,075	647,072
Deposits and prepayments		23,569,391	28,891,609
Other assets		1,788,348	1,802,122
Deferred tax assets		4,138,801	4,589,919
		876,597,033	888,656,372
Current assets			
Inventories		50,317,034	46,532,486
Trade receivables	7	60,220,562	37,288,514
Other receivables, deposits and prepayments		58,802,450	55,383,695
Amount due from a joint venture		5,855	5,855
Bank balances and cash		239,113,485	286,530,951
		408,459,386	425,741,501
Current liabilities			
Trade payables	8	5,413,231	9,782,747
Accruals and other payables		22,041,724	31,219,473
Amount due to a joint venture		650,000	650,000
Current tax liabilities		196,994	2,472,838
		28,301,949	44,125,058

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2014	2013
<i>Notes</i>	HK\$	HK\$
Net current assets	380,157,437	381,616,443
Total assets less current liabilities	1,256,754,470	1,270,272,815
Non-current liabilities		
Provision for warranties	34,444,646	30,495,217
Deferred tax liabilities	4,194,139	4,398,952
	38,638,785	34,894,169
Net assets	1,218,115,685	1,235,378,646
Capital and reserves		
Share capital	8,783,109	8,697,648
Reserves	1,206,660,757	1,225,390,179
Equity attributable to owners of the Company	1,215,443,866	1,234,087,827
Non-controlling interests	2,671,819	1,290,819
Total equity	1,218,115,685	1,235,378,646

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\$		
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	(18,031,460)	-	-	-	-	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	-	-	-
Balance at 30 June 2013	8,540,794	1,336,954,624	105,897,319	9,342,868	187,036,381	47,191,476	(467,284,122)	1,227,679,340	1,873,909	1,229,553,249
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	-	-	-	-	-	-	(88,871,718)	(88,871,718)	1,437,401	(87,434,317)
Other comprehensive income for the period	-	-	-	-	(8,889,097)	-	-	(8,889,097)	(56,401)	(8,945,498)
Total comprehensive income for the period	-	-	-	-	(8,889,097)	-	(88,871,718)	(97,760,815)	1,381,000	(96,379,815)
Recognition of equity-settled share-based payments	-	-	64,676,366	-	-	-	-	64,676,366	-	64,676,366
Shares issued on exercise of part of share options	85,461	20,020,454	(5,073,977)	-	-	-	-	15,031,938	-	15,031,938
Lapse of share options	-	-	(701,187)	-	-	-	109,737	(591,450)	-	(591,450)
Transfer to accumulated losses	-	-	-	(57,083)	-	-	57,083	-	-	-
Balance at 30 June 2014	8,783,109	1,411,003,124	125,596,846	13,806,481	188,701,750	47,191,476	(579,638,920)	1,215,443,866	2,671,819	1,218,115,685

CONDENSED CONSOLIDATED CASHFLOW (UNAUDITED)

For the Six-Month Period

	Six months ended 30 June	
	2014	2013
	HK\$	HK\$
Net cash (used in)/generated by operating activities	(56,149,787)	8,921,989
Net cash used in investing activities	(1,422,842)	(1,416,419)
Net cash generated by financing activities	15,031,940	144,943,390
Net (decrease)/increase in cash and cash equivalents	(42,540,689)	152,448,960
Cash and cash equivalents at the beginning of the period	286,530,951	137,666,360
Effect of foreign exchange rate changes	(4,876,777)	4,901,889
Cash and cash equivalents at the end of the period	239,113,485	295,017,209
Analysis of balances of cash and cash equivalents		
Bank balances and cash	239,113,485	295,017,209

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 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 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 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 PRC during the Three-Month Period and the Six-Month Period and is analysed as follows:

	Three months ended		Six months ended	
	30 June	2013	30 June	2013
	2014	(unaudited)	2014	(unaudited)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$	HK\$	HK\$	HK\$
Provision of gaming technologies (game software, systems, hardware and terminals)	39,681,141	53,080,303	62,564,645	77,706,764
Provision of sports lottery management and marketing consultancy services	4,016,206	6,472,548	6,876,371	19,487,084
	43,697,347	59,552,851	69,441,016	97,193,848

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 EXPENSE

Income tax expense for the Six-Month Period represents the net amount of deferred taxation credit of approximately HK\$0.17 million and PRC Enterprise Income Tax expense of approximately HK\$1.53 million.

4. LOSS FOR THE PERIOD

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

	Three months ended		Six months ended	
	30 June		30 June	
	2014	2013	2014	2013
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$	HK\$	HK\$	HK\$
Cost of inventories recognised as expenses	14,545,456	25,212,234	22,533,923	31,291,589
Provision for warranties	4,671,526	3,111,454	6,585,528	4,124,909
Share-based payment	35,056,327	44,118,900	64,084,915	48,955,672
Amortisation of other intangible assets	118,364	120,549	237,675	237,364
Depreciation of property, plant and equipment	2,823,580	1,953,964	5,385,603	3,994,083
Bank interest income	(1,438,850)	(524,347)	(1,706,271)	(902,021)
Finance costs	–	169,065	–	336,272
Operating lease rentals in respect of rented premises	3,772,061	2,151,340	8,577,764	4,287,460
Research and development costs	2,066,182	2,145,793	4,144,207	4,529,803
Staff cost (including Directors' remunerations)	10,145,442	10,352,976	20,068,778	19,876,394

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\$42,942,162 and HK\$88,871,718 respectively (for the three months and six months ended 30 June 2013: net loss of HK\$48,701,372 and HK\$52,650,351 respectively), and the weighted average number of 4,389,990,842 and 4,378,367,823 ordinary shares in issue during the Three-Month Period and the Six-Month Period respectively (for the three months and six months ended 30 June 2013: 4,037,547,818 and 3,943,906,935 respectively).

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

6. DIVIDEND

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

7. TRADE RECEIVABLES

As at 30 June 2014, the aged analysis of the Group's trade receivables is as follows:

	As at 30 June 2014 HK\$	As at 31 December 2013 HK\$
0 to 30 days	45,859,030	31,925,030
31 to 60 days	1,337,691	861,719
61 to 90 days	1,519,317	491,141
91 to 120 days	10,478,208	861,719
121 to 365 days	995,311	2,641,670
Over 365 days	31,005	507,235
	60,220,562	37,288,514

8. TRADE PAYABLES

The following is an analysis of trade payables by age based on the invoice date:

	As at 30 June 2014 HK\$	As at 31 December 2013 HK\$
0 to 30 days	2,419,098	9,021,534
31 to 60 days	2,399,426	108,253
61 to 90 days	23,111	–
91 to 120 days	251,158	14,101
121 to 365 days	220,383	638,859
Over 365 days	100,055	–
	5,413,231	9,782,747

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

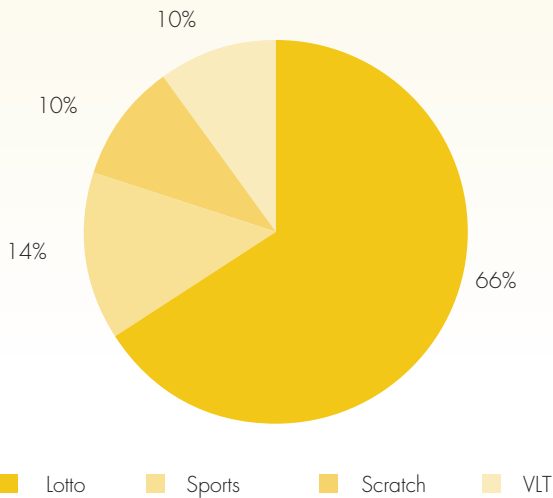
Our long-term objectives are to maintain a leading position as a lottery technology group and to provide innovative and competitive legal lottery games to help the Chinese government to crack down on illegal gambling. In order to achieve these objectives, we are committed to bringing together international 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 Six-Month Period, the lottery market recorded sales of RMB178.4 billion, an increase of approximately 19.2% compared to the corresponding period in 2013 (versus 16.4% growth in the same period last year). Of this, sports lottery amounted to approximately RMB79.9 billion (accounting for 44.8% of total lottery sales), an increase of approximately 24.1% year on year. The Welfare lottery achieved sales of approximately RMB98.5 billion (55.2% of total lottery sales), an increase of approximately 15.5% against the corresponding period in 2013.

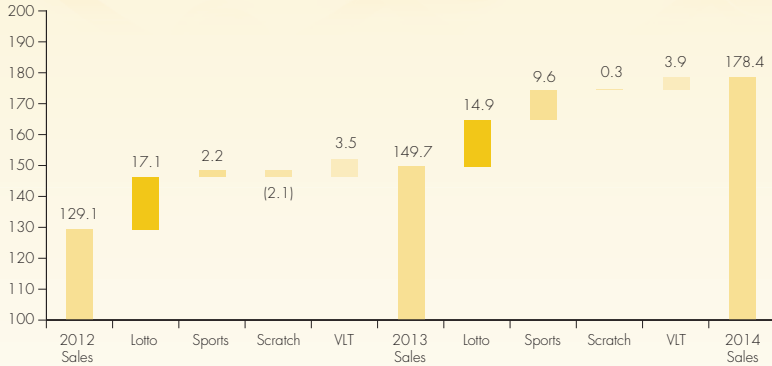
Product review

Market share of Sales by Product (H1 2014)



Source: PRC Ministry of Finance

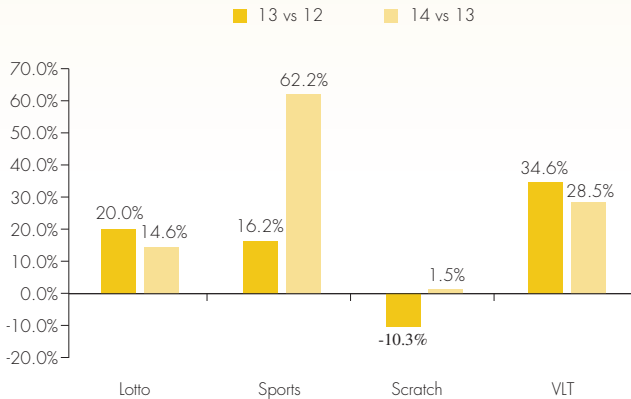
China Lottery Sales Bridge H1 2012 – H1 2014 (RMB billion)



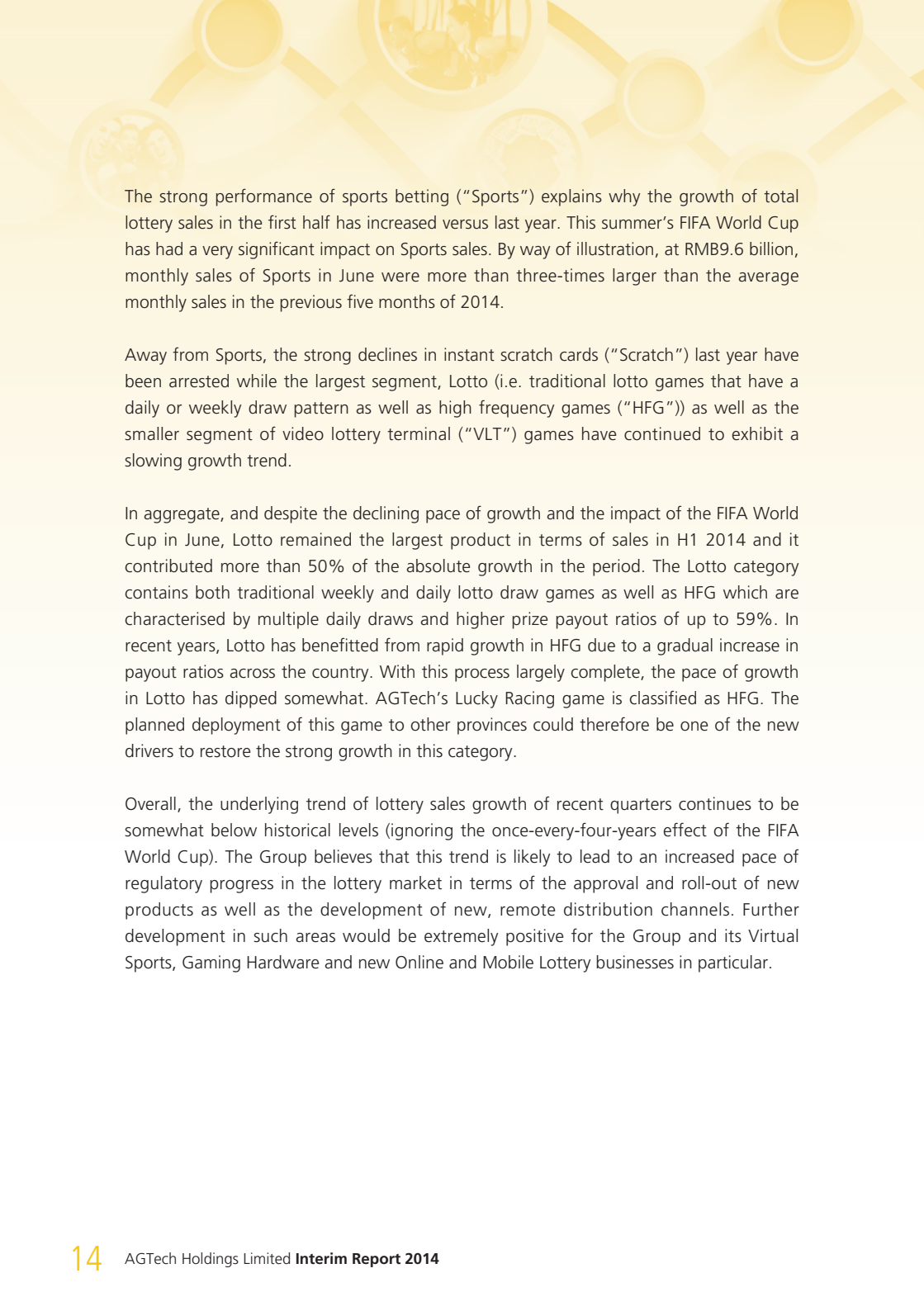
Note: 2013 total in chart does not tally exactly due to decimal place rounding

Source: PRC Ministry of Finance

China Lottery Sales Growth Comparison by Product (H1 2014 vs. H1 2013)



Source: PRC Ministry of Finance



The strong performance of sports betting (“Sports”) explains why the growth of total lottery sales in the first half has increased versus last year. This summer’s FIFA World Cup has had a very significant impact on Sports sales. By way of illustration, at RMB9.6 billion, monthly sales of Sports in June were more than three-times larger than the average monthly sales in the previous five months of 2014.

Away from Sports, the strong declines in instant scratch cards (“Scratch”) last year have been arrested while the largest segment, Lotto (i.e. traditional lotto games that have a daily or weekly draw pattern as well as high frequency games (“HFG”)) as well as the smaller segment of video lottery terminal (“VLT”) games have continued to exhibit a slowing growth trend.

In aggregate, and despite the declining pace of growth and the impact of the FIFA World Cup in June, Lotto remained the largest product in terms of sales in H1 2014 and it contributed more than 50% of the absolute growth in the period. 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 recent years, 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.

Overall, the underlying trend of lottery sales growth of recent quarters continues to be somewhat below historical levels (ignoring the once-every-four-years effect of the FIFA World Cup). The Group believes that this trend 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, Gaming Hardware and new Online and Mobile Lottery businesses in particular.

Business Review


During the period under review, the Group recorded a decline in revenue and gross profit. The decline in revenue was mainly attributable to lower like-for-like sales in the Hardware division (GOT) as well as the expected expiry of certain contracts in the Lottery Management division. The Lottery Management division contributed less than 10% of total sales during the period while the performance in GOT is typical of the lumpy nature of the sales in this division. Encouragingly, during the second quarter, our Virtual Sports Betting sales experienced meaningful improvement following the further refinement and localisation of the e-Ball game in Jiangsu. This development is part of 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. 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 Group supplied its new virtual sports lottery game "e-Ball Lottery" ("e球彩") to the launch province of Jiangsu during the Six-Month Period under review. 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 two full financial quarters 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 trading and popularity of the product. Like Lucky Racing, we expect that e-Ball Lottery will roll-out nationally in due course and we will update the market at the appropriate time.



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 racing or live football matches in other countries.

Lucky Racing continues to be a very popular game, which led to encouraging underlying sales growth during the period. Our partners at the sports lottery have completed the "next generation" national high frequency game platform that will carry our Lucky Racing game to other provinces beyond Hunan. The Group therefore continues to expect 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

GOT is the leading manufacturer and supplier of lottery and sports betting terminals to China's sports lottery. Hardware 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 2014 domestically. GOT was chosen as a supplier by most of the provinces which concluded tenders during 2014, enjoying market share of annual terminals supplied of approximately 48% year to date (as at 17 July 2014). This encouraging performance is testament to GOT's unparalleled reputation in the sports lottery field, gained during more than ten years of successful operation.

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.

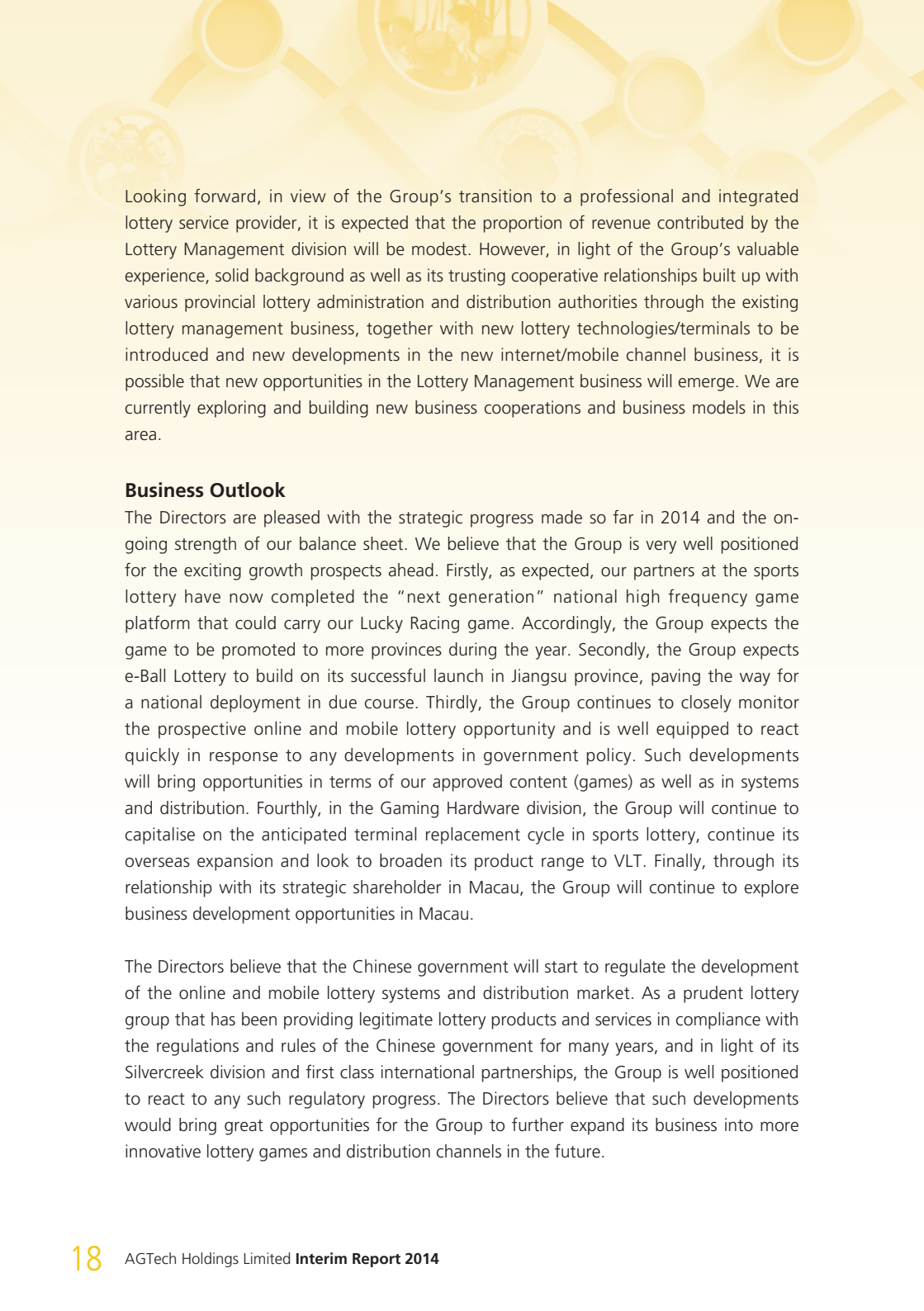
The provincial mobile systems trials that are being prepared in the lottery industry are expected to lead to the creation of a fully regulated mobile lottery distribution market in China. With the valuable PRC internet service provider and PRC internet content provider experience of Silvercreek, as well 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 will provide a full range of support and services to localise and develop China's 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 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

The Directors are pleased with the strategic progress made so far in 2014 and the ongoing strength of our balance sheet. We believe that the Group is very well positioned for the exciting growth prospects ahead. Firstly, as expected, our partners at the sports lottery have now completed 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 Gaming Hardware 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. In this respect, as announced on 15 July 2014, the Group is currently assessing a potentially exciting acquisition opportunity in China. 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 Six-Month Period amounted to approximately HK\$69.4 million (2013: approximately HK\$97.2 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 lower like-for-like sales in the Hardware division (GOT) in line with the market as well as the expected 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 Six-Month Period, the gross profit margin percentage stood at approximately 47.6% (2013: approximately 52.4%). 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 Six-Month Period amounted to approximately HK\$88.9 million (2013: approximately HK\$52.7 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 totaling approximately HK\$64.1 million (2013: approximately HK\$49.0 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 Six-Month Period.

Capital resources, liquidity and gearing ratio

Bank balances and cash as at 30 June 2014 were approximately HK\$239.1 million (as at 31 December 2013: approximately HK\$286.5 million). The total assets and net current assets of the Group as at 30 June 2014 were approximately HK\$1,285.1 million and approximately HK\$380.2 million respectively (as at 31 December 2013: approximately HK\$1,314.4 million and approximately HK\$381.6 million respectively).

The Group financed its operations primarily with internally generated cashflows as well as the proceeds from previous fund raising exercises and from the exercising by grantees of the share options granted under the Share Option Scheme. The gearing ratio (determined as the proportion of bank borrowing to equity) of the Group as at 30 June 2014 was nil (as at 31 December 2013: nil). The liquidity ratio (defined as current assets over current liabilities) of the Group as at 30 June 2014 was approximately 14.4 (as at 31 December 2013: 9.6) which continuously reflect the adequacy of financial resources of the Group.

Charges on the Group's assets

At 30 June 2014, there was no charge on the assets of the Group.

Foreign exchange exposure

As at 30 June 2014, majority of the Group's bank deposits were denominated in HK\$ and RMB. Since all of its revenue-generating operations, monetary assets and liabilities of the Group are conducted or transacted substantially in HK\$ and RMB, which is not freely convertible into foreign currencies, the Group faced minimal exchange rate risk during the period.

Employees' information

As at 30 June 2014, the Group had 218 employees (2013: 223) in Hong Kong and the PRC. Total staff costs (excluding Directors' emoluments) for the Six-Month Period amounted to approximately HK\$15.5 million.

The Group's remuneration policies are formulated on the basis of performance and experience of individual employees and are in line with 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, social security fund, medical benefits and training.

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

As at 30 June 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 held
	Personal interest	Corporate Interest	Total	
Mr. Sun Ho	27,078,000	2,006,250,000	2,033,328,000	46.3%
		(Note 1)		
Mr. Robert Geoffrey Ryan	10,195,000	–	10,195,000	0.23%
Mr. Bai Jinmin	10,316,000	44,876,600	55,192,600	1.26%
		(Note 2)		
Mr. Liang Yu	8,038,250	–	8,038,250	0.18%
Mr. Ho King Fung, Eric	–	–	–	0%
Mr. Wang Ronghua	2,275,000	–	2,275,000	0.05%
Mr. Hua Fengmao	2,605,000	–	2,605,000	0.06%
Ms. Monica Maria Nunes	–	–	–	0%

Notes:

1. These 2,006,250,000 Shares were held in the name of MAXPROFIT GLOBAL INC. As MAXPROFIT GLOBAL INC is beneficially and wholly-owned by Mr. Sun Ho, an executive Director 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)				Approximate percentage of issued share capital of the Company	
				Outstanding at 1 January 2014	Granted during the Six-Month Period	Exercised during the Six-Month Period	Lapsed during the Six-Month Period		Outstanding at 30 June 2014
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	-	(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	-	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				Approximate percentage of issued share capital of the Company	
				Outstanding at 1 January 2014	Granted during the Six-Month Period	Exercised during the Six-Month Period	Lapsed during the Six-Month Period		Outstanding at 30 June 2014
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%
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%
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 30 June 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 30 June 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 (Note 1)	45.68%
Hegglin, Daniel Robert	Beneficial owner	255,483,933	5.82%
Rainwood Resources Limited	Beneficial owner	311,852,000	7.10%
Mr. Cheung Lup Kwan	Interest of controlled corporation	311,852,000 (Note 2)	7.10%

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 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):

Name of Shareholder	Capacity	Number of underlying Shares entitled	Approximate percentage of issued share capital of the Company
Rainwood Resources Limited	Beneficial owner	212,879,224	4.85%
Mr. Cheung Lup Kwan	Interest of controlled corporation	212,879,224 (Note)	4.85%

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 option 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 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 30 June 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 Six-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.

RETIREMENT OF A NON-EXECUTIVE DIRECTOR

During the Six-Month Period, Ms. Yang Yang retired as a non-executive Director with effect from the conclusion of the Company's 2014 annual general meeting which was held on 5 May 2014.

APPOINTMENT OF COMPANY SECRETARY, AUTHORISED REPRESENTATIVE, MEMBER OF THE CORPORATE GOVERNANCE COMMITTEE AND SENIOR FINANCIAL CONTROLLER

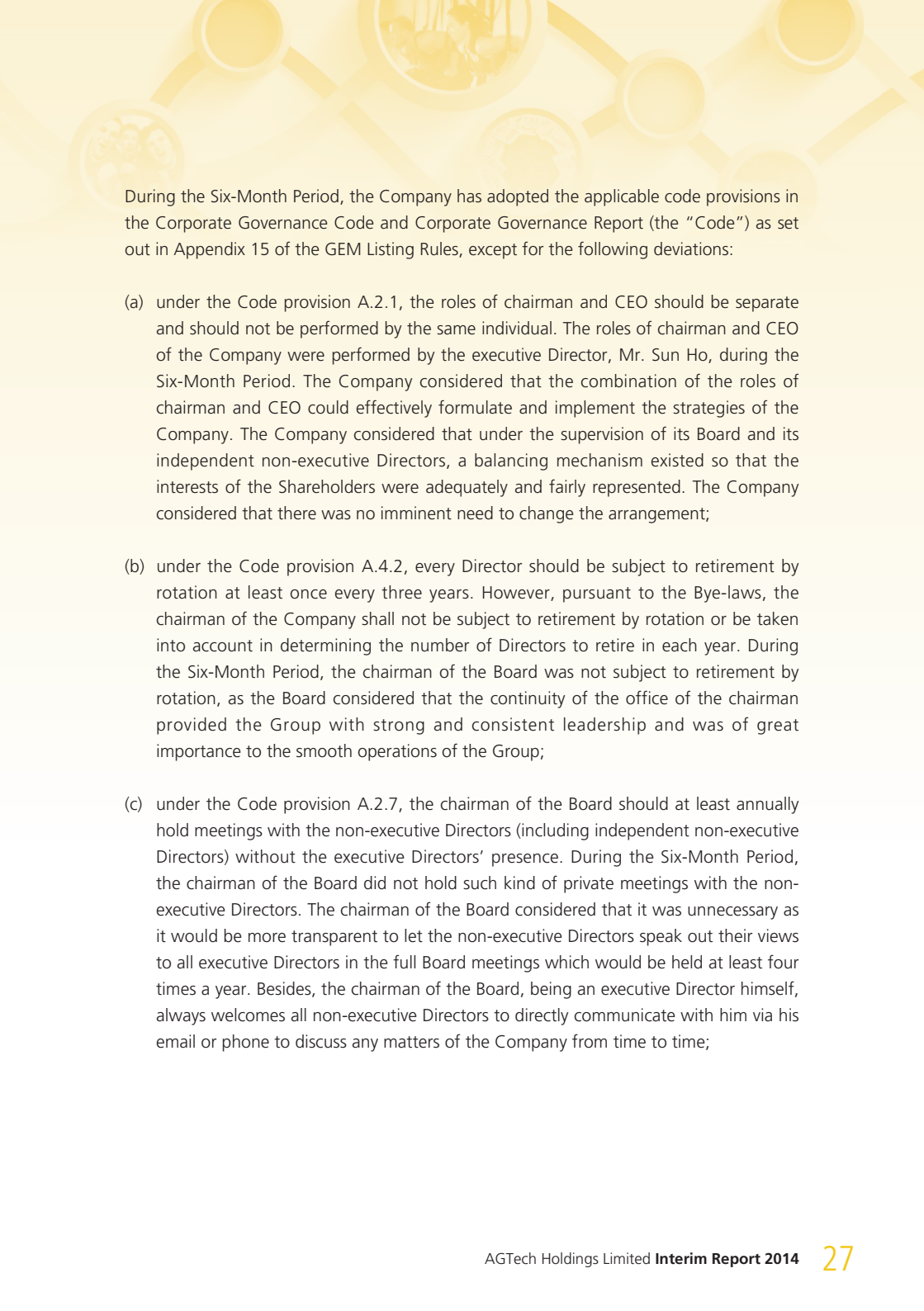
During the Six-Month Period, Mr. Lai Yick Fung was appointed as the company secretary, authorised representative, member of the corporate governance committee and senior financial controller of the Company with effect from 7 April 2014.

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.

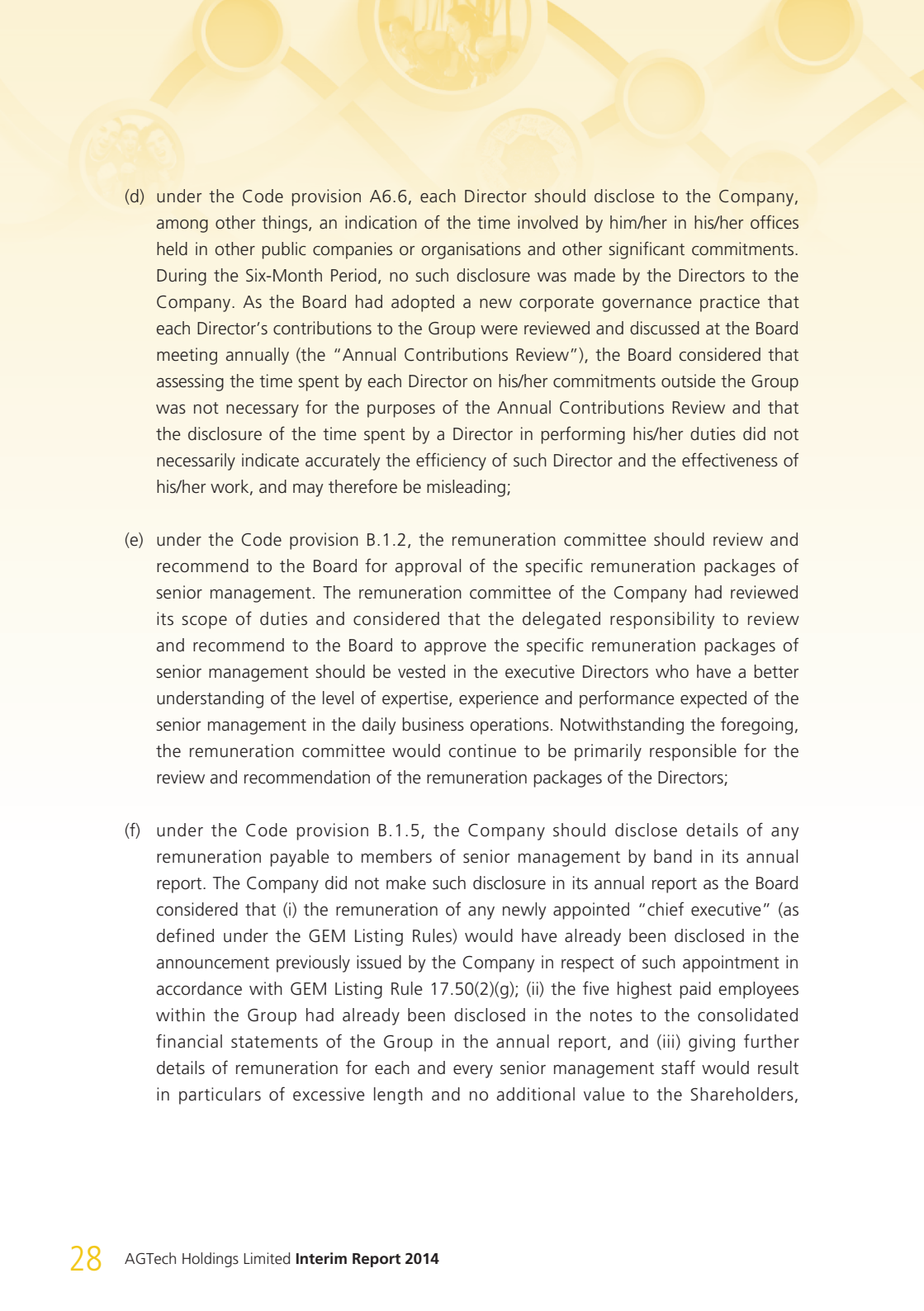
CORPORATE GOVERNANCE PRACTICES

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.



During the Six-Month Period, the Company has adopted the applicable code provisions in the Corporate Governance Code and Corporate Governance Report (the “Code”) as set out in Appendix 15 of the GEM Listing Rules, except for the following deviations:

- (a) under the Code provision A.2.1, the roles of chairman and CEO should be separate and should not be performed by the same individual. The roles of chairman and CEO of the Company were performed by the executive Director, Mr. Sun Ho, during the Six-Month Period. The Company considered that the combination of the roles of chairman and CEO could effectively formulate and implement the strategies of the Company. The Company considered that under the supervision of its Board and its independent non-executive Directors, a balancing mechanism existed so that the interests of the Shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement;
- (b) under the Code provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. However, pursuant to the Bye-laws, 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;
- (c) under the 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 full 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 directly communicate with him via his email or phone to discuss any matters of the Company from time to time;

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- (d) under the Code provision A6.6, 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;
- (e) under the 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 expected 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;
- (f) under the 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 executives 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;

- (g) under the Code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings of the Company and develop a balanced understanding of the views of the Shareholders. The independent non-executive Directors (Mr. Wang Ronghua and Mr. Hua Fengmao) and non-executive Directors (Mr. Ho King Fung, Eric and Ms. Yang Yang) who were absent from the annual general meeting of the Company (the "AGM") held on 5 May 2014 considered that such attendance could not help develop a balanced understanding of the views of the Shareholders because not many Shareholders attended the AGM in past few years, that the chairperson of the Audit, Nomination and Remuneration Committees of the Board, Ms. Monica Maria Nunes (an independent non-executive Director), already attended the AGM to represent all other non-executive Directors, and that Ms. Yang Yang was to retire from the Board on the date of the AGM; and
- (h) during the Six-Month Period, the management of the Company did not provide the Directors with monthly updates on the Company's financial position and performance for the first two months of 2014 as required under the Code provision C.1.2, as a result of the resignation of the former senior financial controller and company secretary of the Company during the first quarter of 2014 and the fact that the management was busy focusing their efforts on the annual audit and preparation of the annual results announcement and report during such transitional period. This deviation from the Code has been rectified during the second quarter of 2014 after the appointment of the new senior financial controller and company secretary of the Company in early April 2014, and the Company will ensure monthly updates are provided to the Directors in the future.

(The above deviations (a) to (f) were similarly disclosed on pages 29 and 30 of the Company's annual report for the year ended 31 December 2013, and on pages 30 to 32 of the Company's interim report for the six months ended 30 June 2013. The above deviations (g) and (h) are new ones that took place during the Six-Month Period.)

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

The following table sets out 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	Number of underlying Shares entitled (in respect of share options of the Company)				
				Outstanding at 1 January 2014	Granted during the Six-Month Period	Exercised during the Six-Month Period	Lapsed during the Six-Month Period	Outstanding at 30 June 2014
Directors:								
Mr. Robert Geoffrey Ryan	21 December 2011	0.2900	21 December 2013 – 20 December 2014	5,316,000	-	(5,316,000)	-	-
			21 December 2014 – 20 December 2015	5,316,000	-	-	-	5,316,000
			21 December 2015 – 20 December 2016	5,316,000	-	-	-	5,316,000
	17 August 2012	0.1006	17 August 2013 – 16 August 2014	875,000	-	(875,000)	-	-
			17 August 2014 – 16 August 2015	875,000	-	-	-	875,000
			17 August 2015 – 16 August 2016	875,000	-	-	-	875,000
			17 August 2016 – 16 August 2017	875,000	-	-	-	875,000
			9 January 2013	0.4250	9 January 2014 – 8 January 2015	2,000,000	-	(2,000,000)
	9 January 2013	0.4250	9 January 2015 – 8 January 2016	2,000,000	-	-	-	2,000,000
			9 January 2016 – 8 January 2017	2,000,000	-	-	-	2,000,000
			9 January 2017 – 8 January 2018	2,000,000	-	-	-	2,000,000
			9 January 2017 – 8 January 2018	2,000,000	-	-	-	2,000,000
9 January 2017 – 8 January 2018			2,000,000	-	-	-	2,000,000	

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

Name	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Number of underlying Shares entitled (in respect of share options of the Company)				
				Outstanding at 1 January 2014	Granted during the Six-Month Period	Exercised during the Six-Month Period	Lapsed during the Six-Month Period	Outstanding at 30 June 2014
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	-	1,250,000	-	-	1,250,000
			21 January 2016 – 20 January 2017	-	1,250,000	-	-	1,250,000
			21 January 2017 – 20 January 2018	-	1,250,000	-	-	1,250,000
			21 January 2018 – 20 January 2019	-	1,250,000	-	-	1,250,000
Mr. Bai Jinmin	21 December 2011	0.2900	21 December 2013 – 20 December 2014	5,316,000	-	(5,316,000)	-	-
			21 December 2014 – 20 December 2015	5,316,000	-	-	-	5,316,000
			21 December 2015 – 20 December 2016	5,316,000	-	-	-	5,316,000
	17 August 2012	0.1006	17 August 2014 – 16 August 2015	875,000	-	-	-	875,000
			17 August 2015 – 16 August 2016	875,000	-	-	-	875,000
			17 August 2016 – 16 August 2017	875,000	-	-	-	875,000
	9 January 2013	0.4250	9 January 2014 – 8 January 2015	2,000,000	-	(2,000,000)	-	-
			9 January 2015 – 8 January 2016	2,000,000	-	-	-	2,000,000
			9 January 2016 – 8 January 2017	2,000,000	-	-	-	2,000,000
			9 January 2017 – 8 January 2018	2,000,000	-	-	-	2,000,000
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	-	2,500,000	-	-	2,500,000
			21 January 2016 – 20 January 2017	-	2,500,000	-	-	2,500,000
			21 January 2017 – 20 January 2018	-	2,500,000	-	-	2,500,000
			21 January 2018 – 20 January 2019	-	2,500,000	-	-	2,500,000

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

Name	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Number of underlying Shares entitled (in respect of share options of the Company)					
				Outstanding at 1 January 2014	Granted during the Six-Month Period	Exercised during the Six-Month Period	Lapsed during the Six-Month Period	Outstanding at 30 June 2014	
Mr. Liang Yu	21 December 2011	0.2900	21 December 2013 – 20 December 2014	5,316,000	-	(5,316,000)	-	-	
			21 December 2014 – 20 December 2015	5,316,000	-	-	-	5,316,000	
			21 December 2015 – 20 December 2016	5,316,000	-	-	-	5,316,000	
	17 August 2012	0.1006	17 August 2014 – 16 August 2015	875,000	-	-	-	875,000	
			17 August 2015 – 16 August 2016	875,000	-	-	-	875,000	
			17 August 2016 – 16 August 2017	875,000	-	-	-	875,000	
	9 January 2013	0.4250	9 January 2014 – 8 January 2015	2,000,000	-	(2,000,000)	-	-	
			9 January 2015 – 8 January 2016	2,000,000	-	-	-	2,000,000	
			9 January 2016 – 8 January 2017	2,000,000	-	-	-	2,000,000	
			9 January 2017 – 8 January 2018	2,000,000	-	-	-	2,000,000	
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	-	1,250,000	-	-	1,250,000	
			21 January 2016 – 20 January 2017	-	1,250,000	-	-	1,250,000	
			21 January 2017 – 20 January 2018	-	1,250,000	-	-	1,250,000	
			21 January 2018 – 20 January 2019	-	1,250,000	-	-	1,250,000	
	Ms. Yang Yang (retired on 5 May 2014)	21 December 2011	0.2900	21 December 2013 – 20 December 2014	500,000	-	-	(500,000)	-
				21 December 2014 – 20 December 2015	500,000	-	-	(500,000)	-
21 December 2015 – 20 December 2016				500,000	-	-	(500,000)	-	
9 January 2013		0.4250	9 January 2014 – 8 January 2015	250,000	-	-	(250,000)	-	
			9 January 2015 – 8 January 2016	250,000	-	-	(250,000)	-	
			9 January 2016 – 8 January 2017	250,000	-	-	(250,000)	-	
			9 January 2017 – 8 January 2018	250,000	-	-	(250,000)	-	

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

Name	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Number of underlying Shares entitled (in respect of share options of the Company)				
				Outstanding at 1 January 2014	Granted during the Six-Month Period	Exercised during the Six-Month Period	Lapsed during the Six-Month Period	Outstanding at 30 June 2014
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	–	125,000	–	(125,000)	–
			21 January 2016 – 20 January 2017	–	125,000	–	(125,000)	–
			21 January 2017 – 20 January 2018	–	125,000	–	(125,000)	–
			21 January 2018 – 20 January 2019	–	125,000	–	(125,000)	–
Mr. Ho King Fung, Eric	23 May 2013	0.4890	23 May 2014 – 22 May 2015	10,643,961	–	–	–	10,643,961
			23 May 2015 – 22 May 2016	10,643,961	–	–	–	10,643,961
			23 May 2016 – 22 May 2017	10,643,961	–	–	–	10,643,961
			23 May 2017 – 22 May 2018	10,643,961	–	–	–	10,643,961
Mr. Wang Ronghua	21 December 2011	0.2900	21 December 2013 – 20 December 2014	500,000	–	–	–	500,000
			21 December 2014 – 20 December 2015	500,000	–	–	–	500,000
			21 December 2015 – 20 December 2016	500,000	–	–	–	500,000
9 January 2013	0.4250	9 January 2014 – 8 January 2015	250,000	–	–	–	250,000	
		9 January 2015 – 8 January 2016	250,000	–	–	–	250,000	
		9 January 2016 – 8 January 2017	250,000	–	–	–	250,000	
		9 January 2017 – 8 January 2018	250,000	–	–	–	250,000	
21 January 2014	1.3100	21 January 2015 – 20 January 2016	–	125,000	–	–	125,000	
		21 January 2016 – 20 January 2017	–	125,000	–	–	125,000	
		21 January 2017 – 20 January 2018	–	125,000	–	–	125,000	
		21 January 2018 – 20 January 2019	–	125,000	–	–	125,000	

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

Name	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Outstanding at	Granted during the	Exercised during the	Lapsed during the	Outstanding at	
				1 January 2014	Six-Month Period	Six-Month Period	Six-Month Period	30 June 2014	
Mr. Hua Fengmao	21 December 2011	0.2900	21 December 2013 – 20 December 2014	500,000	-	(500,000)	-	-	
			21 December 2014 – 20 December 2015	500,000	-	-	-	500,000	
			21 December 2015 – 20 December 2016	500,000	-	-	-	500,000	
	9 January 2013	0.4250	9 January 2014 – 8 January 2015	250,000	-	(250,000)	-	-	
			9 January 2015 – 8 January 2016	250,000	-	-	-	250,000	
			9 January 2016 – 8 January 2017	250,000	-	-	-	250,000	
			9 January 2017 – 8 January 2018	250,000	-	-	-	250,000	
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	-	125,000	-	-	125,000	
			21 January 2016 – 20 January 2017	-	125,000	-	-	125,000	
			21 January 2017 – 20 January 2018	-	125,000	-	-	125,000	
			21 January 2018 – 20 January 2019	-	125,000	-	-	125,000	
Ms. Monica Maria Nunes	20 June 2013	0.4740	20 June 2014 – 19 June 2015	375,000	-	-	-	375,000	
			20 June 2015 – 19 June 2016	375,000	-	-	-	375,000	
			20 June 2016 – 19 June 2017	375,000	-	-	-	375,000	
			20 June 2017 – 19 June 2018	375,000	-	-	-	375,000	
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	-	125,000	-	-	125,000	
			21 January 2016 – 20 January 2017	-	125,000	-	-	125,000	
			21 January 2017 – 20 January 2018	-	125,000	-	-	125,000	
			21 January 2018 – 20 January 2019	-	125,000	-	-	125,000	

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

Name	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Number of underlying Shares entitled (in respect of share options of the Company)				
				Outstanding at 1 January 2014	Granted during the Six-Month Period	Exercised during the Six-Month Period	Lapsed during the Six-Month Period	Outstanding at 30 June 2014
Eligible employees and other eligible participants								
	6 July 2010	0.3000	6 July 2013 – 5 July 2014	125,000	-	(125,000)	-	-
			6 July 2014 – 5 July 2015	1,000,000	-	-	-	1,000,000
	30 March 2011	0.3300	30 March 2013 – 29 March 2014	1,050,000	-	(1,050,000)	-	-
			30 March 2014 – 29 March 2015	2,850,000	-	(1,550,000)	-	1,300,000
			30 March 2015 – 29 March 2016	2,850,000	-	-	-	2,850,000
	21 December 2011	0.2900	21 December 2013 – 20 December 2014	13,547,250	-	(2,450,000)	(187,500)	10,909,750
			21 December 2014 – 20 December 2015	16,109,750	-	-	(937,500)	15,172,250
			21 December 2015 – 20 December 2016	16,109,750	-	-	(937,500)	15,172,250
	17 August 2012	0.1006	17 August 2013 – 16 August 2014	187,500	-	(95,000)	-	92,500
			17 August 2014 – 16 August 2015	20,922,250	-	-	(62,500)	20,859,750
			17 August 2015 – 16 August 2016	20,922,250	-	-	(62,500)	20,859,750
			17 August 2016 – 16 August 2017	20,922,250	-	-	(62,500)	20,859,750
	9 January 2013	0.4250	9 January 2014 – 8 January 2015	29,625,000	-	(13,887,500)	-	15,737,500
			9 January 2015 – 8 January 2016	29,625,000	-	-	(500,000)	29,125,000
			9 January 2016 – 8 January 2017	29,625,000	-	-	(500,000)	29,125,000
			9 January 2017 – 8 January 2018	29,625,000	-	-	(500,000)	29,125,000
	23 May 2013	0.4890	23 May 2014 – 22 May 2015	10,643,961	-	-	-	10,643,961
			23 May 2015 – 22 May 2016	10,643,961	-	-	-	10,643,961
			23 May 2016 – 22 May 2017	10,643,961	-	-	-	10,643,961
			23 May 2017 – 22 May 2018	10,643,961	-	-	-	10,643,961

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

Name	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Number of underlying Shares entitled (in respect of share options of the Company)					
				Outstanding at 1 January 2014	Granted during the Six-Month Period	Exercised during the Six-Month Period	Lapsed during the Six-Month Period	Outstanding at 30 June 2014	
	2 January 2014	1.1900	2 January 2015 – 1 January 2016	-	10,872,059	-	-	10,872,059	
			2 January 2016 – 1 January 2017	-	10,872,060	-	-	10,872,060	
			2 January 2017 – 1 January 2018	-	10,872,059	-	-	10,872,059	
			2 January 2018 – 1 January 2019	-	10,872,060	-	-	10,872,060	
	21 January 2014	1.3100	21 January 2015 – 20 January 2016	-	84,325,500	-	(187,500)	84,138,000	
			21 January 2016 – 20 January 2017	-	84,325,500	-	(187,500)	84,138,000	
			21 January 2017 – 20 January 2018	-	84,325,500	-	(187,500)	84,138,000	
			21 January 2018 – 20 January 2019	-	84,325,500	-	(187,500)	84,138,000	
Total					409,841,688	402,790,238	(42,730,500)	(7,500,000)	762,401,426
Exercisable at the end of the period					33,232,750			50,452,672	
Weighted average exercise price of the outstanding share option					HK\$0.3475			HK\$0.8474	

During the Six-Month Period, options in respect of 43,488,238 Shares and 359,302,000 Shares (totalling 402,790,238 Shares) were granted on 2 January 2014 and 21 January 2014 respectively to Directors, eligible employees and other eligible participants under the Share Option Scheme. Closing prices of the Shares immediately before 2 January 2014 and 21 January 2014 were HK\$1.18 per Share and HK\$1.39 per Share respectively. No options were cancelled but options in respect of 7,500,000 Shares were lapsed during the Six-Month Period.

As a result of the options exercised during the Six-Month Period, 42,730,500 Shares were issued by the Company. The weighted average closing price of the Shares immediately before the dates on which these options were exercised is HK\$1.5858 per Share.

As at 30 June 2014, the number of Shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 762,401,426 (as at 31 December 2013: 409,841,688), representing approximately 17.36% (as at 31 December 2013: 9.42%) of the Company's issued share capital as at that date.

The fair values of options granted during the Six-Month Period and the year ended 31 December 2013 were calculated using the binominal model, details of which are as follows:

	Date of grant					
	21 Jan 2014	2 Jan 2014	20 June 2013	23 May 2013	21 May 2013	9 January 2013
Number of Shares to be issued upon exercise						
of options granted	359,302,000	43,488,238	1,500,000	85,151,688	212,879,224	150,000,000
Estimated fair values of options granted	HK\$236,381,804	HK\$26,547,289	HK\$260,926	HK\$15,133,648	HK\$38,631,842	HK\$23,680,387
Significant inputs into the model:						
Closing share price at date of grant	HK\$1.3100	HK\$1.1900	HK\$0.4600	HK\$0.4900	HK\$0.4900	HK\$0.4300
Exercise price	HK\$1.3100	HK\$1.1900	HK\$0.4740	HK\$0.4890	HK\$0.4000	HK\$0.4250
Expected volatility	71.81%-78.02%	70.68%-86.03%	78.23%-84.29%	76.98%-83.61%	68.65%	73.78%-84.21%
Expected life of options	2-5 years	2-5 years	2-5 years	2-5 years	0-3 years	2-5 years
Risk-free interest rate	0.338%-1.449%	0.338%-1.449%	0.312%-1.054%	0.185%-0.571%	0.245%	0.141%-0.416%
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil

Expected volatility was determined by using the historical volatility of the share prices of other companies in the similar industry over the expected life of the options. No other feature of the options granted was incorporated into the measurement of fair values. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

The variables and assumptions used in computing the fair values of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

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.

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:

- (i) a placing of 406,521,739 Shares at the placing price ("Placing Price") of HK\$0.345 each under general mandate ("Placing") to not less than six independent individual, corporate, professional and/or institutional investors ("Placees"); and
- (ii) the grant of an option ("Option") under general mandate to Rainwood Resources Limited, entitling it to subscribe for up to 212,879,224 Shares at an exercise price of HK\$0.40 per Share (subject to adjustments) over an exercisable period of three years.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Placees (including Rainwood Resources Limited) and their respective ultimate beneficial owners (if any) were third parties independent of and were not connected with the Company and its connected persons (as defined in the GEM Listing Rules); and (ii) none of the Placees and their respective associates became a Substantial Shareholder (as defined in the GEM Listing Rules) of the Company immediately upon completion of the Placing.

The aggregate nominal value of the 406,521,739 Shares under the Placing was approximately HK\$813,043. The Placing Price represents a discount of approximately 19.8% to the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on 3 May 2013, being the date of agreement in respect of the Placing. The net Placing Price, after taking into account the commission for and expenses of the Placing, was approximately HK\$0.34 per Share. 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 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 Directors considered it beneficial for the Group to raise funds through the Placing. The Placing represented a good opportunity to raise additional general working capital for future business development of the Group, and would enhance the capital and Shareholders' base of the Company, thereby increasing the liquidity of the Shares. In addition, 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 has been as follows:

Period under review	Aggregate amount used during period under review	Purpose of usage	Remaining balance of Placing Proceeds as at the last date of the period under review*
since completion of the Placing on 21 May 2013 up to and including 31 December 2013	approximately HK\$37 million	for working capital of the Group	approximately HK\$101 million
from 1 January 2014 up to and including 30 June 2014	approximately HK\$8 million	for working capital of the Group	approximately HK\$93 million

* The remaining balance would be used in accordance with the Intended Usage and has been placed in the bank savings account of the Company.

CHANGE IN INFORMATION OF A DIRECTOR

Pursuant to the disclosure requirement under Rule 17.50A(1) of the GEM Listing Rules, the change in information of a Director is set out below:

Name of Director	Details of change
Mr. Wang Ronghua	With effect from 1 June 2014, he is no longer the senior advisor of Forterra Trust in Beijing.

Save as disclosed above, no other information in respect of Directors is required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

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 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;

“GOT”	means 北京亞博高騰科技有限公司 (Beijing AGTech GOT Technology Co., Ltd.*), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company;
“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;

* For identification purpose only

“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, 13 August 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 Report” page of the GEM website operated by the Stock Exchange at www.hkgem.com for at least seven days from the day of its posting and will be published on the website of the Company at www.agtech.com.