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This announcement, 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 announcement is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this announcement misleading.



AGTech Holdings Limited

亞博科技控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8279)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

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.

* *For identification purpose only*

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2010

- Total revenue of the Group for the year under review amounted to approximately HK\$105.1 million (for the six-month period ended 31 December 2009: revenue amounted to approximately HK\$33.8 million). All revenue was derived from provision of sports lottery management and marketing consultancy services and supply of sports lottery sales terminals (and accessories) and sports and media business.
- The Group recorded a profit from business operations of approximately HK\$0.7 million (for the six-month period ended 31 December 2009: loss from business operations amounted to approximately HK\$20.4 million). The gross profit percentage for the year under review stood at approximately 61.2%, an increase from the gross profit percentage of approximately 60.9% for the six-month period ended 31 December 2009.
- Loss attributable to owners of the Company for the year under review amounted to approximately HK\$37.8 million, primarily due to (i) the share-based payments (totalling approximately HK\$6.1 million) as a result of the adoption of Hong Kong Financial Reporting Standard 2 *Share-based Payment* for share options of the Company granted to Directors, eligible employees and other eligible participants under the Share Option Scheme of the Company; and (ii) the amortisation of other intangible assets (totalling approximately HK\$40.9 million).
- The Board does not recommend the payment of a final dividend for the year.

RESULTS

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2010, together with the comparative audited figures for the six-month period ended 31 December 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

		Year ended 31 December 2010 HK\$	Six-month period ended 31 December 2009 HK\$
	<i>Notes</i>		
Continuing operations			
Revenue	4	105,143,580	33,822,293
Cost of sales and services		(40,782,791)	(13,236,893)
Gross profit		64,360,789	20,585,400
Investment and other income		1,102,253	1,327,959
Other gains and losses		970,582	(8,380)
Selling and administrative expenses		(70,846,906)	(42,265,433)
Share of profits of an associate		5,153,835	—
Profit/(loss) from business operations		740,553	(20,360,454)
Share-based payments		(6,122,251)	(12,848,042)
Net foreign exchange (loss)/gain		(74,700)	1,209,532
Amortisation of other intangible assets	11	(40,904,060)	(19,656,315)
Loss before tax		(46,360,458)	(51,655,279)
Income tax	6	5,345,881	3,290,160
Loss for the year/period from continuing operations	8	(41,014,577)	(48,365,119)
Discontinued operation	7		
Profit for the year/period from discontinued operation		—	8,897,185
Loss for the year/period		(41,014,577)	(39,467,934)
Other comprehensive income, net of income tax			
Exchange differences on translating foreign operations		34,680,218	1,152,733
Exchange differences released upon disposals of subsidiaries		353,719	25,580
Share of other comprehensive income of an associate		1,550,991	—
Other comprehensive income for the year/period, net of income tax		36,584,928	1,178,313
Total comprehensive income for the year/period		(4,429,649)	(38,289,621)

	Year ended 31 December 2010 HK\$	Six-month period ended 31 December 2009 HK\$
<i>Notes</i>		
Loss attributable to:		
Owners of the Company	(37,798,646)	(35,370,999)
Non-controlling interests	(3,215,931)	(4,096,935)
	<u>(41,014,577)</u>	<u>(39,467,934)</u>
Total comprehensive income attributable to:		
Owners of the Company	(1,244,408)	(34,195,430)
Non-controlling interests	(3,185,241)	(4,094,191)
	<u>(4,429,649)</u>	<u>(38,289,621)</u>
Loss per Share		
From continuing and discontinued operations		
Basic and diluted	<u>HK1.04 cents</u>	<u>HK0.99 cent</u>
From continuing operations		
Basic and diluted	<u>HK1.04 cents</u>	<u>HK1.24 cents</u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	At 31 December 2010 HK\$	At 31 December 2009 HK\$
Non-current assets			
Property, plant and equipment		15,474,499	21,665,730
Goodwill	10	688,498,150	663,365,373
Other intangible assets	11	62,864,771	100,391,297
Interest in an associate		52,124,417	—
Deposits and prepayments		33,358,991	41,283,167
Other assets		1,676,594	1,615,392
		<u>853,997,422</u>	<u>828,320,959</u>
Current assets			
Trade receivables	12	37,595,399	17,452,520
Other receivables, deposits and prepayments		54,741,888	48,714,279
Bank balances and cash	13	140,867,489	141,520,650
		<u>233,204,776</u>	<u>207,687,449</u>
Current liabilities			
Trade payables	14	6,444,817	—
Accruals and other payables		20,011,359	6,157,466
Amount due to an associate		1,285,310	—
Current tax liabilities		2,560,234	290,489
		<u>30,301,720</u>	<u>6,447,955</u>
Net current assets		<u>202,903,056</u>	<u>201,239,494</u>
Total assets less current liabilities		<u>1,056,900,478</u>	<u>1,029,560,453</u>
Non-current liabilities			
Deferred tax liabilities	15	14,723,425	24,018,011
Net assets		<u>1,042,177,053</u>	<u>1,005,542,442</u>
Capital and reserves			
Share capital		7,356,321	7,163,670
Reserves		1,031,896,094	995,318,893
Equity attributable to owners of the Company		1,039,252,415	1,002,482,563
Non-controlling interests		2,924,638	3,059,879
Total equity		<u>1,042,177,053</u>	<u>1,005,542,442</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *For the year ended 31 December 2010*

	Attributable to owners of the Company							Attributable to non-controlling interests	Total
	Share capital HK\$	Share premium HK\$	Share options reserve HK\$	Statutory reserve HK\$ (Note (a))	Exchange reserve HK\$	Contributed surplus HK\$ (Note (b))	Accumulated losses HK\$	Subtotal HK\$	HK\$
Balance at 1 July 2009	7,162,670	998,843,599	225,399,349	310,757	87,951,225	58,299,875	(343,139,025)	1,034,828,450	1,037,082,520
Loss for the period	-	-	-	-	-	-	(35,370,999)	(35,370,999)	(39,467,934)
Other comprehensive income for the period	-	-	-	-	1,175,569	-	-	1,175,569	1,178,313
Total comprehensive income for the period	-	-	-	-	1,175,569	-	(35,370,999)	(34,195,430)	(38,289,621)
Recognition of equity-settled share-based payments	-	-	12,848,042	-	-	-	-	12,848,042	12,848,042
Shares issued on exercise of part of a share option	1,000	705,967	(597,067)	-	-	-	-	109,900	109,900
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	4,900,000	4,900,000
Transfer to profit or loss on disposal of a subsidiary	-	-	-	(292,038)	-	-	292,038	-	-
Released upon disposal of subsidiaries	-	-	-	-	-	(11,108,399)	-	(11,108,399)	(11,108,399)
Transfer from accumulated losses	-	-	-	1,138,751	-	-	(1,138,751)	-	-
Balance at 31 December 2009	7,163,670	999,549,566	237,650,324	1,157,470	89,126,794	47,191,476	(379,356,737)	1,002,482,563	1,005,542,442
Loss for the year	-	-	-	-	-	-	(37,798,646)	(37,798,646)	(41,014,577)
Other comprehensive income for the year	-	-	-	-	36,554,238	-	-	36,554,238	36,584,928
Total comprehensive income for the year	-	-	-	-	36,554,238	-	(37,798,646)	(1,244,408)	(4,429,649)
Recognition of equity-settled share-based payments	-	-	6,122,251	-	-	-	-	6,122,251	6,122,251
Shares issued on exercise of part of share options	76,863	53,721,556	(45,353,480)	-	-	-	-	8,444,939	8,444,939
Lapse of share options	-	-	(10,225,771)	-	-	-	10,225,771	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	3,050,000	3,050,000
Issue of Shares upon acquisition of subsidiaries	115,788	23,331,282	-	-	-	-	-	23,447,070	23,447,070
Transfer from accumulated losses	-	-	-	1,977,435	-	-	(1,977,435)	-	-
Balance at 31 December 2010	<u>7,356,321</u>	<u>1,076,602,404</u>	<u>188,193,324</u>	<u>3,134,905</u>	<u>125,681,032</u>	<u>47,191,476</u>	<u>(408,907,047)</u>	<u>1,039,252,415</u>	<u>1,042,177,053</u>

Notes:

- In accordance with the statutory requirements in the PRC, subsidiaries of the Company registered in the PRC are required to transfer a certain percentage of their annual net income from retained profits to statutory reserve. The statutory reserve is not distributable.
- The contributed surplus of the Group represents (1) the difference between (a) the nominal value of the share capital and the existing balances on the share premium account of a subsidiary acquired pursuant to the Group reorganisation prior to the listing of the Company's Shares; and (b) the nominal value of the Shares issued by the Company and the release and waiver of the amount owed by the then holding company of the subsidiary to the Company in exchange thereof; (2) the release and waiver of the amount owed by the Company to its former immediate holding company; and (3) transfer from share premium account.

NOTES:

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its issued Shares have been listed on GEM.

At 31 December 2010, the Directors regard MAXPROFIT GLOBAL INC, a private limited company incorporated in the British Virgin Islands (“BVI”), as the immediate and ultimate holding company of the Company.

The Company is an investment holding company and its principal subsidiaries are mainly engaged in provision of sports lottery management and marketing consultancy services, supply of sports lottery sales terminals (and accessories), provision of lottery advisory service and sports and media business in the PRC.

The consolidated financial statements are presented in Hong Kong dollars. The functional currency of the Company is Renminbi. As the Company is listed in Hong Kong, the Directors consider that it is appropriate to present the consolidated financial statements in Hong Kong dollars.

The Company announced on 10 December 2009 that the financial year end date of the Company was changed from 30 June to 31 December commencing from the financial year 2009. Accordingly, the consolidated financial statements for the current year cover the twelve-month period from 1 January 2010 to 31 December 2010. The corresponding comparative figures shown for the consolidated statement of comprehensive income, the consolidated statement of changes in equity and related notes covered the six-month period from 1 July 2009 to 31 December 2009 and therefore may not be comparable with the amounts shown for the current year.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied all of the new and revised standards, amendments and interpretations (the “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2010.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions (relating to the classification and measurement of financial assets)
HK-Int 4 (Amendments)	Amendment to HK Interpretation 4 Lease - Determination of Amendment the Length of Lease Term in respect of Hong Kong Land Lease
HK-Int 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of the new and revised HKFRSs has no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 ¹
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ⁵
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets ⁵
HKFRS 9	Financial Instruments ⁷
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁶
HKAS 24 (as revised in 2009)	Related Party Disclosures ⁴
HKFRS 32 (Amendments)	Classification of Rights Issues ²
HK (IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ⁴
HK (IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

- ¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
- ² Effective for annual periods beginning on or after 1 February 2010.
- ³ Effective for annual periods beginning on or after 1 July 2010.
- ⁴ Effective for annual periods beginning on or after 1 January 2011.
- ⁵ Effective for annual periods beginning on or after 1 July 2011.
- ⁶ Effective for annual periods beginning on or after 1 January 2012.
- ⁷ Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may have a significant impact on amounts reported in respect of the Groups' financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The Group is in the process of assessing the impact of other new and revised HKFRSs on the financial performance and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

4. REVENUE

Revenue represents the amounts received and receivable from provision of sports lottery management and marketing consultancy services, supply of sports lottery sales terminals (and accessories), provision of lottery advisory service and sports and media business in the PRC for the year/period, and is analysed as follows:

	Year ended 31 December 2010 HK\$	Six-month period ended 31 December 2009 HK\$
Revenue in respect of provision of management and marketing consultancy services to SLACs and authorised operators of the sports lottery, as well as supply of sports lottery sales terminals (and accessories) to the SLACs for certain municipality and provinces and sports and media business in the PRC	<u>105,143,580</u>	<u>33,822,293</u>

5. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker (the “CODM”) for the purposes of resources allocation and assessment of segments performance focuses on types of goods or services delivered or provided.

Specifically, the Group’s operating segments under HKFRS 8 are as follows:

- Sports lottery management and marketing consultancy services and supply of sports lottery sales terminals (and accessories) and sports and media business – provision of management and marketing consultancy services to SLACs and authorised operators of sports lottery, as well as supply of sports lottery sales terminals (and accessories) to the SLACs for certain municipality and provinces and sports and media business in the PRC (“Consultancy services”).
- Lottery information technology solutions – provision of lottery advisory service to authorised operator of lottery in the PRC (“Information technology solutions”).

An operation (Enterprise solutions – provision of information technology management solutions which include design and installation of digital image processing system, sales of computer software products and related maintenance services (“Enterprise solutions”)) discontinued in prior period. The segment information reported below does not include any amounts for this discontinued operation, which is described in more detail in Note 7 below.

Information regarding the Group’s reportable segments is presented below.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 31 December 2010

	Consultancy services HK\$	Information technology solutions HK\$	Total for continuing operations HK\$
Segment revenue and results			
Revenue	105,143,580	–	105,143,580
Share of profits of an associate	5,153,835	–	5,153,835
Segment loss	(10,761,956)	(5,500,551)	(16,262,507)
Bank interest income			938,487
Share-based payments			(6,122,251)
Central administration costs			(24,914,187)
Loss before tax (continuing operation)			(46,360,458)
Segment assets and liabilities			
Segment assets	1,031,612,204	11,686,476	1,043,298,680
Unallocated corporate assets			43,903,518
Consolidated assets			1,087,202,198
Segment liabilities	31,748,134	1,645,054	33,393,188
Unallocated corporate liabilities			11,631,957
Consolidated liabilities			45,025,145
Other segment information			
Additions to non-current assets*	49,237,342	4,682	49,242,024
Additions to non-current assets* (unallocated)			87,854
Amortisation of other intangible assets	39,303,895	1,600,165	40,904,060
Depreciation of property, plant and equipment	6,462,797	486,548	6,949,345
Depreciation of property, plant and equipment (unallocated)			333,788

For the six-month period ended 31 December 2009

	Consultancy services <i>HK\$</i>	Information technology solutions <i>HK\$</i>	Total for continuing operations <i>HK\$</i>
Segment revenue and results			
Revenue	33,822,293	–	33,822,293
Segment loss	(20,358,781)	(3,213,893)	(23,572,674)
Bank interest income			1,327,959
Share-based payments			(12,848,042)
Central administration costs			(16,562,522)
Loss before tax (continuing operations)			(51,655,279)
Segment assets and liabilities			
Segment assets	937,244,997	14,269,259	951,514,256
Unallocated corporate assets			84,494,152
Consolidated assets			1,036,008,408
Segment liabilities	28,190,058	682,283	28,872,341
Unallocated corporate liabilities			1,593,625
Consolidated liabilities			30,465,966
Other segment information			
Additions to non-current assets*	372,071	209,026	581,097
Additions to non-current assets* (unallocated)			10,000
Amortisation of other intangible assets	19,093,653	562,662	19,656,315
Depreciation of property, plant and equipment	3,115,472	368,913	3,484,385
Depreciation of property, plant and equipment (unallocated)			237,951

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the year ended 31 December 2010 (for the six-month period ended 31 December 2009: nil).

The accounting policies of the reporting segments are the same as the Group's accounting policies described in Note 3. Segment loss represents the loss generated by each segment without allocation of central administration costs, share-based payments, bank interest income and income tax. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets other than unallocated corporate assets are allocated to reportable segments. Goodwill is allocated to reportable segments; and
- all liabilities other than unallocated corporate liabilities and current tax liabilities are allocated to reportable segments.

Revenue from major services

The Group's revenue from continuing operations from its major services is as follows:

	Year ended 31 December 2010 HK\$	Six-month period ended 31 December 2009 HK\$
Consultancy services	105,143,580	33,822,293

Geographical information

The Group's operations are located in the PRC.

The Group's revenue from continuing operations from external customers and information about its non-current assets* by geographical locations are detailed below:

	Revenue from external customers		Non-current assets*	
	Year ended 31 December 2010 HK\$	Six-month period ended 31 December 2009 HK\$	At 31 December 2010 HK\$	At 31 December 2009 HK\$
PRC	105,143,580	33,822,293	846,374,740	818,257,027
Hong Kong	—	—	7,622,682	10,063,932
	105,143,580	33,822,293	853,997,422	828,320,959

* Non-current assets excluding those relating to Enterprise solutions operation.

Information about major customers

Revenue from customers of corresponding periods contributing over 10% of total revenue of the Group is as follows:

	Year ended 31 December 2010 HK\$	Six-month period ended 31 December 2009 HK\$
Customer A	79,908,833	24,806,385
Customer B	N/A ¹	3,448,922
	79,908,833	28,255,307

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group in current year.

6. INCOME TAX (FROM CONTINUING OPERATIONS)

	Year ended 31 December 2010 HK\$	Six-month period ended 31 December 2009 HK\$
Current tax:		
– PRC Enterprise Income Tax	4,524,833	1,196,080
Underprovision of current tax in prior periods		
– PRC Enterprise Income Tax	244,817	427,839
Deferred tax (<i>Note 15</i>):		
– Current year/period	(10,115,531)	(4,914,079)
Total income tax recognised in profit or loss	<u>(5,345,881)</u>	<u>(3,290,160)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both current year and prior period.

No provision for Hong Kong profits tax has been made as there were no assessable profits arising in or derived from Hong Kong for the six-month period ended 31 December 2009 and for the year ended 31 December 2010.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both current year and prior period.

The tax charge for the year/period can be reconciled to loss before tax per the consolidated statement of comprehensive income as follows:

	Year ended 31 December 2010 HK\$	Six-month period ended 31 December 2009 HK\$
Loss before tax (from continuing operations)	<u>(46,360,458)</u>	<u>(51,655,279)</u>
Tax at domestic income tax rate (<i>Note</i>)	(8,645,796)	(10,091,270)
Tax effect of expenses not deductible for tax purpose	13,085,290	5,954,594
Tax effect of income not taxable for tax purpose	(6,276,980)	(260,790)
Tax effect of unrecognised estimated tax losses	6,362,319	5,593,546
Underprovision in prior periods	244,817	427,839
Reversal of temporary differences	<u>(10,115,531)</u>	<u>(4,914,079)</u>
	<u>(5,345,881)</u>	<u>(3,290,160)</u>

Note: The applicable tax rates for the PRC and Hong Kong are 25% and 16.5% (for the six-month period ended 31 December 2009: 25% and 16.5%) respectively.

7. DISCONTINUED OPERATION

Disposal of Enterprise solutions operation

On 19 November 2009, the Company entered into a sale agreement to dispose of MegaInfo Limited and its subsidiaries (the “MegaInfo Group”), which carried out all of the Group’s Enterprise solutions operation. The disposal of the Enterprise solutions operation is consistent with the Group’s long-term policy to focus its activities on Consultancy services operation and Information technology solutions operation. The disposal was completed on 19 November 2009, on which date control of the Enterprise solutions operation passed to the acquirer.

	Year ended 31 December 2010 HK\$	Six-month period ended 31 December 2009 HK\$
Profit for the year/period from discontinued operation		
Revenue	–	340,447
Cost of sales and services	–	(71,813)
Bank interest income	–	605
Other income	–	34,810
Selling and administrative expenses	–	(2,296,063)
Net foreign exchange loss	–	(441)
Loss before tax	–	(1,992,455)
Attributable income tax	–	–
	–	(1,992,455)
Gain on disposal of discontinued operation (including HK\$17,200 and HK\$11,108,399 released from exchange reserve and contributed surplus respectively from equity to profit or loss on disposal of discontinued operation)	–	10,889,640
Profit for the year/period from discontinued operation (attributable to owners of the Company)	–	8,897,185

Profit for the year/period from discontinued operation has been arrived at after charging:

	Year ended 31 December 2010 HK\$	Six-month period ended 31 December 2009 HK\$
Auditors’ remuneration	–	–
Depreciation of property, plant and equipment	–	19,844
Impairment losses recognised on amounts due from customers for contract work	–	1,539,009
Impairment losses recognised on other receivables, deposits and prepayments	–	148,136
Operating lease rentals in respect of rented premises	–	52,656
Fees, salaries, discretionary bonuses and other benefits	–	336,702
Social security costs	–	8,392
	–	345,094

	Year ended 31 December 2010 HK\$	Six month period ended 31 December 2009 HK\$
Cash flows from discontinued operation		
Net cash inflows from operating activities	–	6,073
Net cash inflows from investing activities	–	178,769
Net cash inflows	–	184,842

8. LOSS FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS

Loss for the year/period from continuing operations is attributable to:

	Year ended 31 December 2010 HK\$	Six-month period ended 31 December 2009 HK\$
Owners of the Company	(37,798,646)	(44,268,184)
Non-controlling interests	(3,215,931)	(4,096,935)
	(41,014,577)	(48,365,119)

Loss for the year/period from continuing operations has been arrived at after charging:

	Year ended 31 December 2010 HK\$	Six-month period ended 31 December 2009 HK\$
Auditors' remuneration	800,000	500,000
Depreciation of property, plant and equipment	7,283,133	3,722,336
Net losses on disposals of property, plant and equipment	427,409	38,241
Operating lease rentals in respect of rented premises	5,281,550	2,347,523
Net losses on disposals of subsidiaries	353,719	8,380

Employee benefit expense, including Directors' remunerations:

Fees, salaries, discretionary bonuses and other benefits	27,991,659	12,768,115
Share-based payments	7,660,710	5,955,742
Social security costs	2,714,773	1,246,622
Retirement benefit schemes contributions	124,714	59,054
	38,491,856	20,029,533

9. LOSS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted loss per Share is based on the loss attributable to owners of the Company from continuing and discontinued operations for the year ended 31 December 2010 of HK\$37,798,646 (for the six-month period ended 31 December 2009: HK\$35,370,999) and the weighted average number of 3,635,773,860 Shares (for the six-month period ended 31 December 2009: 3,581,563,261 Shares) in issue during the year ended 31 December 2010 and the six-month period ended 31 December 2009.

The computation of the diluted loss per Share does not assume the exercises of the Company's share options as their exercises would decrease the loss per Share of both current year and prior period.

From continuing operations

The calculation of the basic and diluted loss per Share attributable to owners of the Company from continuing operations is based on the following data:

Loss figures are calculated as follows:

	Year ended 31 December 2010 HK\$	Six-month period ended 31 December 2009 HK\$
Loss for the year/period attributable to owners of the Company from continuing and discontinued operations	(37,798,646)	(35,370,999)
Less: Profit for the year/period from discontinued operation (<i>Note 7</i>)	<u>—</u>	<u>8,897,185</u>
Loss for the purpose of basic/dilutive loss per Share from continuing operations	<u>(37,798,646)</u>	<u>(44,268,184)</u>

The denominators used are the same as those detailed above for both basic and diluted loss per Share.

The computation of the diluted loss per Share does not assume the exercises of the Company's share options as their exercises would decrease the loss per Share of both current year and prior period.

From discontinued operation

The calculation of the basic and diluted earnings per Share attributable to owners of the Company from discontinued operation is based on the following data:

Earnings figures are calculated as follows:

	Year ended 31 December 2010 HK\$	Period ended 19 November 2009 HK\$
Profit attributable to owners of the Company for the year/period from discontinued operation (<i>Note 7</i>)	<u>—</u>	<u>8,897,185</u>

	Year ended 31 December 2010 HK\$	Period ended 19 November 2009 HK\$
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Number of Shares

Weighted average number of ordinary Shares for the purpose of calculating basic earnings per Share	3,635,773,860	3,581,482,887
Effect of dilutive potential ordinary Shares: Share options	<u>—</u>	<u>77,490,621</u>
Weighted average number of ordinary Shares for the purpose of calculating diluted earnings per Share	<u>3,635,773,860</u>	<u>3,658,973,508</u>

The calculation of the diluted earnings per Share from discontinued operation for six-month ended 31 December 2009 has taken into account the share options outstanding during the period. Since the exercise price of certain share options during the six-month period ended 31 December 2009 was lower than the fair market value of the ordinary shares, the share options outstanding during the period had a dilutive effect on the Company.

The computation of the diluted earnings per Share from discontinued operations for the year ended 31 December 2010 does not assume the exercises of the Company's share options as their exercises would increase the earnings per Share of the year.

10. GOODWILL

HK\$

COST

Balance at 1 July 2009	662,199,119
Effect of foreign currency exchange differences	1,166,254

Balance at 31 December 2009	663,365,373
Effect of foreign currency exchange differences	25,132,777

Balance at 31 December 2010	688,498,150
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CARRYING AMOUNTS

Balance at 31 December 2010	688,498,150
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Balance at 31 December 2009	663,365,373
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11. OTHER INTANGIBLE ASSETS

	Club membership HK\$	Capitalised development costs HK\$	Software licences HK\$	Non- competition agreements HK\$	Contracted Customer HK\$	Total HK\$
COST						
Balance at 1 July 2009	1,741,936	2,364,123	11,467,290	5,618,949	190,676,325	211,868,623
Additions	–	209,026	–	–	–	209,026
Derecognised on disposals of subsidiaries	–	–	(11,467,290)	–	–	(11,467,290)
Effect of foreign currency exchange differences	–	4,162	–	9,896	335,816	349,874
Balance at 31 December 2009	1,741,936	2,577,311	–	5,628,845	191,012,141	200,960,233
Effect of foreign currency exchange differences	–	97,646	–	213,259	7,236,835	7,547,740
Balance at 31 December 2010	1,741,936	2,674,957	–	5,842,104	198,248,976	208,507,973
AMORTISATION AND IMPAIRMENT						
Balance at 1 July 2009	–	–	11,467,290	2,903,124	77,859,481	92,229,895
Amortisation expense	–	–	–	562,662	19,093,653	19,656,315
Eliminated on disposals of subsidiaries	–	–	(11,467,290)	–	–	(11,467,290)
Effect of foreign currency exchange differences	–	–	–	5,335	144,681	150,016
Balance at 31 December 2009	–	–	–	3,471,121	97,097,815	100,568,936
Amortisation expense	–	441,937	–	1,158,228	39,303,895	40,904,060
Effect of foreign currency exchange differences	–	3,889	–	141,703	4,024,614	4,170,206
Balance at 31 December 2010	–	445,826	–	4,771,052	140,426,324	145,643,202
CARRYING AMOUNTS						
Balance at 31 December 2010	1,741,936	2,229,131	–	1,071,052	57,822,652	62,864,771
Balance at 31 December 2009	1,741,936	2,577,311	–	2,157,724	93,914,326	100,391,297

The Directors consider that the club membership has indefinite useful life and is worth at least at its carrying amount by reference to the latest market prices.

The amount of the capitalised development costs represents the expenditure capitalised for development of certain sports lottery products, which have not yet been put to use for the six-month period ended 31 December 2009. The amounts is amortised on a straight-line method over the estimated useful life of 6 years since the year ended 31 December 2010.

The amount of the software licences represents the expenditure on acquisition which is amortised on a straight-line method over the estimated useful life of 10 years, or the licensing period of 1 year, whichever is shorter.

The amount of the non-competition agreements represents the fair value of the non-competition clause embedded in the employment contracts between top management and SYSTEK LTD and its subsidiary (“Systek Group”) upon the acquisition of Systek Group by the Group. The amount is amortised on a straight-line method over the estimated useful life of 5 years.

The amount of the contracted customer represents the fair value of the contractual rights stated in the consultancy agreements with a principal customer of SHINING CHINA INC and its subsidiaries (“Shining China Group”) for providing consultancy services upon the acquisition of Shining China Group by the Group (the “Contracted Customer”). The amount is amortised on a straight-line method over the period of 4 to 6 years in accordance with the terms of the consultancy agreements.

12. TRADE RECEIVABLES

	At 31 December 2010 HK\$	At 31 December 2009 HK\$
Trade receivables	37,595,399	17,452,520

The following is an analysis of trade receivables by age, presented based on the terms of the related contracts, net of allowance for doubtful debts:

	At 31 December 2010 HK\$	At 31 December 2009 HK\$
0 to 30 days	32,879,123	9,753,691
31 to 60 days	3,830,844	925,656
61 to 90 days	614,986	866,460
91 to 120 days	270,446	779,072
121 to 365 days	–	5,127,641
	37,595,399	17,452,520

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. No interest is charged on trade receivables.

At 31 December 2010, 12.54% (at 31 December 2009: 0.01%) of the trade receivables are past due but not impaired. Of the trade receivables balance at the end of the reporting period, approximately HK\$26,009,000 (at 31 December 2009: approximately HK\$14,410,000) is due from the Group’s largest customer.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparties.

Aging of past due but not impaired

	At 31 December 2010 HK\$	At 31 December 2009 HK\$
0 to 30 days	2,326,978	476
31 to 60 days	1,851,212	577
61 to 90 days	267,641	836
91 to 120 days	270,445	–
Total	<u>4,716,276</u>	<u>1,889</u>
Average age (days)	<u>66</u>	<u>51</u>

Movement in the allowance for doubtful debts

	Year ended 31 December 2010 HK\$	Six-month period ended 31 December 2009 HK\$
Balance at beginning of the year/period	–	532,290
Amounts written off during the year/period as uncollectible	–	(532,290)
Balance at end of the year/period	<u>–</u>	<u>–</u>

There was no provision for impairment losses in respect of trade receivables from customers at 31 December 2010 (at 31 December 2009: nil). The Group does not hold any collateral over these balances.

13. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits carrying effective interest at 0.001%-3.49% per annum (at 31 December 2009: 0.001%-6.0% per annum) with an original maturity of three months or less.

At 31 December 2010, the bank balances and cash of approximately HK\$103,588,000 (at 31 December 2009: approximately HK\$70,286,000) were denominated in RMB which is not freely convertible into other currencies.

14. TRADE PAYABLES

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

	At 31 December 2010 HK\$	At 31 December 2009 HK\$
0 to 30 days	<u>6,444,817</u>	<u>–</u>

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame. Trade payables are non-interest-bearing.

15. DEFERRED TAXATION

The following are the deferred tax liabilities related to intangible assets recognised and movements thereon during the current year and prior period:

	<i>HK\$</i>
At 1 July 2009	28,883,166
Effect of foreign currency exchange differences	48,924
Credit to profit or loss (<i>Note 6</i>)	<u>(4,914,079)</u>
At 31 December 2009	24,018,011
Effect of foreign currency exchange differences	820,945
Credit to profit or loss (<i>Note 6</i>)	<u>(10,115,531)</u>
At 31 December 2010	<u><u>14,723,425</u></u>

Under the EIT Law of the PRC withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries amounting to approximately HK\$36,323,000 (at 31 December 2009: approximately HK\$13,529,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK\$127,457,000 (at 31 December 2009: approximately HK\$119,251,000) available for offsetting against the future taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of the estimated tax losses due to unpredictability of future profit streams. Included in unrecognised estimated unused tax losses are losses of approximately HK\$18,934,000 (at 31 December 2009: approximately HK\$28,592,000) that will expire within 5 years. Other estimated unused tax losses of approximately HK\$108,523,000 (at 31 December 2009: approximately HK\$90,659,000) may be carried forward indefinitely.

16. DIVIDEND

The Board does not recommend the payment of a final dividend for the year (for the six-month period ended 31 December 2009: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

As a leading sports lottery and sports leisure company in the PRC, the Group is principally engaged in (i) lottery management and gaming technologies business; (ii) online and phone lottery sales business; and (iii) sports and media business.

The Group focuses on the development of the sports lottery business in China, covering lottery management, game software and system, as well as hardware and terminals. The Group is also committed to applying advanced technologies and internet technologies to lottery industry for comprehensive coverage in various areas such as paper, internet, mobile phone, video, wireless network and streaming media, thereby providing sports lottery authorities and millions of lottery players in China with professional integrated lottery services.

During the financial year under review, there was significant improvement in the Group's operations. The Group recorded an operating profit of approximately HK\$700,000 (six month ended 31 December 2009: loss of approximately HK\$20,400,000). The significant turnaround reflected that the Group has successfully laid a good foundation by continuously adopting stringent cost control measures, streamlining operations and increasing productivity, thereby strengthening its leading position in sports lottery and sports leisure market in the PRC.

Revenue of the Group significantly increased to approximately HK\$105,100,000 (six month ended 31 December 2009: approximately HK\$33,800,000). Gross profit also rose to approximately HK\$64,400,000 (six month ended 31 December 2009: approximately HK\$20,600,000) with gross profit margin rising from 60.9% to 61.2%. Loss for the year improved drastically to approximately HK\$41,000,000 (six month ended 31 December 2009: approximately HK\$39,500,000).

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

Business review

Industry overview

During the year, the PRC lottery market continued to be ranked as the market with the most rapidly growth in the world. In 2010, total sports lottery sales in the PRC reached approximately RMB69.4 billion, up approximately 22.0% from approximately RMB56.9 billion recorded for the same period last year (Source: Ministry of Finance of the PRC).

There is no doubt that the recent rapid economic development in China has brought about an increase in number of lottery players with higher income level, thereby providing extensive room for development of the lottery industry in China. More importantly, following the "Regulations on Administration of Lotteries" promulgated by the Chinese government in mid-2009, the "Provisional Measures for the Administration of Online Lottery Distribution" and the "Provisional Measures for Administration of Phone Lottery Distribution" were promulgated on 9 October 2010, signifying a new era of merging traditional operation management experience and new technologies (new distribution channels, new games and new applications) for the PRC lottery industry.

According to the related document of the SLAC, it is expected that phone betting will be launched in 2011, online betting will be launched in 2012, the number of non-cash betting accounts will reach 5 million and 10 million in 2013 and 2015 respectively. On the other hand, sports lottery scratch tickets have become one of the three major sports lottery products. It is expected that the compound annual growth rate of the scratch ticket market is approximately 10.5% during the “Twelfth Five Year Plan” period and the sales may be as high as RMB50 billion by 2015. Currently, the SLAC is studying various innovative lottery games and focuses on the development of paperless scratch products and sports betting lottery products to steadily facilitate the research and development of real and virtual betting sports lottery.

Lottery management and gaming technologies business

During the year, the Group achieved a major breakthrough in its lottery business in China: the Group’s majority-owned joint venture with Ladbroke Group (a world-leader in betting and gaming markets, based in the United Kingdom) successfully obtained government approvals for the launch of a new rapid-draw fixed-odds sports lottery platform and its initial game, named “Lucky Racing” (「幸運賽車」). This achievement marks the first legitimate rapid-draw sports lottery platform and game in China approved by the lottery industry regulator (the Ministry of Finance) pursuant to the new lottery regulations. The Group is proud to become the first international provider to supply a world-class nationwide rapid-draw fixed-odds sports lottery central betting system and associated games in China.

It is expected that the Group first launch the rapid-draw fixed odds betting platform and Lucky Racing game in Hunan province (the trial province) in second quarter of this year. Currently, the sports betting platform has been successfully built and deployed in the sports lottery central data centre and both the betting platform and the initial game software have been tested and certified by the third party testing authority authorised by the Ministry of Finance. Moreover, the relevant lottery authorities are also preparing appropriate venues (lottery shops and leisure venues), marketing campaigns and other logistics necessary to prepare for and launch the live game operations.

Apart from being able to be played within existing dedicated sports lottery shops and leisure venues, Lucky Racing and further games to be launched on the betting platform of similar nature are highly suited as a potential lottery games for the expansive PRC internet and phone distribution channels. The Board believes that such new forms of lottery games and distribution channels can have extensive reach and have the additional very important benefit of being able to access the rapidly growing demographic segment of middle to high-income players in the PRC. Arguably, this higher leisure spend enabled demographic segment has not adequately been penetrated by the existing legitimate market product and distribution channels. The Board believes that the Group’s newly approved betting system and game types are designed for and are highly suited for not only the existing distribution market but also higher yield per player markets and advanced distribution methods and hence will become a key potential growth driver for the Group and the Chinese sports lottery market. For more information, please refer to the announcement published by the Company on 8 September 2010.

In addition, during the financial year under review, the Group's gaming technologies projects and strategic business development have sustained good momentum and have been making steady business progress. The Group is committed to delivering world-class innovative solutions to satisfy the requirements of the Chinese authorities and entertainment needs of lottery public, and has continuously devoted efforts and resources on research and development of gaming technologies. During the year, the Group has continued its focus on several business development projects such as self-service terminals, portable terminals, as well as other new lottery games, systems, equipment and technologies. The Group's international strategic partners for many of these projects are amongst the world's gaming and wagering industry giants in their respective fields.

The Group's lottery management business (which is the Group's existing core business) has maintained a stable growth with revenue and profit margins improved steadily. Also, the enhancement in operational efficiency and effectiveness has helped the Group strengthen its leading position as a reliable supplier of quality lottery products and services in the Chinese sports lottery market. These lottery management services compose primarily of: direct and franchise retail shop management, lottery sales through partnerships with major retailers (like supermarkets, convenience stores and so forth) as well as lottery sales, marketing and promotion management. The Board believes that the services and corresponding infrastructure and experience built and developed over time in the field necessary to perform the services have created a seasoned backbone of management and talent skill. Thriving on the ground experience and insight into the needs and operations of the market and as a result, the Group is apt to win and execute large multi-disciplinary/diverse projects for the lottery authorities in the PRC. By 31 December 2010, the footprints of the Group's sports lottery business cover 80% of provinces and municipalities across China backed by advanced systems, processes and expertise of the Group.

Furthermore, the Group's 35% investment in 北京長城高騰信息產品有限公司 (Beijing Greatwall GOT Information Products Co., Ltd.*) ("GOT"), one of the largest terminal and system providers for China's sports lottery market with advanced R&D and innovation capabilities, has provided a stable revenue stream to the Group. With over 10 years of industry experience, GOT has built up superior research and development abilities in sports lottery terminals and systems and developed an extensive sales network in about 26 provinces and municipalities in China. Considering GOT is an established key industry player with cutting-edge technologies, the Directors believe that GOT is in a very well placed position to develop new sports lottery projects for the government of the PRC.

Online and phone lottery sales business

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

On 15 September 2010, with respect to the Group's lottery management and technology portfolio, the Company was successfully admitted as a member of the World Lottery Association (the "WLA"). The Board is proud that the Company is the first commercial lottery company in Hong Kong to become a member of the WLA. We are very heartened by this achievement and consider that being awarded membership of WLA signifies an internationally authoritative recognition of the important contribution made by the Company in China's lottery industry in past years. As WLA member, the Company will continue to facilitate responsible gaming and to keep it on a course of continuous improvement.

Sports and media business

The Group is the sole official e-sports operator in China as duly authorised by China Sport Information Centre of the General Administration of Sport of China (“CSIC”), the governing body of e-sports.

During the financial year under review, the Group has successfully held two national professional e-sports tournaments, namely the “National Electronic Sports Open”, which was co-organised by the Group, CSIC and the relevant authorities in Shenzhen, the PRC during 8-11 August 2010, and “China-Germany E-Sports Friendly”, which was co-organised by the Group, CSIC and the relevant event organisers in the German Pavilion at World Expo 2010 Shanghai, the PRC during 9-12 September 2010.

With the dedicated efforts of e-sports and management teams, e-sports has been widely broadcast in the media (including nationwide state-owned broadcast media) and has aroused public interest in Hong Kong and China. Through organising these events, it is noted that the e-sports tournaments were very well received by the public and had attracted extensive media exposure nationwide across China. In addition, many top officials, media and television stations attended these events, thereby demonstrating the attractiveness of this new form of official sport in China. Coupled with the fact that there is a large base of e-sports enthusiasts in China, the Board believes that there is enormous potential for further development of the rapidly growing e-sports market in China.

The Company is in the process of formulating long-term strategies and execution plans to capture and capitalise on this burgeoning business for sustainable development to the Group as a long-term business. As the sole official e-sports operator in the PRC, the Group will continue to leverage on its professional experience and management skills to contribute to the development of China’s e-sports industry, thereby strengthening its leading position in the sports leisure and sports lottery in China. For details about the latest development of the Group’s e-sports activities, please visit the Group’s official e-sports website: www.e-sports.org.cn.

The Group is developing its potential as a leading sports lottery and sports leisure segment provider in the PRC. The Board recognises the worldwide trend in the merger of sports, sports media, sports development funding (sports lottery for example) and sports and general leisure markets. In China, all segments of the total sports industry are mainly governed and administrated by the central General Administration of Sport of China, including the fund raising arms such as the sports lottery and more recently the centralisation of the e-sports industry. Already the Group has expanded horizontally within the umbrella of the General Administration of Sport of China from the sports lottery to being the sole commercial operator for e-sports. The Board believes that the Group is best prepared to assist the sports authorities in the natural merger of sports and leisure by developing strategies and business solutions in the area of sports and sports lottery media. Accordingly, the Group has formed strategic alliances for new media projects in relation to the development of sports and sports lottery media and infotainment products for launch via mobile and telecommunication platforms of key operator(s) in the PRC. Such products are planned to cover most large-scale and popular sports events with rich and entertaining sports and sports lottery contents to satisfy the entertainment and information needs of sports enthusiasts and lottery public in the PRC. The Group believes that the new media project has huge market potential for further development in the future and can help strengthen the Group’s position in the sports lottery and sports leisure field. Following the continuation and evaluation of trial media projects currently in ‘soft’ launch, the Group will enhance business plans and commercial models and advise the market on progress as required and appropriate.

Business outlook

The Chinese government has constantly embarked on a number of initiatives to support sports lottery development, thereby enabling continued healthy growth in the PRC sports lottery market. The future lottery development in China will incline to the development of online and mobile betting business and the development will concentrate on betting games including real and virtual sports games and electronic scratch tickets. The Group considers that the growth momentum will be sustained well into the future and will continue to serve as a reliable provider of professional lottery products and services in China's lottery market to capitalise on the trend. Meanwhile, the Group will accelerate to seek the opportunities to carry out horizontal and vertical expansions such as extending its geographic reach to more provinces or cities, integrating the industry value chain, as well as developing new sports lottery terminals, systems and technologies, as lottery sale distribution and games increase.

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

In the future, the Group will continue to seek for more potential business partners and forge more strategic business alliances, with a view to increasing its market share and ultimately maximizing returns for shareholders. Towards these ends, the Group will also continuously place great emphasis on maintaining close ties with major business partners.

REVIEW OF OPERATING RESULTS

Turnover and profitability

Revenue of the Group for the year under review amounted to approximately HK\$105.1 million (for the six-month period ended 31 December 2009: revenue amounted to approximately HK\$33.8 million). All revenue for the year under review was derived from provision of sports lottery management and marketing consultancy services and supply of sports lottery sales terminals (and accessories) and sports and media business. During the year under review, the gross profit percentage stood at approximately 61.2% (for the six-month period ended 31 December 2009: the gross profit percentage was approximately 60.9%). The increase in gross profit percentage was due to the increase in revenue and effect of strict costs control measures carried out by the Group for the year.

Loss attributable to owners of the Company for the year under review amounted to approximately HK\$37.8 million, primarily due to (i) the share-based payments (totalling approximately HK\$6.1 million) as a result of the adoption of Hong Kong Financial Reporting Standard 2 *Share-based Payment* for share options of the Company granted to Directors, eligible employees and other eligible participants under the Share Option Scheme of the Company; and (ii) the amortisation of other intangible assets (totalling approximately HK\$40.9 million).

Capital resources and liquidity

Net bank balances and cash as at 31 December 2010 were approximately HK\$140.9 million (at 31 December 2009: approximately HK\$141.5 million). The total assets and net current assets of the Group as at 31 December 2010 were approximately HK\$1,087.2 million and approximately HK\$202.9 million respectively (at 31 December 2009: approximately HK\$1,036 million and approximately HK\$201.2 million respectively).

During the year under review the Group maintained a debt-free capital structure. 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.

Capital commitments

	At 31 December 2010 HK\$	At 31 December 2009 HK\$
Contracted but not provided for: Research and development expenditures	<u>–</u>	<u>1,241,861</u>

Charges on Group's assets

As at 31 December 2010, there was no charge on the assets of the Group.

Foreign exchange exposure

As at 31 December 2010, the Group's bank deposits denominated in Hong Kong Dollars and Renminbi. Since all of its revenue-generating operations, monetary assets and liabilities of the Group are conducted or transacted substantially in Hong Kong Dollars and Renminbi, which is not freely convertible into foreign currencies the Group faced minimal exchange rate risk during the year under review.

Contingent liabilities

As at 31 December 2010, the Group had no material contingent liabilities.

Employees' information

As at 31 December 2010, the Group had 161 (at 31 December 2009: 167) employees in Hong Kong and the PRC. Total staff costs (excluding Directors' emoluments) for the year ended 31 December 2010 amounted to approximately HK\$24.0 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.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely, Mr. Kwok Wing Leung Andy, Mr. Wang Ronghua and Mr. Hua Fengmao. The audited consolidated results of the Group for the year ended 31 December 2010 have been reviewed and commented on by the audit committee.

CODE ON 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 year under review the Company has adopted the code provisions and certain recommended best practices in the Code on Corporate Governance Practices, as set out in Appendix 15 of the GEM Listing Rules, except that:

- under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of chairman and chief executive officer of the Company were performed by the same individual: namely, Mr. Sun Ho, during the year. The Company considered that the combination of the roles of chairman and chief executive officer could effectively formulate and implement the strategies of the Company. The Company considered that under the supervision of its Board and its independent non-executive Directors, a balancing mechanism existed so that the interests of Shareholders were adequately and fairly represented. The Company considered that there was no imminent need to change the arrangement; and
- under the code provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. During the year under review, the chairman of the Board was not subject to retirement by rotation, as the Board considered that the continuity of the office of the chairman provided the Group with strong and consistent leadership and was of great importance to the smooth operations of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this announcement, based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of the Shares, representing not less than 25% of the total issued Shares as required under the GEM Listing Rules.

DEFINITIONS

In this announcement, 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”	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
“Group”	means the Company and its subsidiaries
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Macao”	means the Macao Special Administrative Region of the PRC
“PRC” or “China”	means the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macao and Taiwan
“Share Option Scheme”	means the share option scheme of the Company adopted on 18 November 2004
“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)
“SLAC(s)”	means China Sports Lottery Administration Centre(s)
“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
“%”	per cent

Note: In this announcement, the exchange rate of HK\$1.1807 to RMB1.00 has been used for reference only.

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

Hong Kong, 23 March 2011

As at the date of this announcement, the Board comprises (i) Mr. Sun Ho, Mr. Robert Geoffrey Ryan, Mr. Bai Jinmin and Mr. Liang Yu as executive Directors; (ii) Ms. Yang Yang as non-executive Director; and (iii) Mr. Wang Ronghua, Mr. Hua Fengmao and Mr. Kwok Wing Leung Andy as independent non-executive Directors.

This announcement will remain on the “Latest Company Announcement” page of the GEM website operated by the Stock Exchange at www.hkgem.com for at least seven days from the day of its posting and will be published on the website of the Company at www.agtech.com.