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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 2012

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 2012

- Total revenue of the Group for the year under review amounted to approximately HK\$229.3 million (2011: approximately HK\$111.3 million). Most of the revenue was derived from provision of sports lottery management and marketing consultancy services and gaming technologies (game software, systems, hardware and terminals) business in the PRC.
- The Group recorded a profit from business operations of approximately HK\$1.3 million (2011: approximately HK\$7.3 million). The gross profit percentage for the year under review stood at approximately 44.3%.
- Loss attributable to owners of the Company for the year under review amounted to approximately HK\$32.9 million, primarily due to (i) the share-based payments (totalling approximately HK\$10.0 million) as a result of the adoption of Hong Kong Financial Reporting Standard 2 *Share-based Payment* for share options of the Company granted to Directors, eligible employees and other eligible participants under the Share Option Scheme of the Company; and (ii) the amortisation of other intangible assets (totalling approximately HK\$19.4 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 2012, together with the comparative audited figures for the year ended 31 December 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	<i>Notes</i>	2012 HK\$	2011 HK\$
Revenue	4	229,328,500	111,340,140
Cost of sales and services		(127,693,912)	(37,889,170)
Gross profit		101,634,588	73,450,970
Investment and other income		2,129,696	2,791,612
Other gains and losses		78,119	(2,527,850)
Selling and administrative expenses		(102,520,167)	(72,112,607)
Share of losses of a jointly controlled entity		(2,750)	–
Share of profits of an associate		–	5,736,740
Profit from business operations		1,319,486	7,338,865
Gain on acquisition of additional interest in an associate		–	2,700,624
Share-based payments		(9,997,944)	(7,320,587)
Net foreign exchange loss		(148,949)	(341,338)
Amortisation of other intangible assets	10	(19,442,475)	(42,714,031)
Finance costs		(2,225,762)	(3,845,390)
Loss before tax		(30,495,644)	(44,181,857)
Income tax expense	6	(853,032)	(1,490,909)
Loss for the year		(31,348,676)	(45,672,766)
Other comprehensive income, net of income tax			
Translation differences on translating foreign operations		6,171,091	31,469,483
Reclassification adjustment on translation difference upon acquisition of additional interest in an associate		–	(3,233,944)
Translation differences released upon disposals of subsidiaries		(78,119)	2,527,850
Share of other comprehensive income of an associate		–	1,682,953
Other comprehensive income for the year, net of income tax		6,092,972	32,446,342
Total comprehensive income for the year		(25,255,704)	(13,226,424)

	<i>Notes</i>	2012 HK\$	2011 <i>HK\$</i>
Loss attributable to:			
Owners of the Company		(32,862,140)	(43,248,756)
Non-controlling interests		1,513,464	(2,424,010)
		<u>(31,348,676)</u>	<u>(45,672,766)</u>
Total comprehensive income attributable to:			
Owners of the Company		(26,780,964)	(10,903,127)
Non-controlling interests		1,525,260	(2,323,297)
		<u>(25,255,704)</u>	<u>(13,226,424)</u>
Loss per Share			
Basic and diluted	8	<u>HK0.85 cent</u>	<u>HK1.17 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	<i>Notes</i>	2012 HK\$	2011 HK\$
Non-current assets			
Property, plant and equipment		54,158,208	60,645,058
Goodwill	9	772,518,603	767,997,278
Other intangible assets	10	3,135,488	22,413,061
Investment in a jointly controlled entity		647,250	–
Deposits and prepayments		16,466,487	24,600,112
Other assets		1,746,884	1,736,660
Deferred tax assets	14	3,488,071	3,138,691
		852,160,991	880,530,860
Current assets			
Inventories		24,477,548	24,226,521
Trade receivables	11	77,077,646	81,015,011
Other receivables, deposits and prepayments		42,336,355	73,393,994
Amount due from a jointly controlled entity		5,500	–
Pledged bank deposits	12	18,453,000	26,612,786
Bank balances and cash		137,666,360	132,378,464
		300,016,409	337,626,776
Current liabilities			
Trade payables	13	4,714,449	14,590,727
Accruals and other payables		33,497,691	25,572,307
Amount due to a jointly controlled entity		650,000	–
Secured bank borrowings		17,550,000	61,150,000
Current tax liabilities		2,662,984	4,695,301
		59,075,124	106,008,335
Net current assets		240,941,285	231,618,441
Total assets less current liabilities		1,093,102,276	1,112,149,301
Non-current liabilities			
Provision for warranties		23,152,758	20,707,471
Deferred tax liabilities	14	4,598,558	10,833,110
		27,751,316	31,540,581
Net assets		1,065,350,960	1,080,608,720
Capital and reserves			
Share capital		7,687,907	7,687,907
Reserves		1,055,536,452	1,072,319,472
Equity attributable to owners of the Company		1,063,224,359	1,080,007,379
Non-controlling interests		2,126,601	601,341
Total equity		1,065,350,960	1,080,608,720

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	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\$	interests HK\$	
Balance at 1 January 2011	7,356,321	1,076,602,404	188,193,324	3,134,905	125,681,032	47,191,476	(408,907,047)	1,039,252,415	2,924,638	1,042,177,053
Loss for the year	-	-	-	-	-	-	(43,248,756)	(43,248,756)	(2,424,010)	(45,672,766)
Other comprehensive income for the year	-	-	-	-	32,345,629	-	-	32,345,629	100,713	32,446,342
Total comprehensive income for the year	-	-	-	-	32,345,629	-	(43,248,756)	(10,903,127)	(2,323,297)	(13,226,424)
Recognition of equity-settled share-based payments	-	-	7,320,587	-	-	-	-	7,320,587	-	7,320,587
Shares issued on exercise of part of share options	71,586	61,812,523	(53,946,605)	-	-	-	-	7,937,504	-	7,937,504
Lapse of share options	-	-	(9,179,266)	-	-	-	9,179,266	-	-	-
Issue of Shares upon acquisition of subsidiaries	260,000	36,140,000	-	-	-	-	-	36,400,000	-	36,400,000
Transfer from accumulated losses	-	-	-	2,864,421	-	-	(2,864,421)	-	-	-
Balance at 31 December 2011 and 1 January 2012	7,687,907	1,174,554,927	132,388,040	5,999,326	158,026,661	47,191,476	(445,840,958)	1,080,007,379	601,341	1,080,608,720
Loss for the year	-	-	-	-	-	-	(32,862,140)	(32,862,140)	1,513,464	(31,348,676)
Other comprehensive income for the year	-	-	-	-	6,081,176	-	-	6,081,176	11,796	6,092,972
Total comprehensive income for the year	-	-	-	-	6,081,176	-	(32,862,140)	(26,780,964)	1,525,260	(25,255,704)
Recognition of equity-settled share-based payments	-	-	9,997,944	-	-	-	-	9,997,944	-	9,997,944
Lapse of share options	-	-	(67,068,704)	-	-	-	67,068,704	-	-	-
Transfer from accumulated losses	-	-	-	4,747,305	-	-	(4,747,305)	-	-	-
Balance at 31 December 2012	<u>7,687,907</u>	<u>1,174,554,927</u>	<u>75,317,280</u>	<u>10,746,631</u>	<u>164,107,837</u>	<u>47,191,476</u>	<u>(416,381,699)</u>	<u>1,063,224,359</u>	<u>2,126,601</u>	<u>1,065,350,960</u>

Notes:

- (a) 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.
- (b) The contributed surplus of the Group represents the transfer from share premium account in a prior year.

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 2012, 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 and gaming technologies (game software, systems, hardware and terminals) business in the PRC.

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

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

In the current year, the Group has applied all of the new and revised standards, amendments and interpretations (the “new and revised HKFRS”) 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 2012.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets

The adoption of the new and revised HKFRS has no material effect on the consolidated financial statements of the Group for the current or prior years.

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

HKFRS (Amendments)	Annual Improvements to 2009 – 2011 Cycle ¹
HKFRS 1 (Amendments)	First-time adoption of HKFRSs – Government Loans ¹
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities ¹
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities ⁴
HKFRS 9	Financial Instruments ²
HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosure of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ³
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ⁴
HKAS 19 (Revised 2011)	Employee Benefits ¹
HKAS 27 (Revised 2011)	Separate Financial Statements ¹
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ¹
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine ¹

¹ Effective for annual periods beginning on or after 1 January 2013.

² Effective for annual periods beginning on or after 1 January 2015.

³ Effective for annual periods beginning on or after 1 July 2012.

⁴ Effective for annual periods beginning on or after 1 January 2014.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at 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 reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 recognition 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 of financial liabilities attributable to changes in the financial liabilities' 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 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 2015, with earlier application permitted.

The Directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC) - Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interest in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) - Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRS for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these standards are applied at the same time.

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual periods beginning 1 January 2013. The application of these five standards may have a significant impact on the amounts reported in the consolidated financial statements. However, the Directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 *Fair Value Measurement*

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRS require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosures requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for

financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 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 result in more extensive disclosures in the consolidated financial statements.

Amendments to HKFRS 7 and HKAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The Group is in the process of making an assessment of what the impact of the other new or revised HKFRS is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRS 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. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The accounting policies and methods of computation used in these financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the new and revised HKFRS as described in Note 2 that the Group has applied for the first time in the current year.

4. REVENUE

Revenue represents the amounts received and receivable from provision of sports lottery management and marketing consultancy services and gaming technologies (game software, systems, hardware and terminals) business in the PRC for the year, and is analysed as follows:

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Provision of sports lottery management and marketing consultancy services	77,685,675	86,038,208
Provision of gaming technologies (game software, systems, hardware and terminals)	151,642,825	25,301,932
	<u>229,328,500</u>	<u>111,340,140</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 performance focuses specifically on the revenue analysis by principal categories of the Group's business and the profit of the Group as a whole.

Accordingly, the CODM have determined that the Group has one sole operating segment (as a professional service provider in China's sports lottery market). The information regarding revenue derived from the principal businesses described above is set out in Note 4.

Additional disclosure in relation to segment information is not presented as the CODM assess the performance of the sole operating segment identified based on the consistent information as disclosed in the consolidated financial statements.

The total net segment income is equivalent to total comprehensive income for the year as shown in the consolidated statement of comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the consolidated statement of financial position.

Geographical information

The Group's operations are mainly located in the PRC.

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

	Revenue from external customers		Non-current assets*	
	2012	2011	2012	2011
	HK\$	HK\$	HK\$	HK\$
PRC	229,260,426	111,340,140	845,274,739	872,216,613
Hong Kong	–	–	3,398,181	5,175,556
Others	68,074	–	–	–
	<u>229,328,500</u>	<u>111,340,140</u>	<u>848,672,920</u>	<u>877,392,169</u>

* Non-current assets excluding deferred tax assets.

Information about major customers

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

	2012	2011
	HK\$	HK\$
Customer A	48,163,829	54,373,614
Customer B	26,352,601	18,610,285
Customer C	27,786,415	11,474,602
Customer D	25,551,135	N/A ¹
Customer E	23,975,002	N/A ¹
	<u>151,828,982</u>	<u>84,458,501</u>

¹ The corresponding revenue did not contribute over 10% or more to the Group's in prior year.

6. INCOME TAX EXPENSE

	2012	2011
	HK\$	HK\$
Current tax:		
– PRC Enterprise Income Tax (“EIT”)	5,870,699	10,128,252
Under provision in prior year:		
– PRC EIT	393,389	511,004
Deferred tax:		
– Current year	(5,411,056)	(9,148,347)
Total income tax recognised in profit or loss	<u>853,032</u>	<u>1,490,909</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. 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 year ended 31 December 2012 (2011: nil).

北京亞博高騰科技有限公司 (Beijing AGTech GOT Technology Co., Ltd.*) (formerly known as 北京長城高騰信息產品有限公司) (“GOT”) is subject to PRC EIT at 15% for both years as GOT is recognised as an Advanced and New Technology Enterprise under the PRC EIT Law. Other PRC subsidiaries are subject to PRC EIT at 25% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2012 HK\$	2011 HK\$
Loss before tax	(30,495,644)	(44,181,857)
Tax at domestic income tax rate	(5,806,623)	(8,438,260)
Tax effect of expenses not deductible for tax purpose	8,212,070	16,093,898
Tax effect of income not taxable for tax purpose	(6,373,497)	(1,456,989)
Tax effect of unrecognised estimated tax losses	9,838,749	3,929,603
Under provision in prior year	393,389	511,004
Deferred taxation arising from dividend withholding tax	–	1,225,080
Reversal of temporary differences	(5,411,056)	(10,373,427)
Income tax expense for the year	853,032	1,490,909

* For identification purpose only

7. LOSS FOR THE YEAR

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

	2012 HK\$	2011 HK\$
Auditors' remuneration	950,000	950,000
Cost of inventories recognised as an expense (included in cost of sales and services)	74,397,230	11,663,678
Provision for warranties (included in cost of sales and services)	10,149,932	1,287,437
Reversal of provision for warranties (included in cost of sales and services)	(1,471,568)	–
Depreciation of property, plant and equipment	10,581,439	6,671,956
Net losses on disposals of property, plant and equipment	50,349	47,440
Operating lease rentals in respect of rented premises	8,547,123	5,176,044
Research and development costs expensed as incurred	10,641,208	3,805,013
Uncollectible amounts of other receivables, deposits and prepayments written off	70,770	1,955,370
Employee benefit expense, including Directors' remunerations:		
Fees, salaries, discretionary bonuses and other benefits	45,708,445	27,759,970
Share-based payments	8,922,469	3,516,476
Social security costs	6,870,932	3,469,048
Contributions to retirement benefits schemes	131,828	133,431
Total employee benefits expense	61,633,674	34,878,925

8. LOSS PER SHARE

The calculation of basic and diluted loss per Share is based on the loss attributable to owners of the Company for the year ended 31 December 2012 of HK\$32,862,140 (2011: HK\$43,248,756) and the weighted average number of 3,843,953,375 Shares (2011: 3,695,841,700 Shares) in issue during the year ended 31 December 2012.

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 of both current and prior years.

9. GOODWILL

	<i>HK\$</i>
COST	
Balance at 1 January 2011	688,498,150
Additional amounts recognised from business combinations occurring during the year	54,846,990
Effect of foreign currency exchange differences	<u>24,652,138</u>
Balance at 31 December 2011 and 1 January 2012	767,997,278
Effect of foreign currency exchange differences	<u>4,521,325</u>
Balance at 31 December 2012	<u><u>772,518,603</u></u>
CARRYING AMOUNTS	
Balance at 31 December 2012	<u><u>772,518,603</u></u>
Balance at 31 December 2011	<u><u>767,997,278</u></u>

10. OTHER INTANGIBLE ASSETS

	Club membership HK\$	Capitalised development costs HK\$	Non- competition agreements HK\$	Contracted Customer HK\$	Total HK\$
COST					
Balance at 1 January 2011	1,741,936	2,674,957	5,842,104	198,248,976	208,507,973
Effect of foreign currency exchange differences	—	95,834	209,300	7,102,508	7,407,642
Balance at 31 December 2011 and 1 January 2012	1,741,936	2,770,791	6,051,404	205,351,484	215,915,615
Effect of foreign currency exchange differences	—	16,312	35,626	1,208,938	1,260,876
Balance at 31 December 2012	1,741,936	2,787,103	6,087,030	206,560,422	217,176,491
AMORTISATION AND IMPAIRMENT					
Balance at 1 January 2011	—	445,826	4,771,052	140,426,324	145,643,202
Amortisation expense	—	462,584	1,111,310	41,140,137	42,714,031
Effect of foreign currency exchange differences	—	15,187	169,042	4,961,092	5,145,321
Balance at 31 December 2011 and 1 January 2012	—	923,597	6,051,404	186,527,553	193,502,554
Amortisation expense	—	465,552	—	18,976,923	19,442,475
Effect of foreign currency exchange differences	—	4,402	35,626	1,055,946	1,095,974
Balance at 31 December 2012	—	1,393,551	6,087,030	206,560,422	214,041,003
CARRYING AMOUNTS					
Balance at 31 December 2012	1,741,936	1,393,552	—	—	3,135,488
Balance at 31 December 2011	1,741,936	1,847,194	—	18,823,931	22,413,061

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. The amounts is amortised on a straight-line method over the estimated useful life of 6 years.

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.

11. TRADE RECEIVABLES

	2012 HK\$	2011 HK\$
Trade receivables	77,077,646	81,015,011

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:

	2012 HK\$	2011 HK\$
0 to 30 days	75,090,285	63,511,642
31 to 60 days	143,088	2,084,076
61 to 90 days	320,624	5,876,461
91 to 120 days	73,450	1,687,740
121 to 365 days	839,261	2,677,563
Over 365 days	610,938	5,177,529
	77,077,646	81,015,011

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The average credit period is 30 days (2011: 30 days). No interest is charged on trade receivables.

At 31 December 2012, 97.42% (2011: 78.39%) of the trade receivables are neither past due nor impaired relate to a number of independent customers that have a good track record with the Group. Of the trade receivables balance at the end of the reporting period, approximately 30% (2011: 32%) and 55% (2011: 70%) were due from the Group's largest customer and the five largest customers, respectively.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in the credit quality and the amounts are still considered recoverable.

Age of trade receivables that are past due but not impaired

	2012 HK\$	2011 HK\$
0 to 30 days	143,088	2,084,076
31 to 60 days	320,624	5,876,461
61 to 90 days	73,450	1,687,740
91 to 120 days	839,261	2,278,676
121 to 365 days	–	5,576,415
Over 365 days	610,938	–
Total	1,987,361	17,503,368
Average age (days)	168	115

There was no provision for impairment losses in respect of trade receivables from customers at 31 December 2012 (2011: nil).

12. 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% – 1.53% per annum (2011: 0.001% – 0.50% per annum) with an original maturity of three months or less. At 31 December 2012, bank balances and cash of approximately HK\$122,944,000 (2011: approximately HK\$122,131,000) were denominated in RMB which are not freely convertible into other currencies.

13. TRADE PAYABLES

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

	2012 HK\$	2011 HK\$
0 to 30 days	4,361,688	13,588,021
91 to 120 days	295,408	–
121 to 365 days	–	945,688
Over 365 days	57,353	57,018
	<u>4,714,449</u>	<u>14,590,727</u>

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

14. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

Deferred tax assets

	Provision for warranties HK\$
Balance at 1 January 2011	–
Acquisitions through business combinations	3,357,705
Effect of foreign currency exchange differences	(1,826)
Charge to profit or loss	<u>(217,188)</u>
Balance at 31 December 2011 and 1 January 2012	3,138,691
Effect of foreign currency exchange differences	17,741
Credit to profit or loss	<u>331,639</u>
Balance at 31 December 2012	<u><u>3,488,071</u></u>

Deferred tax liabilities

	Accelerated tax depreciation HK\$	Intangible assets HK\$	Dividend withholding tax HK\$	Total HK\$
Balance at 1 January 2011	–	14,723,425	–	14,723,425
Recognised on business combination	4,935,061	–	–	4,935,061
Effect of foreign currency exchange differences	(3,181)	545,420	(2,080)	540,159
(Credit)/charge to profit or loss	(27,754)	(10,562,861)	1,225,080	(9,365,535)
Balance at 31 December 2011 and 1 January 2012	4,904,126	4,705,984	1,223,000	10,833,110
Effect of foreign currency exchange differences	29,618	38,247	2,780	70,645
Transfer to current taxation	–	–	(1,225,780)	(1,225,780)
Credit to profit or loss	(335,186)	(4,744,231)	–	(5,079,417)
Balance at 31 December 2012	4,598,558	–	–	4,598,558

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\$56,385,000 (2011: approximately HK\$49,144,000) 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\$156,317,000 (2011: approximately HK\$130,673,000) available for offsetting against future profits of the companies in which the losses arose. Included in the estimated unused tax losses are losses of approximately HK\$5,653,000 (2011: approximately HK\$5,760,000) that will expire within 5 years. Other estimated unused tax losses of approximately HK\$150,664,000 (2011: approximately HK\$124,913,000) may be carried forward indefinitely. No deferred tax asset has been recognised in respect of these estimated unused tax losses due to unpredictability of future profit streams.

15. DIVIDEND

The Board does not recommend the payment of a final dividend for the year (2011: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

About the Group

The Group is the leading integrated gaming company in China's sports lottery market.

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

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

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

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

Corporate Strategy and Objectives

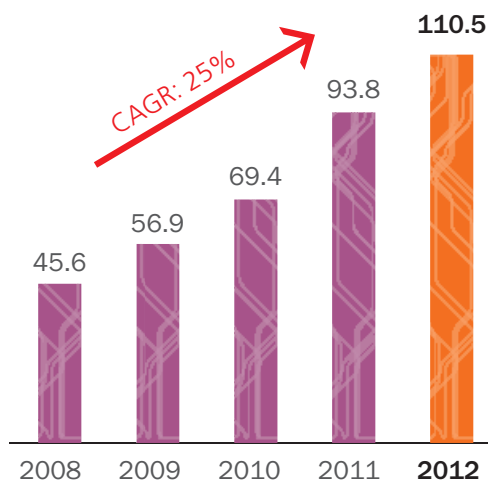
Our long-term objectives are to maintain a leading position as a lottery technology group in China and to provide innovative and legal lottery games to help the Chinese government to crack down on illegal gambling. In order to achieve these objectives, we are committed to bringing together international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

INDUSTRY OVERVIEW

China's Sports Lottery Market Achieved Sales of over RMB110 billion in 2012

2012 was another record year for China's second largest permitted operator, the China Sports Lottery. According to data published by the PRC's Ministry of Finance, total sports lottery sales reached RMB110.5 billion. Sales increased by RMB16.7 billion from the prior year, representing an annual growth rate of approximately 18%. This growth enabled the sports lottery to raise over RMB29.4 billion for good causes, a new annual milestone.

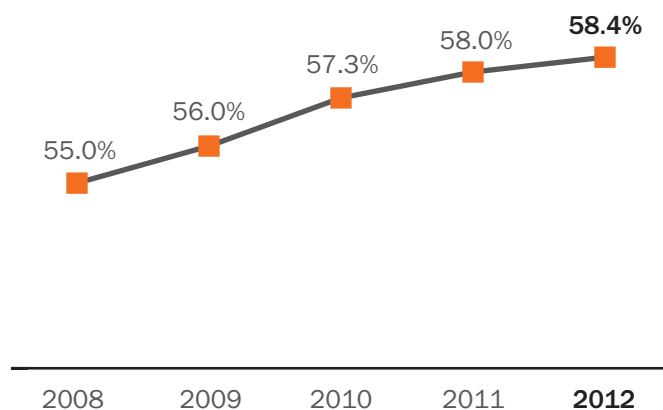
China's Sports Lottery Sales Development 2008-2012 (RMB billion)



Source: PRC Ministry of Finance

As shown in the accompanying chart, the sports lottery has delivered ever increasing sales between 2008 and 2012, growing at a compound rate of approximately 25% in this period. This growth has been driven by a number of factors, not only the increased prize payout ratios shown here, but also the introduction of more appealing products and improvements to the retail distribution network, both in terms of absolute shop numbers as well as shop quality.

Sports Lottery Payout Ratio Development 2008-2012



Source: China Sports Lottery

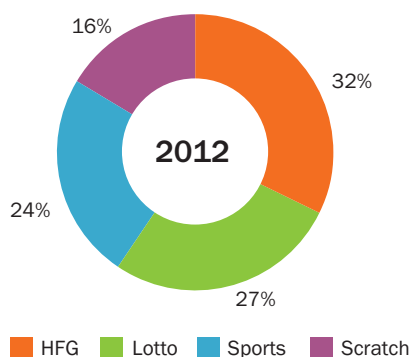
Despite the impressive growth of the sports and welfare lotteries in recent years, compared with other countries, China's regulated lottery gross win (stakes less prizes) as a proportion of gross domestic products ("GDP") is at an extremely low level. This lack of penetration by the regulated products is driven by a number of factors which include constraints on distribution with respect to low numbers of shops per capita and the absence of a legitimate remote channel, gaps in terms of the breadth of certain products (for example, sports betting) and finally, particularly for the products with higher play frequency such as sports betting, virtual sports betting, scratch cards and high frequency games, payout ratios which are not sufficiently high to effectively compete with the illegal market.

The authorities in China are committed to channeling the existing vast underground gaming revenues away from the illegal market and into the legal and regulated lottery network. This process is already well underway and is a vital step to ensure that the vulnerable in Chinese society are adequately protected, that the potential for corruption is minimised and, importantly, to increase the funding available for good causes. Through further initiatives such as continued increases in prize payout ratios, the introduction of new rapid-draw lottery and virtual sports betting games, further expansion of the sports betting network and the planned opening of online and mobile distribution channels, the Chinese authorities will make the regulated lottery even more competitive and appealing and secure its continued rapid growth.

Industry Highlights

The sports lottery has four main product categories, high frequency games ("HFG") featuring multiple draws per hour, lotto games that are traditional in nature and have a daily or weekly draw pattern ("Lotto"), sports betting ("Sports") and instant scratch cards ("Scratch").

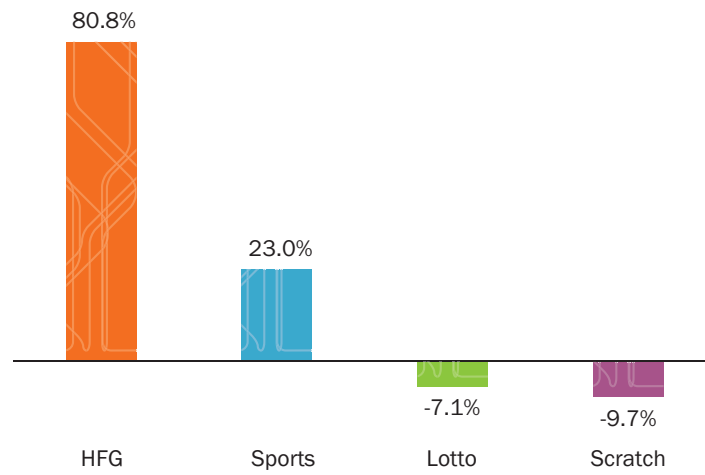
Sports Lottery Sales Market Share by Major Game Type (2012)



Source: China Sports Lottery

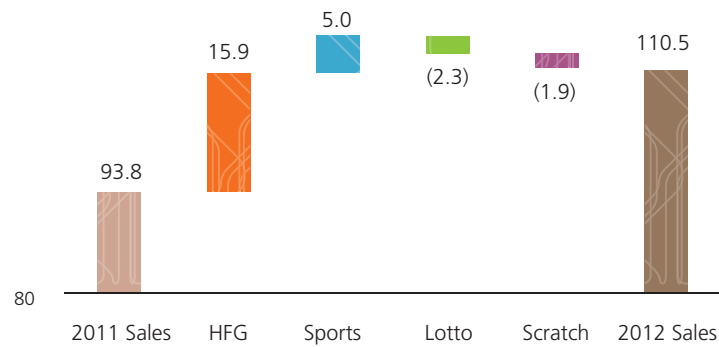
The overall growth of approximately 18% for sports lottery in 2012 was a product of widely differing performance in each of the products. Whilst HFG and Sports enjoyed very strong growth, Lotto and Scratch posted declining sales figures.

Sports Lottery Sales Growth Comparison by Product (2012 vs 2011)



Source: China Sports Lottery

Sports Lottery Sales Bridge 2011-2012 (RMB billion)



Source: China Sports Lottery

Performance by Product Type

1. *High Frequency Games*

With an annual growth rate of over 80% and sales of RMB36 billion, 2012 was another very strong year for HFG. The growth in HFG reflects a number of trends including the on-going introduction of HFG to more provinces in 2012, the full year effect of such new launches from 2011 and an increase in the payout ratio in a number of provinces. Lucky Racing, AGT's proprietary game, is currently classified as a high frequency game and operates within the higher payout category of 59%. In view of its launch in the second half of 2011 in Hunan province, its full year performance also contributed to HFG's growth.

We expect the sports lottery to continue to exploit the clear popularity of HFG and believe that our Virtual Sports Betting business will benefit from this, particularly through the planned national roll-out of Lucky Racing.

2. *Lotto*

The traditional lotto games contributed sales of approximately RMB30 billion during the year, a decline of over 7% from the previous year. These traditional draw games are dominated by three games, Super Lotto (46% of the category) and Rank 3 and Rank 5 (34% combined).

The decline in sales for this product may reflect a moderation in promotional activity from the high levels seen in 2011, as well as an increase in competition from other products that have benefited from increases in the payout ratio during the year (for example, HFG).

3. *Sports*

There are two main game categories within Sports, Jin Cai (single match betting) and traditional football betting. Whilst both formats permit betting on Europe soccer, Jin Cai differs from the traditional football betting category in two respects. Firstly players of Jin Cai can also bet on the United States' NBA tournament, secondly, rather than pool or pari-mutuel betting, on multi-match bets specifically (i.e. betting on the outcome of more than one match), Jin Cai offers customers a fixed-odds betting experience. This means that customers know with certainty the payout on any accumulator successful bet that they place in Jin Cai.

Sports as a category grew by 23% in 2012. Of the RMB26.8 billion of Sports sales in 2012, approximately RMB17.3 billion was accounted for by Jin Cai. This represents an approximate 65% share of the Sports market (from 57% in 2011) and an annual growth rate for Jin Cai of nearly 40%.

It is clear that the Jin Cai product and in particular its fixed odds prize structure is particularly popular with Chinese players. This is consistent with our experiences in terms of the performance of our virtual sports betting game. Lucky Racing also features a fixed odds betting model and this gives us confidence that the roll-out of Lucky Racing and any of our other virtual betting games is likely to prove highly successful.

4. Scratch

In 2012, sales of Scratch tickets were approximately RMB18 billion, a decline of approximately 10% from the previous year. Scratch accounted for approximately 16% of the total sports lottery market in 2012. The poor performance of Scratch has been attributed to logistical and capacity constraints within the national distribution network and a glut of historical inventory at the retailer level. It is also possible that the increase in the payout ratio of HFG may have created a more directly substitutable product in the market.

During the latter part of 2012, the inventory issues in scratch are believed to have been resolved which may enable a stabilisation and recovery in this product.

Business Review

Gaming Technologies Business

Virtual Sports Betting

During the period under review, the virtual sports betting game “Lucky Racing” (“幸運賽車”) has continued to be operated in the trial province of Hunan, in advance of a potential national rollout across the PRC. Total sales of the game for the year under review reached approximately RMB1.1 billion, accounting for 1.0% of all national sports lottery sales and contributing to annual growth of sports lottery sales in Hunan province of 36.0%, compared to growth of 17.8% for the sports lottery nationally. In its first full calendar year of operation, Lucky Racing delivered approximately 34% of total sports lottery sales in Hunan province. Sales of other approved games in Hunan grew at a rate above the national average during the period, indicating that Lucky Racing has grown the entire market by attracting incremental customers to Hunan’s sports lottery shops. The game has been rolled out to approximately 1,900 lottery shops in Hunan, of which over 1,400 shops are fully operational.

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

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

Given the spectacular performance of Lucky Racing in Hunan, the Group has been approached by a number of other provinces that are anxious to have access to virtual fixed odds sports betting. As a consequence, the Group is currently working with one of the country's leading provinces in order to launch another new, nationally approved, virtual fixed odds sports betting game in China. Whilst the new virtual game will share many characteristics with Lucky Racing such as frequency of play and high quality graphical display, the new game will feature a virtual match rather than a virtual race. The new game will initially be launched in a trial province in anticipation of a potential national roll-out in due course. Building on the success of Lucky Racing, the planned introduction of this additional new game would represent a very significant development for the Group in terms of both geographical and game product development and would confirm virtual fixed odds sports betting as a fully accepted, rapidly growing, multi-product game category in China.

Gaming Hardware and Technology Development

With a domestic market share of more than 50%, GOT is the leading manufacturer and supplier of lottery and sports betting terminals to China's sports lottery. GOT is a critically important growth 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 domestic and international VLT manufacture and delivery.

GOT enjoyed a strong 2012 domestically, despite the fact that the anticipated terminal replacement cycle in China's sports lottery market is expected to commence in the second quarter of 2013, following the conclusion of the terminal supplier selection and evaluation process recently undertaken by the National Sports Lottery Administration Centre. This encouraging performance is testament to GOT's unparalleled reputation in the sports lottery field, gained during more than ten years of successful operation. The Group is confident that GOT's new range of terminals, the M6 Smart Terminal, the C8 Terminal and the A210 Portable Terminal, which have now been extensively tested and approved, will play leading roles in the forthcoming replacement cycle.

During 2012, we were pleased to deliver on our previously announced ambition to take the GOT business to the international stage. GOT's first international order of over 500 next generation GOT C8 terminals to South Africa's Gold Circle (PTY) Limited, marks what we expect to be the start of an exciting journey for GOT. As such, the Group is in active discussions with a number of other potential international customers and distributors.

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

Lottery Management Business

Lottery management services primarily comprise long term contracts with provincial sports lottery authorities for services such as direct and franchise retail shop management, as well as lottery sales, marketing and promotion 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.

The Group's lottery management business is performing in-line with expectations. The decline in sales in the Lottery Management Business during the period was due to the natural expiry of some of its provincial contracts. Going forward, as it increasingly focuses on the growth divisions of Gaming Technology and Internet and Mobile, the Group expects that the Lottery Management Business will gradually become a less important Group division.

Online and Mobile Lottery

In light of the very high levels of internet and mobile/smart phone penetration in China (>510m and >1,000m/>330m respectively according to recent publicly available estimates), the potential regulation of online and mobile distribution of approved lottery products in China promises to create enormous opportunities for the Group.

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

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

Business Outlook

With continued revenue and gross profit improvements seen in 2012, the Directors are optimistic about the outlook for the business and excited about the growth opportunities they see ahead in 2013 and beyond. The Board believes that, in the coming year, the business will continue to enjoy rapid growth and achieve further significant milestones. Firstly, the Group expects to launch a new virtual fixed odds sports betting game in one of China's leading provinces in the relatively near future, part of a planned pipeline of approved, exciting new games for the Chinese sports lottery market. Secondly, as part of its ongoing co-operation with the national sports lottery with respect to "Lucky Racing", the Group expects the final technical hurdle to national rollout of this game to be removed during the course of this year. Thirdly, the Group continues to closely monitor the prospective online and mobile lottery distribution business and is well equipped to react quickly in response to any new development of government policies. Such developments will bring opportunities in terms of our approved content (games) as well as in systems and distribution. Finally, in the GOT division, the Group will capitalize on the anticipated terminal replacement cycle in sports lottery, continue its overseas expansion and look to broaden its product range to VLTs.

Following the introduction of "Implementing Rules for the Regulations on the Administration of Lotteries" on 1 March 2012, the Directors believe that the Chinese government will start to deal with the issuance of licenses for online and mobile lottery distribution. As a prudent lottery group that has been providing legitimate lottery products and services in compliance with the regulations and rules of the Chinese government for many years, and in light of its Silvercreek acquisition, the Group is well positioned to react to any such regulatory change. The Directors believe that such a development would bring great opportunities for the Group to further expand its business into more innovative lottery games and distribution channels in the future.

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

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

REVIEW OF OPERATING RESULTS

Revenue and profitability

Revenue of the Group for the year under review amounted to approximately HK\$229.3 million (2011: approximately HK\$111.3 million). Most of the revenue was derived from provision of sports lottery management and marketing consultancy services and gaming technologies (game software, systems, hardware and terminals) business in the PRC. During the year under review, the gross profit percentage stood at approximately 44.3% (2011: approximately 66.0%).

The Group strives to maintain its leading position in lottery technologies through continuous investment in research and development. For the year under review, the total research and development expenses amounted to approximately HK\$10.6 million (2011: approximately HK\$3.8 million). The increase was mainly attributable to the inclusion of GOT's research and development expenses throughout the year under review.

Loss attributable to owners of the Company for the year under review amounted to approximately HK\$32.9 million, primarily due to (i) the share-based payments (totalling approximately HK\$10.0 million) as a result of the adoption of Hong Kong Financial Reporting Standard 2 *Share-based Payment* for share options of the Company granted to Directors, eligible employees and other eligible participants under the Share Option Scheme of the Company; and (ii) the amortisation of other intangible assets (totalling approximately HK\$19.4 million).

Capital resources, liquidity and gearing ratio

Net bank balances and cash (defined as total bank balance and cash and pledged bank deposit less total bank borrowings) as at 31 December 2012 were approximately HK\$138.6 million (2011: approximately HK\$97.8 million). The total assets and net current assets of the Group as at 31 December 2012 were approximately HK\$1,152.2 million and approximately HK\$240.9 million respectively (2011: approximately HK\$1,218.2 million and approximately HK\$231.6 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 Group has raised a bank loan of approximately HK\$17.6 million during the year under review for working capital. This bank borrowing will be repaid by internal generated funds. The gearing ratio (determined as the

proportion of bank borrowing to equity) of the Group as at 31 December 2012 was 0.02 (2011: 0.057). The liquidity ratio (defined as current assets over current liabilities) of the Group as at 31 December 2012 was approximately 5.1 which continuously reflected adequacy of financial resources.

Charges on Group's assets

Deposits amounting to approximately HK\$18,453,000 (2011: Deposits and leasehold land buildings amounting to approximately HK\$26,613,000 and HK\$45,493,000 respectively) was pledged to secure short-term bank borrowing and letters of guarantee. The pledged bank deposits will be released upon the settlement of relevant borrowings and expiry of letters of guarantee.

Foreign exchange exposure

As at 31 December 2012, 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 year under review.

Contingent liabilities

As at 31 December 2012, the Group had no material contingent liabilities.

Employees' information

As at 31 December 2012, the Group had 198 (2011: 311) employees in Hong Kong and the PRC. Total staff costs (excluding Directors' emoluments) for the year ended 31 December 2012 amounted to approximately HK\$47.0 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 2012 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 (effective until 31 March 2012) and the Corporate Governance Code and Corporate Governance Report (the "Code") (effective from 1 April 2012) 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;
- 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 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.
- 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 present. During the year under review, 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;
- 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 year under review, no such disclosure was made by the Directors to the Company. As the Board had adopted a new corporate governance practice that each Director's contributions to the Group were reviewed and discussed at the Board meeting annually (the "Annual Contributions Review"), the Board considered that assessing the time spent by each Director on his/her commitments outside the Group was not necessary for the purposes of the Annual Contributions Review and that the disclosure of the time spent by a Director in performing his/her duties did not necessarily indicate accurately the efficiency of such Director and the effectiveness of his/her work, and may therefore be misleading;
- under 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; and

- 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.

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

“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\$1.2302 to RMB1.00 has been used for reference only.

By order of the Board
AGTech Holdings Limited
Sun Ho
Chairman & Chief Executive Officer

Hong Kong, 21 March 2013

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.