



# Armitage Technologies Holding Limited ( 萬 達 資 訊 科 技 控 股 有 限 公 司 ) \*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8213)

## THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2007

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*This announcement, for which the directors (the "Directors") of Armitage Technologies Holding Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

**FINANCIAL HIGHLIGHTS FOR THE NINE MONTHS ENDED  
31 DECEMBER 2007**

- Consolidated turnover (inclusive of hardware sales of HK\$1.2 million) at HK\$43.5 million was recorded for the period under review. Excluding hardware sales, turnover increased by 9% compared to HK\$38.9 million recorded for the corresponding period last year.
- Turnover from Hong Kong and PRC, exclusive of hardware sales, increased by 1% and 28% respectively over the corresponding period last year.
- Income from magazine publication was HK\$858,000, representing an increase of 15% over the corresponding period last year.
- Amortisation of development costs amounted to HK\$3.3 million.
- Operating expenses slightly decreased by HK\$130,000 due to the effective cost control.
- Continuing with our strategy in magazine publishing, HK\$2.4 million was invested in this area during the period under review.
- EBITDA and the profit before tax from the Company's IT business for the nine months ended 31 December 2007 were HK\$4.3 million and HK\$836,000 respectively.
- Overall loss attributable to equity holders of the Company was narrowed to HK\$2.0 million (improvement of 44% from HK\$3.6 million for the corresponding period last year).

\* *All figures are approximate*

## RESULTS

The board of directors (the “Board”) of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the nine months ended 31 December 2007, together with the comparative unaudited consolidated figures for the corresponding period, as follows:

		For the nine months ended 31 December		For the three months ended 31 December	
		2007	2006	2007	2006
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	43,524	39,564	15,685	14,521
Cost of sales and services rendered		(19,933)	(16,926)	(6,912)	(5,478)
Gross profit		23,591	22,638	8,773	9,043
Other income		1,264	665	48	312
Employee share options benefits		—	(152)	—	(70)
Operating expenses		(25,775)	(25,905)	(8,479)	(8,545)
Operating (loss)/profit		(920)	(2,754)	342	740
Finance costs		(963)	(945)	(278)	(293)
(Loss)/profit before income tax		(1,883)	(3,699)	64	447
Income tax (expense)/credit	3	(72)	90	10	(59)
(Loss)/profit for the period		(1,955)	(3,609)	74	388
Attributable to:					
Equity holders of the Company		(1,955)	(3,605)	74	388
Minority interests		—	(4)	—	—
(Loss)/profit for the period		(1,955)	(3,609)	74	388
Dividend		—	—	—	—
(Loss)/earnings per share (HK cents)					
- Basic	4	(0.26)	(0.48)	0.01	0.05
- Diluted	4	N/A	N/A	N/A	N/A

**Consolidated Statement of Changes in Equity (Unaudited)**  
**For the nine months ended 31 December 2007**

	Attributable to equity holders of the Company								
	Share capital	Accumulated losses	Share premium	Special reserve	Capital reserve	Exchange reserve	Employee share-based compensation reserve	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007 (Audited)	7,500	(24,538)	42,836	3,801	—	706	—	—	30,305
Exchange reserve arising from translation of financial statements of the PRC subsidiaries	—	—	—	—	—	559	—	66	625
Acquisition of minority interests	—	—	—	—	—	—	—	(66)	(66)
Loss for the nine months ended 31 December 2007	—	(1,955)	—	—	—	—	—	—	(1,955)
At 31 December 2007 (Unaudited)	<u>7,500</u>	<u>(26,493)</u>	<u>42,836</u>	<u>3,801</u>	<u>—</u>	<u>1,265</u>	<u>—</u>	<u>—</u>	<u>28,909</u>
At 1 April 2006 (Audited)	7,500	(22,863)	42,836	3,801	—	204	3,068	—	34,546
Exchange reserve arising from translation of financial statements of the PRC subsidiaries	—	—	—	—	—	406	—	4	410
Employee share options benefits	—	—	—	—	—	—	152	—	152
Loss for the nine months ended 31 December 2006	—	(3,605)	—	—	—	—	—	(4)	(3,609)
At 31 December 2006 (Unaudited)	<u>7,500</u>	<u>(26,468)</u>	<u>42,836</u>	<u>3,801</u>	<u>—</u>	<u>610</u>	<u>3,220</u>	<u>—</u>	<u>31,499</u>

*Notes:*

**1. Basis of preparation**

These unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants and are prepared under historical cost convention as modified by revaluation of financial assets at fair value through profit or loss and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The accounting policies and basis of preparation used in preparing the unaudited consolidated financial statements are consistent with those in the audited financial statements for the year ended 31 March 2007.

All figures are approximate.

**2. Turnover**

The Group is engaged in the provision of information solutions and design, development, sales of application software packages and magazine publication. Turnover represents revenue recognised in respect of the provision of information solutions and application software packages sold and advertising income, net of discounts and business tax, during the period. An analysis of the turnover recorded for the period is set out below:

	<b>For the nine months ended</b>	
	<b>31 December</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Provision of information solutions		
System development and integration	<b>19,980</b>	17,305
Maintenance and enhancement income	<b>848</b>	1,554
Sales of application software packages and related maintenance income	<b>21,838</b>	19,957
Advertising income	<b>858</b>	748
	<b>43,524</b>	<b>39,564</b>

### 3. Income tax (expense)/credit

Income tax (expense)/credit in the unaudited consolidated income statement represents:

	<b>For the nine months ended 31 December</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax		
Provision for Hong Kong profits tax at 17.5% on the estimated assessable profits for the period	—	—
Deferred tax	(72)	90
	<u>          </u>	<u>          </u>
Income tax (expense)/credit	<u>          (72)</u>	<u>          90</u>

### 4. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share for all periods presented is based on the Group's (loss)/profit attributable to equity holders of the Company and 750,000,000 ordinary shares in issue during both periods.

The Company did not have dilutive potential ordinary shares for all periods presented.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the period ended 31 December 2007 (2006: Nil).

## BUSINESS REVIEW

For the nine months ended 31 December 2007, the Group's unaudited total turnover amounted to HK\$43.5 million (2006: HK\$39.6 million), an increase of nearly 10% when compared to the corresponding period last year. Excluding hardware sales of HK\$1.2 million (2006: HK\$650,000), turnover increased by 9% compared to the corresponding period last year. Net loss attributable to equity holders of the Company was significantly narrowed down to HK\$2.0 million from HK\$3.6 million, compared to the corresponding period last year.

## HONG KONG OPERATIONS

### Outsourcing and Information Solutions

The outsourcing and information solutions business unit continued to grow at a promising pace. The total turnover recorded was HK\$20.8 million (2006: HK\$18.9 million), representing an increase of 10% compared to the corresponding period last year. The increase in turnover was mainly attributable to our two existing major accounts. Despite the difficult market conditions, the Group resolved to better utilise resources to maintain cost competitiveness and the Group did well to secure its revenue stream from our existing major clients.

The implementation of revolutionary approach to our current and potential clients since the beginning of this fiscal year has been proven to be successful. A break-through contact and the recognition of our quality service by Hong Kong's largest airline operator resulted in an acceleration of the number of insourced staff. In addition, the Group has completed implementation of an Online Reservation System for a hotel client and an Information Management System for an education institute during the reporting period.

Our Shenzhen subsidiary did well to expand new business opportunities and reinforce its relationships with existing clients during the reporting period. An insourcing contract with a large PRC conglomerate has been on-going and the Group expects further cooperation opportunities from this client will be ensued. Furthermore, the subsidiary successfully implemented a number of projects for various port terminal operators in Shenzhen. Some of these projects have been extended to the next fiscal year. Prospects of the Shenzhen subsidiary are promising.

The Group has made great progress towards our long term objective to be a leading IT solutions and services provider in the transportation and logistics industry.

### Application Software Packages

The performance of the Group's proprietary ERP application software package has experienced a temporary setback. Sales revenue generated from our Armitage Industrial Management System ("AIMS") together with its previous version *Konto 21*, was HK\$5.1 million (2006: HK\$6.6 million), representing a decline of 23% when compared to the corresponding period last year. The unsatisfactory result was mainly due to newly signed contract values being small-scale. Despite this downward adjustment, a sign of encouragement is that the Group's Shenzhen sales team concluded two contracts during the third quarter of this fiscal year.

The total revenue generated from the entire application software business unit was HK\$6.5 million (2006: HK\$8.1 million), a decrease of 20% when compared to the corresponding period last year. The PRC government's strong measures to cure polluting and energy draining industries will discourage some companies from investing in the Pearl River Delta (PRD), Guangdong. These government measures may not only increase the cost of operation, but may also influence client's decision to implement certain future plans. This may have an adverse effect on our Group's business opportunities. In order to achieve a better performance in this ever changing economic environment, the Group will work aggressively to broaden the PRC private enterprise (民營) customer base to explore more business opportunities by strengthening our marketing activities in Hong Kong and the PRD, Guangdong.

## **PRC OPERATIONS**

### **Application Software Packages**

#### **Pegasus Hotel Management System (“Pegasus”)**

Turnover generated from *Pegasus* was HK\$11.8 million (exclusive of hardware sales of HK\$794,000), an increase of 20% when compared to HK\$9.8 million (exclusive of hardware sales of HK\$494,000) recorded for the corresponding period last year. Maintenance income increased by 40% when compared to the corresponding period last year.

In recent years, many universities in the PRC have upgraded their on campus visiting scholars hotel facilities leading to an increasing demand for hospitality related systems. The Group has taken advantage of this business opportunity and has successfully implemented *Pegasus* systems in a number of renowned universities in the PRC. During the reporting period, the Group developed a facility scheduler module based on a conference and leisure activities usage model required by Xiamen University, Fujian. Our R&D department will continue to enrich the system's functions to further enhance *Pegasus*' business opportunities in this specific market.

During the third quarter of the fiscal year, the Group entered into an important strategic partnership agreement with ETravel Technologies Limited (ETT). ETT is one of a very few entities providing hotel central reservation solutions in the PRC for global travel distributors like GDSs (Global Distribution System), IDSs (like Expedia, Travelocity) and domestic distributors like travel agents, online travel agents, travel management companies etc. Both of our companies joined efforts and successfully developed a two-way interface connecting hotel reservation bookings from ETT's central reservation system to *Pegasus* property management system for instant booking transactions in December 2007. This strategic alliance is important to the Group's future development in the hospitality industry. Currently, there is lack of core B2B technology



providers and infrastructure in the PRC hospitality industry. We took the lead to connect suppliers (hotels) and users (travel agents, websites, hotel booking centres, etc.) together for real time booking transactions. Through the provision of this value-added service, the Group expects our hotel customer base will expand in a much faster pace.

The conclusion of a number of cooperation contracts during the reporting period will have a positive impact on the Group's on-going revenue growth. In 2005, the Group successfully developed its own group solutions, which includes a central reservation system and a loyalty and marketing program, the latter particularly designed to assist hotel management groups to promote sales. The Group has received many enquiries on these group solutions in the past few months. It is expected that the group solutions will be another major source of revenue in the coming fiscal year.

### **Industrial and Finance System (“IFS”)**

The total turnover generated from *IFS* was HK\$2.8 million (2006: HK\$1.6 million), representing an increase of 75% compared to the corresponding period last year.

During the reporting period, a project implemented for a paper manufacturer and a number of projects in the electronics field were still in progress. However, no substantial new contract was concluded during the reporting period. The Group is currently in discussion for prospective sales to a steel furniture manufacturer and a paper manufacturer.

### **Magazine Publication**

Revenue generated from advertising and publishing sales of the Group's hotel guest room magazine *e<sup>2</sup>Smart* was HK\$858,000, an increase of 15% compared to HK\$748,000 recorded in the corresponding period last year.

The Group has increased its management and sales support in our publication business and this has led to remunerative results. Following successful publication of an event booklet for a Shanghai top event organiser, they have decided to continue our cooperation and the Group will again be appointed as its conference publication partner in the coming fiscal year. In addition, being well-recognised by many international luxury goods brands, the Group is now in negotiations with two famous jewelry groups and we are confident that they will place advertisements in *e<sup>2</sup>Smart* in the coming year.

## **FUTURE PROSPECTS**

### **HONG KONG OPERATIONS**

#### **Outsourcing and Information Solutions**

The good foundation and excellent reputation built by the Group has led to further developing business opportunities. The Group has reached the bidding stage for fixed price project services for a large existing education institute and for two major transportation/logistics companies. With our solid track record for delivery on time and within budget, the Group believes that we are in a good position to obtain these contracts. Furthermore, the revenue of insourcing service provided to the largest airline operator in Hong Kong and the world's largest container operator will continue to grow in the coming quarter and beyond. Our Shenzhen subsidiary will persist in its efforts to deliver quality services in order to develop further business opportunities with our existing clients as well as to explore new opportunities in the PRD, Guangdong.

#### **Application Software Packages**

The Group will actively seize business opportunity to improve the performance of this business unit. Two *AIMS* potential prospects with significant contract values are under negotiation and we expect these contracts to be concluded in the coming quarter. The sales team in Shenzhen is also in negotiations with two *AIMS/Konto 21* potential clients. Our Group will exert extra efforts to push ahead with our *AIMS/Konto 21* project implementation schedules in order to accelerate the additional revenue from annual maintenance fees. Looking ahead, the Group will enhance marketing activities such as strengthening online advertisements as well as lining up with our international IT partner to launch a series of seminars and special promotions.

### **PRC OPERATIONS**

#### **Application Software Packages**

##### **Pegasus Hotel Management System (“Pegasus”)**

*Pegasus Hotel Property Management System (PMS)* has been in the market for over 15 years. It is widely recognised and respected in the PRC hospitality industry. Local hotel management systems provided by the dominant vendors are now more mature. In order to maintain competitiveness in the market, vendors must continue to provide add-on value services to customers. The strategic alliance with ETT in developing the hotel central reservation solutions enabled *Pegasus* to bring to customers a tool to boost

room sales with limited additional efforts. The Group is working towards offering additional add-on value services to our existing and potential customers. With our new business strategies, coupled with our excellent after sales services, we are optimistic that the sales of our *Pegasus* products will have a quantum leap in the future.

With more companies in the PRC with sound financial background investing in chain/group hotels and more single properties joining hotel management groups to form alliances, the Group anticipates that there will be a strong demand for our group solutions in future. It is expected that the group solutions will make a growing contribution to the Group's performance in the coming few years.

The PRC's hospitality industry is expected to grow at a fast pace and more four to five star-ranked and up-market business hotels are scheduled to be built within the next few years. The Group has commenced development of a new up-market system based on the core of *Pegasus* but with significant improvements on user interfaces, and additional functions suitable for high end market hotels. The Group expects to commence marketing this high end product in the next fiscal year.

### **Industrial and Finance System (“IFS”)**

ERP is an area with the fiercest competition in the PRC market, added to which sales cycle is long. The Group is under great pressure to secure new contracts. In the past, the Group has developed its domain knowledge in the areas of electronic goods and paper manufacturing. Whilst focusing our efforts to explore business opportunities in these fields, the Group is also looking into the ship-building industry. This industry, dominated by a small number of ship-building conglomerates, has strong demand for ERP solutions. As the domain knowledge is highly specialised, and few IT service vendors have yet to set foot in this market, we see it as having great potential for us to explore.

### **Magazine Publication**

In August, the Beijing 2008 Olympic Games will be seen throughout the world. However, the Group expects that hotels, particularly in Beijing, who are part of our hotel distribution network, will ask for a large increase in number of magazines leading to greater printing costs. In view of the increasing market interest in booking of the *e<sup>2</sup>Smart* front cover, we are considering an advertising rate increment in 2008. Furthermore, we shall publish two issues of a Macau Supplement in April and September 2008 respectively in order to catch up with the rapid growth of the Macau tourism industry. It is expected that revenue generated from magazine advertisements and publication will grow at a steady pace.

## **FINANCIAL REVIEW**

### **Consolidated results of operations**

For the nine months ended 31 December 2007, the Group recorded a total turnover at HK\$43.5 million (2006: HK\$39.6 million). Excluding revenue generated from hardware sales of HK\$1.2 million (2006: HK\$650,000), turnover increased by 9% compared to the corresponding period last year.

Turnover generated from Hong Kong operations was HK\$28.1 million (2006: HK\$27.7 million). Exclusive of hardware sales of HK\$384,000 (2006: HK\$156,000), representing an increase of 1% compared to the corresponding period last year.

Turnover generated from PRC operations was HK\$15.4 million (2006: HK\$11.9 million). Exclusive of hardware sales of HK\$794,000 (2006: HK\$494,000 million), representing an increase of 28% compared to the corresponding period last year was recorded.

The gross profit margin of the Group was 54% (2006: 57%), a slightly decrease compared to the corresponding period last year.

The realised and unrealised gains on financial assets at fair value through profit or loss at HK\$671,000 (2006: HK\$50,000). This resulted from the Group's disposal of certain listed investment securities and the increase in market value of other listed investment securities.

The Group's core business is provision of IT services and sales of application software packages ("IT business"). The EBITDA (earnings before interest, income tax, depreciation and amortisation) for the nine months ended 31 December 2007 from its IT business was HK\$4.3 million (2006: HK\$3.5 million).

The profit before tax generated from the Company's IT business for the nine months ended 31 December 2007 was HK\$836,000.

Net loss attributable to equity holders of the Company was HK\$2.0 million (2006: HK\$3.6 million).

During the reporting period, the Group acquired the outstanding 10% minority interest in a subsidiary. This subsidiary has now become a wholly-owned subsidiary of the Group. Goodwill of HK\$137,000 resulted from this acquisition.

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

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2007, the interests or short positions of the directors of the Company in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 under the Laws of Hong Kong), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in the ordinary shares of the Company

Name	Type of interests	Number of shares	Approximate percentage of the issued share capital (Note 4)
Mr. Lee Shun Hon, Felix	Personal	205,888,740	27.45%
	Family	85,798,246 (Note 1)	11.44%
	Corporate	34,373,452 (Note 2)	4.58%
Ms. Jim Sui Fun	Personal	3,034,786	0.4%
Dr. Liao, York	Corporate	29,988,007 (Note 3)	4.00%

#### Notes:

1. These shares are held by Mr. Lee Shun Hon, Felix's wife, Ms. Leung Mee Chun, Stella, his son, Mr. Lee Wai Yip, Alvin and his daughter Ms. Lee Sze Yee, Joyce and therefore Mr. Lee Shun Hon, Felix is deemed to have interests in these shares in which Ms. Leung Mee Chun, Stella, Mr. Lee Wai Yip, Alvin and Ms. Lee Sze Yee, Joyce are interested.
2. These shares are held by Kingspecial Investments Limited ("Kingspecial"), which is owned as to 30% by Mr. Lee Shun Hon, Felix and therefore Mr. Lee Shun Hon, Felix is deemed to have an interest in these shares in which Kingspecial is interested.
3. These shares are held by Winbridge Company Limited ("Winbridge"), which is owned as to 99% by Dr. Liao, York and therefore Dr. Liao, York is deemed to have an interest in these shares in which Winbridge is interested.
4. Based on 750,000,000 shares of the Company in issue as at 31 December 2007.

Save as disclosed herein, as at 31 December 2007, none of the directors had any interests or short positions in the share of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

**PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS**

So far as is known to any directors of the Company, as at 31 December 2007, other than the directors as disclosed above, the persons or companies who had an interest or short position in the shares of the Company which were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

**Long positions in the ordinary shares of the Company**

Name	Type of interests	Number of shares	Approximate percentage of the issued share capital (Note 3)
Kingspecial Investments Limited	Corporate	114,578,176 (Note 1)	15.28%
Mr. Lee Shun Kwong	Corporate	34,373,452 (Note 2)	4.58%
	Personal	22,212,000	2.96%

*Notes:*

1. The issued share capital of Kingspecial Investments Limited is beneficially owned as to 30% by Mr. Lee Shun Hon, Felix, as to 30% by Mr. Lee Shun Kwong and as to 30% by Dr. Lee Shun Hung, Kelvin (both of whom are brothers of Mr. Lee Shun Hon, Felix) and as to 10% by Mrs. So Li Hang Lin, the sister of Mr. Lee Shun Hon, Felix.
2. Mr. Lee Shun Kwong has an attributable interest of 34,373,452 shares through his shareholding interest of 30% in Kingspecial Investments Limited.
3. Based on 750,000,000 shares of the Company in issue as at 31 December 2007.

Save as disclosed herein, so far as is known to the directors of the Company, as at 31 December 2007, no other persons or companies had interests or short positions in the shares of the Company which were required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO or were interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

## **COMPETING INTERESTS**

None of the directors, the substantial shareholders or the management shareholders (as defined in the GEM Listing Rules) had any interests in any business which competed with or might compete with the business of the Group.

## **AUDIT COMMITTEE**

The Company has established an Audit Committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's draft annual, interim and quarterly financial reports and accounts and to provide advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The Audit Committee comprises three independent non-executive directors, namely Mr. Anthony Francis Martin Conway, Mr. Chan Hang and Mr. Li Pak Ki.

Up to the date of approval of the Group's unaudited results for the nine months ended 31 December 2007, the Audit Committee has held three meetings and has reviewed the draft third quarterly report and accounts for the nine months ended 31 December 2007 prior to recommending such report and accounts to the Board for approval.

On behalf of the Board  
**Lee Shun Hon, Felix**  
*Chairman*

Hong Kong, 12 February 2008

*As at the date of this announcement, the Company's executive directors are Mr. Lee Shun Hon, Felix and Ms. Jim Sui Fun; non-executive director is Dr. Liao, York; independent non-executive directors are Mr. Anthony Francis Martin Conway, Mr. Chan Hang and Mr. Li Pak Ki.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the day of its posting.*

\* *For identification purpose only*