



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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2010

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

** For identification purpose only*

FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED 30 JUNE 2010

- Consolidated turnover for both continuing and discontinued operations (inclusive of hardware sales of HK\$837,000) at HK\$12.6 million was recorded for the reporting period. Excluding hardware sales, turnover decreased by 6% compared with HK\$12.6 million recorded in the corresponding period last year.
- Turnover from Hong Kong's information technology (I.T.) business, exclusive of hardware sales, decreased by 24% whereas turnover from PRC's I.T. business, exclusive of hardware sales, increased by 31% over the corresponding period last year.
- Amortisation of development costs amounted to HK\$414,000.
- Overall loss attributable to equity holders of the Company increased to HK\$2.9 million from HK\$944,000 compared with the corresponding period last year.
- At the end of this fiscal quarter, the Group acquired a group of companies as its wholly owned subsidiaries, at considerations for the investment cost and shareholder's loan of approximately HK\$8.2 million and HK\$1.7 million respectively, which are currently running a Japanese restaurant franchise in Hong Kong.

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 period ended 30 June 2010, together with the comparative unaudited consolidated figures for the corresponding period, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS (UNAUDITED)

For the three months ended 30 June 2010

		Three months ended 30 June	
		2010	2009
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations			
Turnover	2	12,628	12,793
Cost of sales and services rendered		<u>(5,275)</u>	<u>(5,625)</u>
Gross profit		7,353	7,168
Other income		361	387
Operating expenses		<u>(9,919)</u>	<u>(7,613)</u>
Operating loss		(2,205)	(58)
Finance costs		<u>(668)</u>	<u>(245)</u>
Loss before income tax		(2,873)	(303)
Income tax expense	3	<u>(63)</u>	<u>(30)</u>
Loss for the period from continuing operations		(2,936)	(333)
Discontinued operations			
Loss for the period from discontinued operations		<u>—</u>	<u>(611)</u>
Loss for the period and attributable to equity holders of the Company		<u>(2,936)</u>	<u>(944)</u>
Other comprehensive income, net of tax:			
Exchange gain arising from translation of foreign operations		<u>42</u>	<u>—</u>
Total comprehensive loss for the period and attributable to equity holders of the Company		<u>(2,894)</u>	<u>(944)</u>
Dividend		<u>—</u>	<u>—</u>
Loss per share (HK cents)	4		
From continuing and discontinued operations			
- Basic		<u>(0.30)</u>	<u>(0.13)</u>
- Diluted		<u>N/A</u>	<u>N/A</u>
From continuing operations			
- Basic		<u>(0.30)</u>	<u>(0.04)</u>
- Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2010

	Attributable to equity holders of the Company							Total HK\$'000
	Share Capital HK\$'000	Accumulated losses HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Convertible bonds equity reserve HK\$'000	
	At 1 April 2009 (Audited)	7,500	(30,476)	42,836	3,801	2,236	181	
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	99	–	99
Total comprehensive loss for the period	–	(944)	–	–	–	–	–	(944)
At 30 June 2009 (Unaudited)	<u>7,500</u>	<u>(31,420)</u>	<u>42,836</u>	<u>3,801</u>	<u>2,236</u>	<u>280</u>	<u>–</u>	<u>25,233</u>
At 1 April 2010 (Audited)	7,703	(45,301)	44,139	3,801	2,216	4	2,800	15,362
Conversion of convertible bonds	2,000	–	10,566	–	–	–	(700)	11,866
Placing of shares	1,100	–	20,403	–	–	–	–	21,503
Acquisition of subsidiaries	150	–	2,250	–	–	–	–	2,400
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	62	–	62
Total comprehensive loss for the period	–	(2,936)	–	–	42	–	–	(2,894)
At 30 June 2010 (Unaudited)	<u>10,953</u>	<u>(48,237)</u>	<u>77,358</u>	<u>3,801</u>	<u>2,258</u>	<u>66</u>	<u>2,100</u>	<u>48,299</u>

Notes:

1. Basis of preparation

These unaudited consolidated quarterly results have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and are prepared under the 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 quarterly results are consistent with those used in the audited consolidated financial statements for the year ended 31 March 2010.

2. Turnover

The Group is engaged in the provision of information solutions and designing, development, sales of application software packages and food and beverage business. Turnover, for both continuing and discontinued operations, represents revenue recognised in respect of the provision of information solutions and application software packages sold, food and beverage business and publishing and advertising income, net of discounts and business tax, during the period. An analysis of the turnover, for both continuing and discontinued operations, recorded for the period is set out below:

	Continuing operations		Discontinued operations		Total	
	For the three months ended 30 June		For the three months ended 30 June		For the three months ended 30 June	
	2010	2009	2010	2009	2010	2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision of information solutions						
- System development and integration	4,587	6,006	—	—	4,587	6,006
- Maintenance and enhancement income	512	230	—	—	512	230
Sales of application software packages and related maintenance income	7,529	6,557	—	—	7,529	6,557
Food and beverage	—	—	—	—	—	—
Publishing and advertising income	—	—	—	107	—	107
	<u>12,628</u>	<u>12,793</u>	<u>—</u>	<u>107</u>	<u>12,628</u>	<u>12,900</u>

3. Income tax expense

Income tax expense in the unaudited consolidated income statement of comprehensive loss represents:

	For the three months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current tax	(206)	—
Deferred tax	143	(30)
Income tax expenses	<u>(63)</u>	<u>(30)</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.
- (ii) The Company's subsidiaries incorporated/established in Hong Kong and People's Republic of China ("PRC") are subject to Hong Kong Profits Tax and PRC Enterprise Income Tax ("EIT") at the rates of 16.5% and 25% respectively. No provision for Hong Kong Profits Tax and EIT has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax for each of the two periods ended 30 June 2009 and 2010.
- (iii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Tax Law") which was effective on 1 January 2008. As a result of the New Tax Law, the statutory income tax rate adopted by the PRC entities, other than the aforesaid subsidiaries below, changed from 33% to 25% with effect from 1 January 2008.
 - (a) As approved by the relevant PRC tax authority, Guangzhou Armitage Technologies Limited ("GZATL") was entitled to a two-year exemption from EIT followed by 50% tax exemption for the next three years, commencing from the first cumulative profit-making year in 2007. Therefore, GZATL was exempted from EIT for the fiscal years 2007 and 2008. For the following three fiscal years from 2009 to 2011, GZATL is subject to EIT at the rate of 15%. Starting from the fiscal year 2012, GZATL will be subject to EIT at the unified rate of 25% under the transitional arrangement of the New Tax Law.
 - (b) Armitage Technologies (Shenzhen) Limited ("ATL(SZ)") being engaged in the research and development of information technology solutions and provision of customers services was granted a preferential EIT rate of 15%. ATL(SZ) enjoyed preferential policy in the form of reduced tax rate shall have five years from the time when the New Tax Law takes effect to transit progressively to the new statutory tax rate. During this period, ATL(SZ) enjoyed the EIT rate of 15% shall be subject to the 18% tax rate for the year 2008, 20% for the year 2009, 22% for the year 2010, 24% for the year 2011 and 25% for the year 2012.

4. Loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK\$2,936,000 (2009: HK\$944,000) and the weighted average number of ordinary shares of 968,981,000 (2009: 750,000,000) in issue during the period ended 30 June 2010, calculated as follows:

	2010		2009	
	Loss attributable to equity holders HK\$'000	Weighted average number of ordinary shares	Loss attributable to equity holders HK\$'000	Weighted average number of ordinary shares
Continuing operations	(2,936)	968,981,000	(333)	750,000,000
Discontinued operations	—	968,981,000	(611)	750,000,000
	<u>(2,936)</u>	<u>968,981,000</u>	<u>(944)</u>	<u>750,000,000</u>

Weighted average number of ordinary shares

	2010 '000	2009 '000
Issued ordinary shares at the beginning of the period	770,300	750,000
Effect of conversion of convertible bond	156,044	—
Effect of placing of shares	42,308	—
Effect of consideration shares upon acquisition of subsidiaries	<u>329</u>	<u>—</u>
Weighted average number of ordinary shares at the end of the period	<u>968,981</u>	<u>750,000</u>

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 30 June 2009 and 2010.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the period ended 30 June 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the three months ended 30 June 2010, the Group's unaudited total turnover for both continuing and discontinued operations amounted to HK\$12.6 million (2009: HK\$12.9 million), a decrease of 2% compared with the corresponding period last year. Excluding hardware sales of HK\$837,000 (2009: HK\$328,000), turnover decreased by 6% compared with the corresponding period last year. Net loss attributable to equity holders of the Company was increased to HK\$2.9 million from HK\$944,000.

HONG KONG OPERATIONS

Outsourcing and Information Solutions

The total turnover generated from the Outsourcing and Information Solutions Business Unit for the three months ended 30 June 2010 was HK\$5.1 million, representing a decrease of 18% when compared with HK\$6.2 million recorded for the corresponding period last year.

Since the afflict from the financial meltdown of economy starts to recede, enterprises begin to review the application of information technology services to enhance their competitiveness and flexibility to face the coming business challenges. Insourcing contracts with the largest airline operator and the largest private container terminal operators in Hong Kong and Shenzhen continue, although a significant revenue adjustment has been implanted on the fourth quarter of last fiscal year to fit their corresponding expenditure projection in this coming year. Following the conclusion of a contract with the Hong Kong's largest air cargo terminal operator in last quarter, the Group has successfully built a solid and stable off-shore service team in our Shenzhen office to provide development services for the company's critical cargo handling operations system. As the team size will be expanded gradually in the coming quarters, the Group expects this contract will generate steady revenue on a long-run basis.

During the reporting period, our Hong Kong sales team has successfully concluded two major contracts, one with the largest credit union in Hong Kong to develop a new version Share and Loan Management System in supporting the operations of a quasi-government organisation to serve its around 33,000 members in the territory, and the other is to implement the EAM (Enterprise Asset Management) system to keep track the equipment maintenance movement for the largest supplier of heavy building materials (including concrete and quarries) to the construction industry in Hong Kong.

Our Shenzhen subsidiary, Armitage Technologies (Shenzhen) Limited, has been continuously exploring the business opportunities in the eastern and western terminal ports of Shenzhen region during the reporting period. After the successful completion of Miscellaneous Charges System Phase 2 (MCS2) for a private container terminal operator in Yantian, we have conducted a proof-of-concept exercise on the migration feasibility of enterprise workflow systems to the same client. Meanwhile, we have submitted a bid to a container terminal operator in Baoan, Shenzhen for a barge control and planning system, a project which the Group has in-depth business knowledge and believe we have a good chance of winning.

Applications Software Packages Solutions

Turnover generated from the Group's proprietary ERP application software package Armitage Industrial Management System ("*AIMS*"), together with its previous version *Konto 21*, decreased to HK\$1.0 million, a 9% decrease compared with HK\$1.1 million of the corresponding period last year. Although a number of system enhancements and additional services contracts have been concluded during the reporting period by existing *AIMS/Konto* clients, business keeps on deteriorating under the extremely competitive environment of ERP market. Moreover, the recent demonstrations and strikes on factories in the Pearl River Delta region has reached an impasse of our ERP clients, who have to hold a prudent view to formulate their future business strategies. However, we are reasonably optimistic that our ERP clients will require our services continuously.

Food and Beverage

The Board has decided, in the last fiscal quarter, to diversify the business and source of income of the Group. At the end of this fiscal quarter, the Group has completed the acquisition of a group of companies which are currently running a Japanese restaurant franchise in Hong Kong. The Board is optimistic that the food and beverage business will enhance the future development of the Group.

PRC OPERATIONS

For the three months ended 30 June 2010, turnover for Guangzhou Armitage Technologies Limited amounted to HK\$5.5 million (exclusive of hardware sales of HK\$829,000), representing an increase of 22% as compared with the corresponding period last year.

Inclusive of supplemental and hardware contracts, a total of 151 sales contracts were concluded in the first quarter.

About ten existing *Pegasus* hotel customers signed agreements to join our www.fangcoo.com (房庫) and are using our online booking platform, realising the advantages of total e-commerce in the hospitality industry in the PRC. Our online booking platform connects hotels using *Pegasus* Property Management System (PMS) to online booking tools, whereby real time availability of rooms, rates of hotels can be accessed on line and the booking confirmation can be sent to customers instantaneously.

With a view to strengthening sales management starting from the new financial year, the general manager of the Northern Region was promoted as the sales director of the subsidiary. Historically, the subsidiary was weak in sales management and channel management. The management envisages this new arrangement approach will help the subsidiary to improve the overall sales technique by upgrading from the traditional product sales-oriented to a consultative sales-oriented, which we believe will bring more value to customers and the Group.

Although the PRC government announced measures to control the overheated property market, up to now there are no signs that this has affected local investment sentiment in hotel industry. New hotel developments are everywhere around the whole country.

FUTURE PROSPECTS

HONG KONG OPERATIONS

Outsourcing and Information Solutions

Strengthening relationships with existing and long-term clients are always the Group's business strategy. We have been continuing to explore ways and means to improve and enhance our technical strengths and business knowledge to our clients in logistic and transportation industry. Having started the formation of the off-shore development team for the largest air cargo terminal operator in Hong Kong, we exert our best efforts to nurture the team, and to ensure our services we delivered are in good quality. We have high hope that the team will expand. In addition, our Hong Kong and Shenzhen sales teams are negotiating several contracts with terminal ports of Shenzhen region. We expect new contracts will be signed in the coming quarters.

Application Software Packages Solutions

The new cost-efficient ERP system known as Tactics will be launched to the market in next quarter to address the needs of clients with simpler system requirements. A new sales taskforce has just been established to promote this system in the coming quarters. The Group expects this budget version will be able to attract new clients and bring in new businesses. Moreover, the Group will continue to exert efforts into researching and redeveloping *AIMS* to fulfill the sophisticated and future needs of our clients in the Pearl River Delta region.

Food and Beverage

After the completion of the acquisition of a group of companies currently operating a Japanese restaurant franchise in Hong Kong, a number of locations in Hong Kong have been identified by the Group for the openings of new franchise shops. In addition, the Group is planning to enter into the PRC market, with a target to operate one to two franchise shops in the Eastern or Northern region in this fiscal year.

With the new management team in place, the Group will also look for other opportunities in food and beverage industry so as to further enhance the Group's income sources. The management believes that the food and beverage business will bring a contribution to the income of the Group and will enhance the future development of the Group.

PRC OPERATIONS

The PRC fast recovery from the global financial crisis of 2008 led us to believe that its economic resurgence is built on a solid and strong foundation. Faced with the anticipating inflation, fixed asset investment has become one of the better choices for enterprises which have sufficient cash on hand and hotel investment is obviously a good investment alternative. We expect business will have a stable growth within this financial year.

Around ten hotels joining our online booking website www.fangcoo.com (房庫) marked our entrance in hospitality e-commerce scenario. We target to include around 100 hotels in this financial year. We expect this part of business will bring in transaction fee as steady income for the operation hopefully in the not too distant future.

The subsidiary has yet to put in much sufficient resources in building up distribution channels and partnerships with related parties beforehand. This year, we determine to improve in this area. A channel department was established to manage existing partners and channels and also to identify more reliable and valuable partners to cope with our business expansion plan.

FINANCIAL REVIEW

For the three months ended 30 June 2010, the Group recorded a total turnover of HK\$12.6 million (2009: HK\$12.9 million for both continuing and discontinued operations). Exclusive of hardware sales of HK\$837,000 (2009: HK\$328,000), the turnover decreased by 6% compared with the corresponding period last year.

Turnover generated from Hong Kong continuing operations was HK\$6.3 million (2009: HK\$8.3 million). Exclusive of hardware sales of HK\$8,000 (2008: Nil), representing a decrease of 24% compared with the corresponding period last year.

Turnover generated from PRC continuing operations was HK\$6.3 million (2009: HK\$4.5 million). Exclusive of hardware sales of HK\$829,000 (2009: HK\$328,000), representing an increase of 31% compared with the corresponding period last year.

The gross profit margin from the continuing operations of the Group was 58% (2009: 56%), a slight increase compared with the corresponding period last year.

Net loss attributable to the equity holders of the Company was HK\$2.9 million (2009: HK\$944,000), representing a deterioration of 222% compared with the corresponding period last year.

The realised and unrealised losses on financial assets at fair value through profit or loss were HK\$18,000 (2009: gains of HK\$363,000). Excluding the realised and unrealised gain or loss on financial assets at fair value through profit or loss, the loss attributable to equity holders of the Company was adjusted to HK\$2.9 million (2009: HK\$1.3 million), representing a deterioration of 123% compared with the corresponding period last year.

During the reporting period, First Glory Holdings Limited (“First Glory”) converted 25% of its convertible bonds, equivalent to the principal amount of HK\$13,000,000, to 200,000,000 ordinary shares of the Company at a conversion price of HK\$0.065 per share.

The Company received net proceeds from a top-up placing and subscription of shares in the Company during the reporting period amounted to approximately HK\$21.6 million.

At the end of this fiscal quarter, the Group acquired a group of companies as its wholly owned subsidiaries, at considerations for the investment cost and shareholder's loan of approximately HK\$8.2 million and HK\$1.7 million respectively, which are currently running a Japanese restaurant franchise in Hong Kong.

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

During the three months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, save and except the following:-

On 20 May 2010, a placing was completed under a placing agreement dated 18 May 2010 entered into among First Glory as the vendor, the Company and a placing agent. Pursuant to the placing, an aggregate of 110,000,000 shares in the Company have been successfully placed to not less than six places at the placing price of HK\$0.20 per placing share. On 27 May 2010, a subscription was completed under a subscription agreement dated 18 May 2010 entered into between First Glory as the subscriber and the Company as the issuer. Pursuant to the subscription, an aggregate of 110,000,000 shares in the Company (which is equivalent to the number of shares actually placed under the placing) have been issued and allotted by the Company to First Glory at a subscription price of HK\$0.20 per share. The net proceeds received by the Company from the subscription amounted to approximately HK\$21.6 million.

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

As at 30 June 2010, the interests or short positions of the directors or chief executive of the Company in the shares and underlying 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 required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests 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 relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in the ordinary shares of the Company

Name	Type of interests	Number of shares	Approximate percentage of the issued share capital (Note 2)
Mr. Tang Sing Ming Sherman	Corporate	632,845,290 (Note 1)	57.78%
Mr. Lee Shun Hon, Felix	Personal	100,000	0.01%

Notes:

1. These shares are held by First Glory which is wholly and beneficially owned by Mr. Tang Sing Ming Sherman ("Mr. Tang"). First Glory also holds convertible bonds ("Convertible Bonds") issued by the Company in the aggregate principal amount of HK\$39 million pursuant to which a total of 600,000,000 shares of the Company will be issued upon full conversion assuming that there is no adjustment to the initial conversion price of HK\$0.065 per share. Mr. Tang is the sole legal and beneficial owner of First Glory. Mr. Tang is deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), in the said 632,845,290 shares and the Convertible Bonds which First Glory is interested in.

2. Based on 1,095,300,000 shares of the Company in issue as at 30 June 2010.

(b) Interests and short positions in underlying shares of equity derivatives of the Company

Name	Type of interests	Number of shares	Approximate percentage of the issued share capital (Note 2)
Tang Sing Ming Sherman	corporate	600,000,000 (Note 1)	54.78%

Notes:

1. The said 600,000,000 shares represent the total number of shares which will be issued upon full conversion of the Convertible Bonds held by First Glory in the aggregate principal amount of HK\$39 million, assuming that there is no adjustment to the initial conversion price of HK\$0.065 per share. According to the terms of the Convertible Bonds, conversion of the Convertible Bonds is subject to compliance with the GEM Listing Rules and the Code on Takeovers and Mergers, and any such conversion shall not result in the shareholding of the Company held by the public being less than the then minimum public float requirements as stipulated in the GEM Listing Rules at the time of such conversion. Mr. Tang is deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), in the Convertible Bonds held by First Glory.
2. Based on 1,095,300,000 shares of the Company in issue as at 30 June 2010.

(c) Interests in the shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
Tang Sing Ming Sherman	First Glory Holdings Limited	Beneficial owner	1	100%

(d) Interests in debentures of the Company

Name	Type of interests	Amount of Debentures
Tang Sing Ming Sherman	corporate	HK\$39 million (<i>Note 1</i>)

Note:

1. The said HK\$39 million represents the aggregate outstanding principal amount of the Convertible Bonds held by First Glory, which is wholly-owned by Mr. Tang. Assuming that there is no adjustment to the initial conversion price of HK\$0.065 per share, a total of 600,000,000 shares will be issued upon full conversion of the Convertible Bonds.

Save as disclosed herein, as at 30 June 2010, none of the directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were 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 relating to securities transactions by directors 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

Save as disclosed under the section headed “Directors’ interests in the securities of the Company or any associated corporations”, so far as is known to the directors and chief executive of the Company, as at 30 June 2010, no other persons or companies had interests or short positions in the shares and underlying 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.

SHARE OPTIONS

The Company operates a share option scheme, namely Share Option Scheme, adopted on 26 February 2003.

As at 30 June 2010, options under Share Option Scheme to subscribe for an aggregate of 2,000,000 shares have been granted to an employee of the Group, details as follows:

Grantee	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options outstanding at 1.4.2010 and 30.6.2010
Employee	23.3.2010	23.3.2011 to 22.3.2020	0.216	<u>2,000,000</u>

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 during the period ended 30 June 2010.

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. Bhanusak Asvaintra, Mr. Chan Kam Fai Robert and Mr. Chung Kwok Keung Peter.

Up to the date of approval of the Group's unaudited results for the three months ended 30 June 2010, the audit committee has held one meeting and has reviewed the draft quarterly report and accounts for the three months ended 30 June 2010 prior to recommending such report and accounts to the Board for approval.

On behalf of the Board
Tang Sing Ming Sherman
Chairman

Hong Kong, 9 August 2010

As at the date of this announcement, the executive directors of the Company are Mr. Tang Sing Ming Sherman and Mr. Lee Shun Hon, Felix; the independent non-executive directors of the Company are Mr. Bhanusak Asvaintra, Mr. Chan Kam Fai Robert and Mr. Chung Kwok Keung Peter.

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