



VERTEX

Communications & Technology Group Limited

(Incorporated in the Cayman Islands with Limited Liability)

(慧 峰 集 團 有 限 公 司) *

C O M M U N I C A T I O N S & T E C H N O L O G Y

1st Quarterly Report 2005

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

This report, for which the directors (the “Directors”) of Vertex Communications & Technology Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

As at the date hereof, Mr. Poon Kwok Lim Steven, Mr. Poon Shu Yan Joseph and Ms. Au Yeung Pui Shan Karen are the executive directors of the Company, Mr. Lee Shu Fan is the non-executive directors of the Company and Mr. Yeung Pak Sing, Mr. Tsui Yiu Wa Alec and Mr. Tam Tak Wah are the independent non-executive directors of the Company.

SUMMARY

- For the three months ended 31st March 2005, the Group's turnover increased by approximately 287%, as compared to the corresponding period last year to approximately HK\$1.7 million.
- The loss attributable to shareholders recorded approximately HK\$6.4 million.
- Loss per share for the three months ended 31st March 2005 is HK\$1.3 cents.
- The Board of Directors (the "Board") of Vertex Communications & Technology Group Limited does not recommend the payment of an interim dividend for the three months ended 31st March 2005.

FINANCIAL RESULTS

The Board of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31st March 2005, together with the comparative figures for the corresponding period in 2004 as follows:

Condensed Consolidated Income Statement

| | <i>Notes</i> | For the three months ended 31st March | |
|--------------------------------|--------------|--|--|
| | | 2005 <i>HK\$'000</i> (Unaudited) | 2004 <i>HK\$'000</i> (Unaudited) |
| Turnover | (2) | 1,682 | 435 |
| Other operating income | | 31 | 1 |
| Staff cost | | (2,959) | (2,915) |
| Subcontracting costs | | (129) | (364) |
| Depreciation | | (210) | (306) |
| Royalty and production costs | | (2,659) | (1,008) |
| Other operating expenses | | (2,083) | (4,095) |
| Loss from operations | | (6,327) | (8,252) |
| Finance costs | | (78) | – |
| Loss before minority interests | | (6,405) | (8,252) |
| Minority interests | | – | 407 |
| Net loss for the period | | (6,405) | (7,845) |
| Loss per share – Basic | (4) | <u>HK\$(1.3) cents</u> | <u>HK\$(1.6) cents</u> |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the three months ended 31st March 2005

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company was incorporated in the Cayman Islands on 16th November 2001 as an exempted company under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The unaudited quarterly financial statements of the Group have been prepared in accordance with the Hong Kong Statement of Standard Accounting Practice and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements set out in Chapter 18 of the GEM Listing Rules. The measurement basis used in the preparation of the financial statements is historical cost.

The quarterly financial statements are unaudited but have been reviewed by the audit committee of the Company.

The accounting policies and basis of preparation adopted for the preparation of the quarterly financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31st December 2004.

2. TURNOVER

The Company is an investment holding company. The Group is engaged in communications and technology business, specializing in the provision of communications infrastructure services, application and development of content delivery technology and content production, procurement and delivery and energy business in power generation and electric supply.

Turnover represents the value of goods and services recognized when services are rendered.

3. TAXATION

Hong Kong Profits Tax has not been provided for the three months ended 31st March 2005 (three months ended 31st March 2004: Nil) as the Group did not generate any assessable profits in Hong Kong during these periods.

Pursuant to the Income Tax Law of the PRC for Enterprise with Foreign Investment and Foreign Enterprises, the Company's subsidiary in the PRC is exempted from income tax for its first two profitable years of operations and is entitled to a 50% relief on the income tax of the PRC for the following three years. No provision for the PRC income tax has been provided as the Company's subsidiary in the PRC has no assessable profit in the PRC for the three months ended 31st March 2005 (three months ended 31st March 2004: Nil).

The Company is exempted from taxation in the Cayman Islands until 2019.

4. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31st March 2005 is based on the unaudited consolidated loss from ordinary activities attributable to shareholders of approximately HK\$6,405,000 (2004: loss of HK\$7,845,000) and on the weighted average number of 495,420,232 Shares (2004: 492,630,607 Shares) deemed to be in issue throughout the periods.

No diluted loss per share was presented as there were no dilutive potential shares in existence during the three months ended 31st March 2005 (three months ended 31st March 2004: Nil).

5. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31st March 2005 (three months ended 31st March 2004: Nil).

6. STATEMENT OF MOVEMENT TO AND FROM RESERVE

The movements in the consolidated reserves of the Group are as follows:

| | Share Capital (unaudited) HK\$'000 | Share Premium (unaudited) HK\$'000 | Special Reserve (unaudited) HK\$'000 | Retained Profits/ Losses (unaudited) HK\$'000 | Total (unaudited) HK\$'000 |
|--|---|---|---|---|----------------------------------|
| At 1st January 2004 | 4,922 | 66,683 | 1,000 | (55,882) | 16,723 |
| Share issued at premium | 32 | 357 | | | 389 |
| Loss for the three months ended 31st March 2004 | - | - | - | (7,845) | (7,845) |
| At 31st March 2004 | <u>4,954</u> | <u>67,040</u> | <u>1,000</u> | <u>(63,727)</u> | <u>9,267</u> |
| At 1st January 2005 | 4,954 | 67,040 | 1,000 | (84,283) | (11,289) |
| Share issued at premium | 110 | 5,109 | - | - | 5,219 |
| Net loss for the period | - | - | - | (6,405) | (6,405) |
| At 31st March 2005 | <u>5,064</u> | <u>72,149</u> | <u>1,000</u> | <u>(90,688)</u> | <u>(12,475)</u> |

The special reserve of the Group represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisitions at the time of the reorganization.

Pursuant to PRC law, a wholly foreign owned enterprise, Shanghai Vertex Communications & Technology Limited, shall make reservation on reserve fund and bonus and welfare funds. The proportion of reserve fund to be withdrawn shall not be lower than 10% of the total amount of profits after payment of tax. The withdrawal of reserve fund may be stopped when the total cumulative reserve has reached 50% of the registered capital. The proportion of bonus and welfare funds for workers and staff members to be withdrawn shall be determined by the wholly foreign owned enterprise. Under PRC law, the reserve fund can be used to offset prior years' losses, if any, and may be

converted into share capital by issuing new shares to shareholders in proportion to their existing shareholdings, and the bonus and welfare funds are utilized for the capital expenditure on employees' welfare facilities. No appropriation was made to the reserve fund and bonus and welfare funds as the Company's subsidiary in the PRC incurred loss during the periods.

FINANCIAL REVIEW

For the three months ended 31st March 2005, the Group recorded a substantial increase in revenue of approximately HK1.7 million, representing a surge of approximately 287% over the corresponding period in 2004. The increase is attributed to increasing advertising revenue as a result of improved confidence of our advertisers on Newsweek Select.

For the three months ended 31st March 2005, the royalty and production cost in relation to publication of Chinese language of Newsweek Select, MIT Technology Review and ESPN in Hong Kong and China Mainland amounted to HK\$2.7 million, representing 158% of the turnover of the Group. Lesser amount of royalty and production expenses was booked in the corresponding period in 2004 because direct production costs incurred were capitalized as deferred expenditure for publication.

The other operating expenses for the three months ended 31st March 2005 amounted to approximately HK\$2 million. Much more other operating expenses incurred in the corresponding period in 2004 was mainly attributable to compliance, legal and professional expenses in relation to issuance of bonds in an aggregate amount of HK\$15.5 million on 26 February 2004.

BUSINESS REVIEW

Newsweek Select, a monthly Chinese language magazine based on the contents of the Newsweek magazine, is now available in Hong Kong and China Mainland on a subscription basis. Newsweek Select will continue to build upon its reputable brand name and explore new sources of revenue through organization of seminars and events in the coming years. To appeal the mass, more conscious efforts will be put in to incorporate local content in order to strengthen the magazine as an influential magazine in Chinese community. We envisage that the circulation will continue to improve and it will generate significant advertising revenue in the year 2005.

MIT Technology Review Chinese Edition is now available in Hong Kong and China Mainland. The Group is in the process of finalizing agreements with advertising and circulation partners for the magazine. Circulation will continue to improve and it will generate advertising revenue in the year 2005.

We have set up our editorial and advertising teams for ESPN the Magazine Chinese language in Beijing and Shanghai. We expect the magazine can be formally launched in the market at third quarter of the year.

We will continue to explore different business opportunities that will bring us to another path of profitability in the years to come. On 29th March 2005, the Company entered into a shareholders' agreement with China Power International Holding Limited to form a joint venture company ("JV"). This JV will be engaged in the electric power generation and electricity supply business in Hong Kong. On 12th April 2005, the Group disposed 20% equity interest in an intermediate holding company, Coastal Power Company Limited ("Coastal Power"), for a cash consideration of HK\$20 million to one of our strategic investors, Sheikh Ali Khalifa Athbi Al Sabah ("Sheikh Ali"). The Company intends to use Coastal Power to hold 30% of the equity interest in the JV. We believe the participation by Sheikh Ali will help us to open up the channels for further funds being available to support Coastal Power's investment in the JV.

SHARE OPTION SCHEME

Pursuant to a written resolution of the sole shareholder dated 22nd July 2002, the Company conditionally adopted the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, the principal terms of which are set out in the section headed "Pre-IPO Share Option Scheme" and "Post-IPO Share Option Scheme" in Appendix IV to the Prospectus.

Pre-IPO Share Option Scheme

As at 31st March 2005, options to subscribe for an aggregate of 19,637,000 Shares of the Company granted pursuant to the Scheme were outstanding. A portion of each grantee's right to exercise the option that has been conditionally granted under the Pre-IPO Share Option Scheme shall be deemed to have vested on 17th June, 2002 (such portion is fixed on the basis of the grantee's employment period and/or contribution to the Group and as set out in the table below) and the rest of the right shall

continue to vest over a period of not more than 4 years from 17th June, 2002 on a monthly basis each time for 1/48th of the total number of Shares comprised in the option and, subject to that no option granted under the Pre-IPO Share Option Scheme can be exercised before the expiration of 1 year from the Listing Date, any vested right shall remain exercisable for 10 years from the date of acceptance of the relevant option. No further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so end on 9th October 2002 (the date of the Prospectus). Details are as follows:

| Name of grantee | Exercise price per share HK\$ | Granted on 24.7.2002 | No. of options | | Outstanding as at 31st March 2005 |
|--------------------------|----------------------------------|----------------------|---------------------------|-----------------------------|-----------------------------------|
| | | | Held as at 1 January 2005 | Exercised during the period | |
| Directors | 0.12 | 17,668,000 | 16,334,000 | | 16,334,000 |
| | 0.21 | 3,434,000 | 667,000 | | 667,000 |
| | | <u>21,102,000</u> | <u>17,001,000</u> | | <u>17,001,000</u> |
| Advisors and consultants | 0.12 | 434,000 | - | | - |
| | 0.45 | 1,334,000 | 1,334,000 | | 1,334,000 |
| | | <u>1,768,000</u> | <u>1,334,000</u> | - | <u>1,334,000</u> |
| Employees | 0.12 | 3,292,000 | 434,000 | - | 434,000 |
| | 0.21 | 963,000 | 868,000 | - | 868,000 |
| | | <u>4,255,000</u> | <u>1,302,000</u> | - | - |
| | | <u>27,125,000</u> | <u>19,637,000</u> | - | - |
| | | <u>27,125,000</u> | <u>19,637,000</u> | - | <u>19,637,000</u> |

Post-IPO Share Option Scheme

The post-IPO share option scheme was conditionally approved by a written resolution of the sole shareholder dated 22nd July, 2002. The share options to subscribe for an aggregate of 2,000,000 shares of the Company were granted by the Company pursuant to the Post-IPO Share Option Scheme at the 4th quarter of 2004. The grantee's right to exercise the share options shall vest over a period of 4 years from 2nd July, 2004 on a monthly basis each time for 1/48th of the total number of shares comprised in the share option and, subject to that no shares option granted under the Post-IPO Option Scheme can be exercised before 2nd July, 2005, any vested right shall remain exercisable on or before 10th October, 2014. The details of the Post-IPO Option Scheme are set out as follows:

| Name of grantee | Exercise price per share HK\$ | Granted on 11.10.2002 | No. of options | | | Outstanding as at 31st March 2005 |
|-----------------|-------------------------------------|--------------------------|---------------------------------|-----------------------------------|--------------------------------|--|
| | | | Held as at 1 January 2005 | Exercised during the period | Lapsed during the period | |
| Employee | 0.152 | 2,000,000 | 2,000,000 | - | - | 2,000,000 |

Save as disclosed above, as at 31st March 2005, none of the Directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations, as defined in the Securities and Futures Ordinance ("SFO").

DIRECTORS' AND CHIEF EXECUTIVE INTERESTS IN THE COMPANY

As at 31st March 2005, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the 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 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(1) Shares of the Company

| Director | Notes | Nature of Interest | Number of Shares of HK\$0.01 each in the Company held | % of shareholding in the Company |
|------------------------------|-------|----------------------|---|--|
| Mr. Poon Kwok Lim, Steven | 1 | Corporate and family | 304,701,528 | 61.50 |
| Mr. Tam Tak Wah | | Beneficial owner | 120,000 | 0.024 |

Notes:

- Each of Mr. Poon Kwok Lim, Steven and his spouse, Mrs. Poon Wong Wai Ping, is entitled to exercise or control the exercise of one-third or more of the voting rights of Amazing Nova Corporation. Each of Mr. Poon Kwok Lim, Steven and Mrs. Poon Wong Wai Ping is deemed, by virtue of the SFO, to be interested in the same 167,886,666 Shares held by Amazing Nova Corporation. Matrix Worldwide Corporation is wholly and beneficially owned by Mr. Poon Kwok Lim, Steven. Each of Mr. Poon Kwok Lim, Steven and Mrs. Poon Wong Wai Ping is deemed, by virtue of the SFO, to be interested in the same 61,606,666 Shares held by Matrix Worldwide Corporation. Forever Triumph Limited is wholly and beneficially owned by Mr. Poon Kwok Lim, Steven. Each of Mr. Poon Kwok Lim, Steven and Mrs. Poon Wong Wai Ping is deemed, by virtue of the SFO, to be interested in the same 53,208,196 Shares held by Forever Triumph Limited. Bright World Enterprise Limited is beneficially owned as to 80% by Mr. Poon Kwok Lim Steven and as to 20% by Mrs. Poon Wong Wai Ping. Under the SFO, each of Mr. Poon Kwok Lim Steven and Mrs. Poon Wong Wai Ping is deemed to be interested in the same 22,000,000 Shares held by Bright World Enterprise Limited.

(2) Shares in Associated Corporation of the Company

| Director | Note | Name of associated corporation |
|---------------------------|------|--|
| Mr. Poon Kwok Lim, Steven | 1 | SinoWorld CNW Publishing Limited (華宇出版有限公司) |

Note:

1. Mr. Poon Kwok Lim, Steven is the beneficial owner of Forever Triumph Limited, which owns 10% of SinoWorld CNW Publishing Limited (華宇出版有限公司), a company of which the Company is indirectly interested in 64% of its share capital.

Save as disclosed above, as at 31st March 2005, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provision of the SFO) or which were required to be entered in the register required to be kept under section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of listed issuers as referred in Rule 5.46 to 5.68 of the GEM Listing Rules.

(3) Directors' and Chief Executive's rights to acquire shares

| Director | Number of Shares to be issued upon exercise of options | % of options granted over the issued share capital | Subscription price per Share (HK\$) |
|------------------------------|--|--|-------------------------------------|
| Mr. Poon Kwok Lim, Steven | 8,334,000 | 1.68 | 0.12 |
| Mr Poon Shu Yan, Joseph | 8,000,000 | 1.61 | 0.12 |
| Ms. Au Yeung Pui Shan, Karen | 667,000 | 0.14 | 0.21 |

A portion of each grantee's right to exercise the option that has been conditionally granted under the Pre-IPO Share Option Scheme shall be deemed to have vested on 17th June 2002 and the rest of the right shall continue to vest over a period of not more than 4 years from 17th June 2002 on a monthly basis each time for 1/48th of the total number of Shares comprised in the option and, subject to that no option granted under the Pre-IPO Share Option Scheme can be exercised before the expiration of 1 year from the Listing Date, any vested right shall remain exercisable for 10 years from the date of acceptance of the relevant option.

Save as disclosed above, as at 31st March 2005, none of the Directors or chief executives of the Company or their respective associates were granted option to subscribe for shares of the Company and none of the options has been exercised.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware as at 31st March 2005, the persons/entities (including Directors or chief executives of the Company) who have interests or short positions in the shares or underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO were as follows:

| Name | Notes | Number of shares held | Shareholding percentage |
|---------------------------------|------------|-----------------------|-------------------------|
| Mr. Poon Kwok Lim | 1, 2, 3, 4 | 304,701,528 | 61.50 |
| Mrs. Poon Wong Wai Ping | 1, 2, 3, 4 | 304,701,528 | 61.50 |
| Amazing Nova Corporation | 1 | 167,886,666 | 33.89 |
| Matrix Worldwide Corporation | 2 | 61,606,666 | 12.44 |
| Forever Triumph Limited | 3 | 53,208,196 | 10.74 |
| Bright World Enterprise Limited | 4 | 22,000,000 | 4.44 |

| Name | Notes | Number of issued shares | Number of shares issuable upon the exercise of the warrants | Total percentage of the issued capital of the Company |
|------------------------------|-------|-------------------------|---|---|
| LIM Asia Arbitrage Fund Inc. | 5 | Nil | 41,010,000 | 8.27% |

Notes:

1. Amazing Nova Corporation is beneficially owned as to 40% by Mr. Poon Kwok Lim, Steven (a Director), as to 40% by Mrs. Poon Wong Wai Ping (spouse of Mr. Poon Kwok Lim, Steven), as to 10% by Mr. Poon Shu Yan, Joseph (a Director) and as to the remaining 10% by Ms. Poon Ching Mei (daughter of Mr. Poon Kwok Lim, Steven). Mrs. Poon Wong Wai Ping and Ms. Poon Ching Mei have no management role in the Group. Under the SFO, each of Mr. Poon Kwok Lim, Steven and Mrs. Poon Wong Wai Ping is deemed to be interest in the same 167,886,666 shares held by Amazing Nova Corporation as each of Mr. Poon Kwok Lim, Steven and Mrs. Poon Wong Wai Ping is entitled to exercise more than one-third of the voting power at a general meeting of Amazing Nova Corporation.
2. Matrix Worldwide Corporation is wholly and beneficially owned by Mr. Poon Kwok Lim, Steven. Each of Mr. Poon Kwok Lim, Steven and Mrs. Poon Wong Wai Ping is deemed, by virtue of SFO, to be interested in the same 61,606,666 shares held by Matrix Worldwide Corporation.
3. Forever Triumph Limited is wholly and beneficially owned by Mr. Poon Kwok Lim, Steven. Each of Mr. Poon Kwok Lim, Steven and Mrs. Poon Wong Wai Ping is deemed, by virtue of SFO, to be interested in the same 53,208,196 shares held by Forever Triumph Limited.
4. Bright World Enterprise Limited is beneficially owned as to 80% by Mr. Poon Kwok Lim Steven and as to 20% by Mrs. Poon Wong Wai Ping. Under the SFO, each of Mr. Poon Kwok Lim Steven and Mrs. Poon Wong Wai Ping is deemed to be interested in the same 22,000,000 Shares held by Bright World Enterprise Limited.
5. The warrants are unlisted physically settled warrants which were issued on 26th February 2004 and are exercisable at any time during the period from 27 February 2004 to 27 February 2009 (both dates inclusive) at an initial subscription price of HK\$0.474 per share (subject to adjustment).

Save as disclosed above, as at 31st March 2005, the Directors are not aware of any other person who has interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of SFO, or who is interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group.

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

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

COMPETING INTERESTS AND CONFLICT OF INTEREST

None of the Directors, the management shareholders or the substantial shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied with Board Practices and Procedures as set out in Rules 5.34 of the GEM Listing Rules for the review period.

AUDIT COMMITTEE

As required by Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee on 22nd July, 2002 with written terms of reference which deal clearly with its authority and duties. The audit committee comprises three independent non-executive Directors, namely Mr. Tsui Yiu Wa Alec, Mr. Yeung Pak Sing and Mr. Tam Tak Wah. Mr. Tam Tak Wah is the chairman of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's annual reports and accounts, half-year reports and quarterly reports and providing advice and comments thereon to the board of Directors.

By Order of the Board
Vertex Communications & Technology Group Limited
Mr. Poon Kwok Lim, Steven
Chairman

Hong Kong Special Administrative Region of the People's Republic of China
10th May 2005