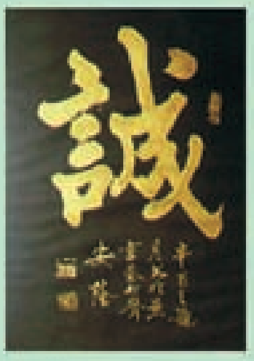
ANNUAL REPORT 2002/2003

Innovation

Efficiency

Integrity



Armitage Technologies Holding Limited

(Incorporated in the Cayman Islands with limited liability)

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 takes no responsibility for the contents of this annual report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this annual report.

This annual report, for which the directors (the "Directors") of Armitage Technologies Holding Limited (the "Company") collectively and individually accept 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 annual 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 annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONTENTS

EXECUTIVE DIRECTORS

Dr. Lee Shun Hon, Felix
Mr. Au Yat-Gai
Mr. Chun Hon Ching

NON-EXECUTIVE DIRECTOR

Dr. Liao, York

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anthony Francis Martin Conway
Professor Tsang Hin Pok, Herbert

COMPANY SECRETARY

Ms. Wong Man Yee *AHKSA, FCCA*

QUALIFIED ACCOUNTANT

Ms. Wong Man Yee *AHKSA, FCCA*

COMPLIANCE OFFICER

Mr. Au Yat-Gai

AUDIT COMMITTEE

Mr. Anthony Francis Martin Conway
Professor Tsang Hin Pok, Herbert
Mr. Au Yat-Gai

AUTHORIZED REPRESENTATIVES

Dr. Lee Shun Hon, Felix
Mr. Au Yat-Gai

SPONSOR

Anglo Chinese Corporate Finance, Limited
40th Floor, Two Exchange Square
8 Connaught Place
Central, Hong Kong

LEGAL ADVISERS

Hong Kong:
Richards Butler
20th Floor, Alexandra House
16-20, Chater Road
Hong Kong

AUDITORS

PKF
Certified Public Accountants
26th Floor, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

PRINCIPAL BANKERS

International Bank of Asia
Bank of China
Standard Chartered Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Room 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

22nd Floor, Benson Tower
74 Hung To Road
Kwun Tong
Kowloon
Hong Kong

COMPANY'S WEBSITE ADDRESS

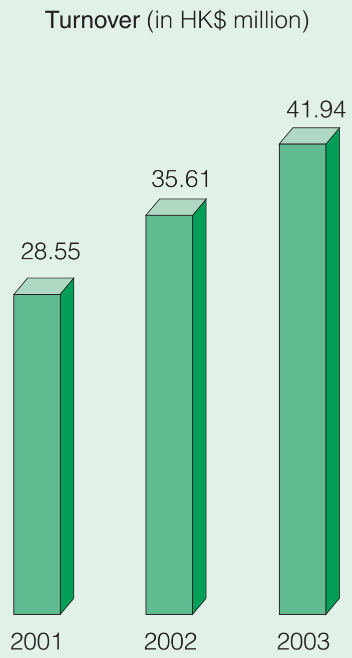
www.armitage.com.hk
www.armitage.com.cn
www.dongyee.com

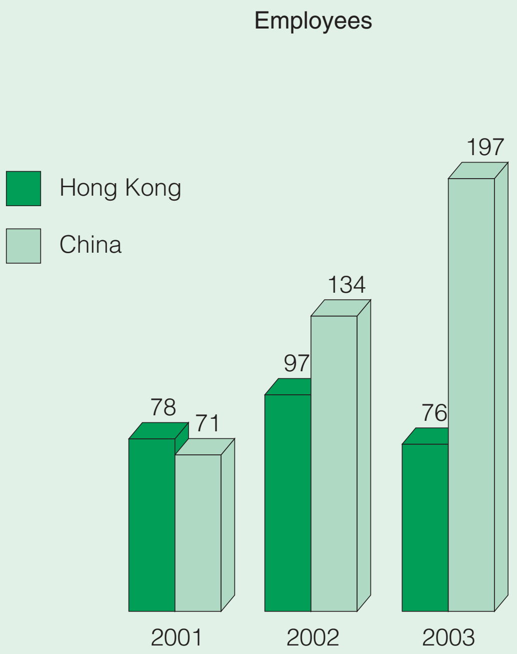
GEM STOCK CODE

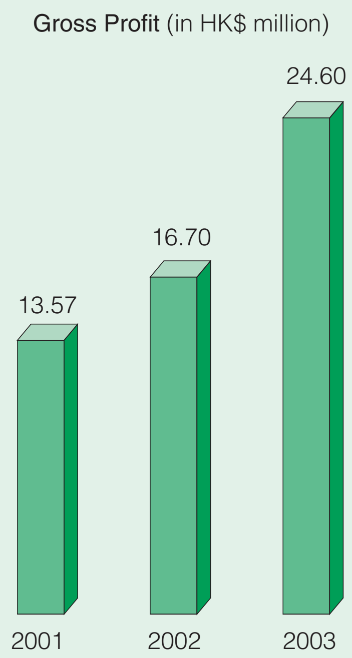
8213

FINANCIAL HIGHLIGHTS

For the year ended 31 March (HK$ million)	2001	2002	**2003**
Turnover	28.55	35.61	**41.94**
Gross Profit	13.57	16.70	**24.60**
Operating (Loss)/Profit	(0.14)	(11.51)	**1.59**
Net (Loss)/Profit	(1.68)	(12.17)	**1.32**







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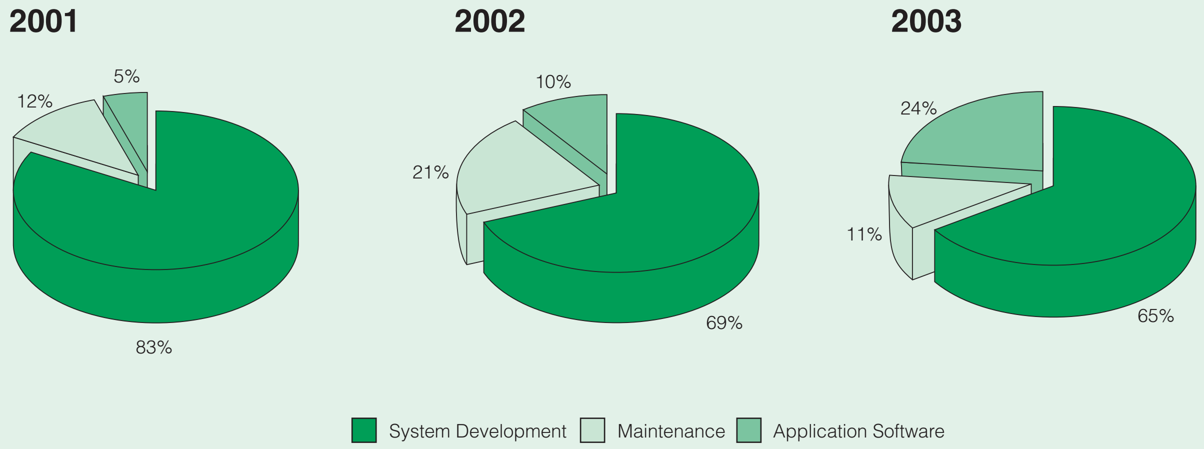
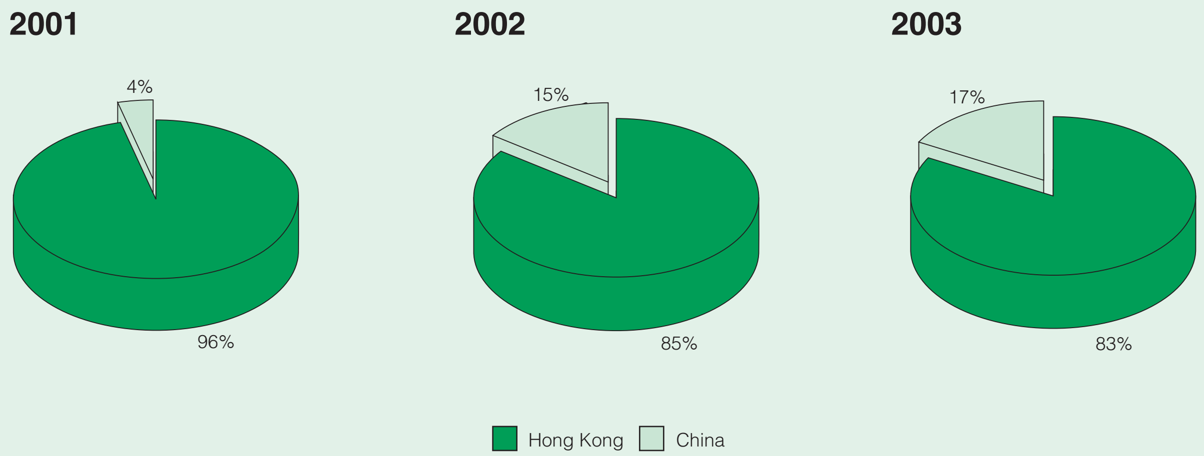
BUSINESS COMPOSITION (BY TURNOVER)



GEOGRAPHICAL COMPOSITION (BY TURNOVER)



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Your Solutions Partner Since 1972

CHAIRMAN'S STATEMENT

I am pleased to present the financial results for Armitage Technologies Holding Limited and its subsidiaries (the "Group") for the year ended 31st March, 2003.

The financial year 2002/2003 was challenging and yet rewarding for the Group. Amidst uncertainties in the global economic recovery, the Group managed to produce a solid turnaround and return to profitability. Total turnover was HK$41.9 million, an increase of 18% over the prior year. Net profit attributable to shareholders was HK$1.3 million, a remarkable improvement from a loss in the previous year. Our earnings per share were HK0.2 cents.

We are proud to announce that our flagship product Pegasus Hotel Management Solution achieved record sales of over 120 licences in China. Positioning ourselves further, we developed a new version of AIMS Industrial Management Solution to tap into the vast Chinese market, one of the biggest potential software market in the world. Moving over to new information solutions project, we were awarded the Strategic Human Resources Management Information System project by the Government Supplies Department of the HKSAR Government in a show of its confidence in our company. We also secured new business from OnePort Limited, PCCW, Siemens Building Technologies, Gateway Apartment, Yantian International Container Terminals Ltd., etc. providing fixed price and T&M information solutions to various industries ranging from transportation and logistics, to building management and smart cards.

The Group places a heavy emphasis in research and development in order to position its products competitively to meet the growing and rapidly changing needs of our customers. Presently, we have three research and development centres located in Hong Kong, Shenzhen and Guangzhou.

In the third quarter of fiscal year ended 31st March, 2003, the Group implemented a corporate restructuring plan to rationalize cost and strengthen the financial performance of the business. The restructuring plan included a company-wide initiative to align personnel with our new "team-across-border" strategy, which resulted in a reduction of our workforce by 21% in Hong Kong and a 47% increase in China. We also focused on reducing expenditures across all functional areas. Recently, we streamlined two offices that significantly reduced our operating expenses and enhanced our efficiency. As a result of this restructuring plan and our strong focus on controlling costs this year, we reduced total operating expenses by 8% from the previous year.

On 18th March, 2003, the Company was listed on the GEM board of the Stock Exchange. The listing provides us with greater visibility and recognition as a solid, credible and reputable company. Moving forward, while we continue to focus in our core business, we will also actively pursue strategic partnerships and explore mergers and acquisitions opportunities with a view to strengthening our product line and enhancing profitability. Nevertheless, we will exercise extreme caution to protect our shareholders' interest during the M&A process.

Ultimately, our strategic objective remains simple. We aim to position the Group as amongst the most professional IT application software developers and services providers in the Greater China region, providing customers with nothing less than perfection and unequivocal long term IT products and services. These objectives shall be accomplished by always adhering to our basic business values and by relentlessly improving our core capabilities in customer service, product innovation and the application of prudent risk and investment management. We will continue to increase our long-term competitiveness by strengthening our organization, investing in research and development, maintaining tight cost control and refining from time to time our overall strategic directions for the future.

Our success in the past year has been driven in large measure by the hard work and persistence of our colleagues and also by the continuous support of our customers and business partners, and for this, I would like to express my sincere appreciation. They have demonstrated by their unremitting efforts that as a team, the Group has and will continue to be a major player in the IT solutions and software markets.

Dr. Lee Shun Hon, Felix
Chairman

Hong Kong, 18th June, 2003

INDUSTRY OVERVIEW

The PRC's Application Software Market

The spectacular growth of the economy coupled with the strong support from the State policies unleashed a boom in the PRC software industry. According to International Data Corporation ("IDC"), expenditure on IT services (excluding systems integration) and application software of the PRC IT sector is forecasted to grow at CAGRs of 67% and 42% respectively, from 2001 to 2006. In order to catch up with their global counterparts, it is anticipated that enterprises in the PRC will increase IT spending significantly over the next couple of years. It is expected that by 2006, the PRC will be the largest IT spending market in Asia Pacific.

ERM application software has enormous potential in the PRC market, with a growth rate of approximately 35% in 2001 and is forecasted to grow in a similar pace through to 2006. At present, the manufacturing industry in the PRC was the largest buyer of ERM application software. Before 2000, foreign ERM application software vendors had dominated the PRC market. With the experience and knowledge accumulated, many domestic software providers have matured over the years. This, coupled with the capability to understand better the business needs and management style of local enterprises, have given domestic software providers much competitive advantages to their foreign counterparts. Domestic players now have a significant share of the ERM application software market.

On the hotel management front, with PRC's accession into the WTO and the growing affluence of people in the PRC, travel within the PRC is expected to increase sharply from both domestic and foreign travelers. However, at present, most hotels, especially those below the 3-star category, found themselves in a loss-making position, mainly a result of poor management and operation inefficiencies. To capture the boom in the tourism industry, there is a potent need for hotels to streamline their operations and improve their service standards and hence, spurring their demand for hotel management software.

Hong Kong IT Sector

According to IDC forecast, the IT sector in Hong Kong is expected to grow at a CAGR of 7.6% from 2001 to 2006 to reach approximately HK$30 billion by the end of 2006. The adoption of the Digital 21 Strategy by the HKSAR Government has engendered a strong wave of computerisation in various government departments, leading to an upsurge in the number of outsourced IT projects from the government. In addition, the HKSAR indicated in the Digital 21 Strategy that it has a preference to award mandates to local information solution providers.

According to the IDC report published in 2002, the ERM application market in Hong Kong is expected to grow at a CAGR of 5.1% from 2001 through 2006 to reach approximately HK$500 million at the end of 2006. To stay competitive in an increasingly difficult business environment, companies are looking for solutions such as ERM application software packages that would help them increase operational efficiency and lower cost.

BUSINESS OVERVIEW

Current Operations

The Group is a local information solution provider and application software developer targeting both the commercial and government sectors in Hong Kong and the commercial sector in China. The major products and services of the Group are categorised as follows:

- provision of information solutions, which include the development and implementation of systems according to customers' specifications and which may involve project management, support, maintenance and enhancement services, systems integration, consulting and customization of proprietary and third party application software; and

- sale of the Group's proprietary and third party application software.

Pegasus - award-winning hotel management software

This flagship product of the Group achieved record sales in China during the year under review. The launch of the latest version Pegasus V7.0 in October 2002 was highly successful. This new version was both well received by customers and regarded by the Chinese hotel industry as a state-of-the-art software solution to hotel management. Pegasus' popularity among its customers also earned itself a reputation as one of the top three hotel management software products in China. With the rapid growth of the travel and hospitality industries in China and the Group's strategic competitive positioning, Pegasus is expected to be a key growth driver in the coming years. During the financial year, over 120 licenses were sold to new customers. Total turnover increased by approximately 53% as compared to the previous financial year.

www.dongyee.com - most recognized information platform of the hotel industry in China

As part of an interactive marketing strategy in China, the Group has developed an integrated hotel management website, www.dongyee.com, to expand its potential client network. This internet platform provides a wide spectrum of information ranging from the most updated profile of hotel management teams, hotel inventory supplier database, recruitment tips and inquiries, to hotel related software support. This information platform not only enables the Group to respond more efficiently to its customers' needs, but it also provides the Group with immediate access to an extensive base of potential clients from the hotel industry.

AIMS Industrial Management Solution - proprietary ERP application software

This in-house developed product caters to the needs of SMEs in the electronics, toy and watch manufacturing industries in China and Hong Kong. The new version of AIMS was developed based on the operating environment of most relevant factories in China and their logistics management. This product is specifically designed to reduce labor requirement, measure faulty rate and streamline manufacturing process. AIMS equips its users with a powerful management tool to control various aspects of the entire manufacturing process including sales orders, purchasing, inventory control, quality control and shipping. The latest release of AIMS will offer its existing client base of over 400 companies with new enhancements and upgrades.

New Information Solution Projects

During the year under review, the Group was awarded the contract of Strategic Human Resources Management Information System by the Government Supplies Department of the HKSAR Government.

New business relations have also been established with prominent organizations like OnePort Limited, PCCW, Siemens Building Technologies, Gateway Apartment, Yantian International Container Terminals Limited, etc. The Group provides either fixed price or T&M information solutions to various industries ranging from transportation and logistics, to building management and smart cards.

M & A Opportunities

The Group is actively pursuing strategic partnerships and exploring M&A opportunities. The Group is currently engaged in active discussions with both local and multinational companies to further accelerate its business and profit growth.

SALES AND MARKETING

During the year under review, the Group participated in five exhibitions and symposiums to promote the Group's products in Hong Kong and China.

A series of product presentations and seminars were organized by the Group in Guangzhou, Beijing and Wuhan from November to December 2002 to promote the latest Pegasus V7.0, the Group's award winning hotel management application software. These events attracted over 500 senior management professionals representing over 300 hotels. This intensive marketing campaign significantly boosted the sales of Pegasus.

As at 31st March, 2003, the Group employed a total of 41 sales and marketing staff at its regional offices in Hong Kong, Guangzhou and Shenzhen and sales offices in Beijing, Shanghai, Chengdu and Wuhan. The Group plans to strengthen its sales and marketing team through advertisement placements and participation in seminars and exhibitions to promote the Group's products and services more effectively.

RESEARCH AND DEVELOPMENT

The Group places a heavy emphasis in research and development in order to position its products competitively to meet the growing and rapidly changing needs of its customers. Presently, the Group has three research and development centers located in Hong Kong, Shenzhen and Guangzhou.

FINANCIAL REVIEW

Consolidated results of operations

For the year ended 31st March, 2003, the Group recorded total turnover of approximately HK$41.9 million, representing an increase of approximately 18% over the previous year. This growth resulted principally from the successful expansion of its application software. Sales of application software reached approximately HK$9.7 million, a 168% increase from the previous year. Turnover from the provision of information solutions amounted to approximately HK$32.2 million representing approximately 77% (2002: 90%) of total turnover. The Group continues to provide information solutions to its largest customer which is a global container terminal operator and the related turnover generated from this customer was approximately HK$21.1 million (2002: HK$20.0 million).

Gross profit

The gross profit margin was approximately 59% for the year, as compared to approximately 47% in the last year. Provision of information solutions resulted in gross profit margin of approximately 54%, representing an improvement of approximately 12%. This increase was due to improved staff productivity, adoption of cost rationalization measures and lowered cost of sales and services rendered as the actual duration and the number of working hours for completion of fixed-price information solutions projects were reduced. Increase in the sale of proprietary application software that had a higher profit margin, also led to an overall improvement in the gross profit margin.

Other income

The Group recorded other income of approximately HK$949,000 in current year largely as a result of a write back of a provision for rental payable of approximately HK$454,000 related to the Group's office in Guangzhou.

Expenses

In the third quarter of fiscal year ended 31st March, 2003, the Group announced a corporate restructuring plan designed to rationalize cost and strengthen the financial performance of the business. The restructuring plan included a company-wide initiative to align personnel with our new "team-across-border" strategy, which resulted in a reduction of our workforce by 21% in Hong Kong and a 47% increase in China.

The Group also focused on reducing expenditures across all functional areas. The Group recently streamlined two offices to save operation expenses and enhance efficiency. As a result of this restructuring plan and our strong focus on controlling costs in this year, total operating expenses are down 8% from the previous year.

Finance costs decreased as certain bank facilities had not been utilised during the first nine months of the year.

The Group achieved a turnaround in its performance and recorded profit attributable to shareholders of approximately HK$1.3 million (2002: loss of HK$12.2 million).

Financial resources and liquidity

As at 31st March, 2003, the shareholders' funds of the Group amounted to approximately HK$53.5 million (2002: HK$61.6 million). Current assets amounted to approximately HK$51.5 million (2002: HK$48.9 million) of which approximately HK$41.6 million (2002: HK$32.0 million) were cash and bank deposits and approximately HK$9.6 million (2002: HK$15.7 million) were debtors, deposits and prepayments. The Group's current liabilities amounted to approximately HK$27.6 million (2002: HK$4.6 million), including approximately HK$17.9 million (2002: HK$2,000) bank loan and overdraft.

Current ratio was 1.86 (2002: 10.73). Gearing ratio, expressed as a ratio of total bank borrowings to shareholders' funds, was 0.34 (2002: 0.00). The fluctuation in current and gearing ratio was largely due to the repurchase of preferred shares in February 2003.

Foreign exchange

The Group received renminbi income from sales in China. Fluctuation of exchange rates of renminbi against foreign currencies could affect the Group's results of operations.

Significant investments and acquisition

During the year ended 31st March, 2003, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

In prior year, the Group had following acquisitions and disposals of subsidiaries and affiliated companies:

(a) On 4th December, 2001, Armitage Technologies Limited ("ATL") acquired an additional attributable interest of 12.4% in Guangzhou Armitage Computer Software Limited ("Guangzhou Armitage") through an acquisition of 47.1% interest in Armitage Computer Systems (China) Limited ("ACSCL") for a cash consideration of HK$1,399,050 by reference to the estimated net asset value of ACSCL as at 31st October, 2001, after taking into account the directors' valuation of ACSCL's investments in Guangzhou Armitage using the same valuation basis as mentioned below.

(b) On 15th January, 2002, Armitage Holdings Limited ("AHL") acquired an additional interest of 36.1% in Guangzhou Armitage from Guangzhou Vanky Technologies Limited ("Guangzhou Vanky") for a cash consideration of RMB4,356,000 which was arrived at after arm's length negotiation between Guangzhou Vanky and AHL.

    As a result of the said acquisition by AHL, the Group's interest in Guangzhou Armitage increased from 53.9% to 90%.

(c) On 4th December, 2001, ATL disposed of its entire interest in Supercom Investments Limited (formerly known as Armitage Computer International Limited) for a cash consideration of HK$6.

Charges on the Group's assets

As at 31st March, 2003, the Group's time deposit of HK$10.5 million (2002: HK$10.5 million) has been pledged to a bank to secure general banking facilities granted to the Group.

Capital commitments

As at 31st March, 2003 and 31st March 2002, the Group had no material capital commitments.

Contingent Liabilities

(a) As at 31st March, 2003, the Group had contingent liabilities in respect of performance bonds amounted to approximately HK$516,000 (2002: HK$451,000) issued by a bank in favour of a customer for the due performance of contract works undertaken by the Group.

(b) As at 31st March, 2003, the Group had contingent liabilities in respect of factored trade accounts receivable amounted to approximately HK$2,263,000 (2002: HK$Nil).

Employees and remuneration policies

As at 31st March, 2003, the Group had 273 employees (2002: 231). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Discretionary bonus based on individual performance will be paid to employees as recognition of and reward of their contributions. Other benefits include share option scheme (as detailed in note 23 to the financial statements), contributions to statutory mandatory provident fund scheme and medical scheme to its employees in Hong Kong and the state-sponsored retirement plan to its employees in China.

In compliance with the GEM Listing Rules, the Company sets out below a summary of actual business progress as measured against the business objectives set out in the prospectus of the Company dated 28th February, 2003 (the "Prospectus") for the period from 24th February, 2003 to 31st March, 2003 (the "Relevant Period") .

Business Objectives for the Relevant Period as stated in the Prospectus	**Actual Business Progress in the Relevant Period**
Continue to focus on the sales and marketing of its proprietary application software, particularly the ERP and hotel management application software targeting at the manufacturing and hospitality sectors in China, respectively	The Group has continued to focus on the sales and marketing of its proprietary application software in the hospitality and manufacturing sectors by employing more capable sales staff and by participating in exhibitions and seminars
Enhance the functions of version 3.01 of AIMS	The Group has placed significant resources on the enhancement of AIMS to improve its functionalities
Enhance the functions of version 7.0 of Pegasus	The Group has continued to enhance the functions of Pegasus
Commence the development of a new module of Adapter for handling the procurement requirements of the Hong Kong government	The development of various modules of Adapter is in its early design stage
Enhance the functions of e-frame	The Group has continued to enhance the functions of e-frame

As at 31st March, 2003, the Group has incurred the following amounts to achieve the business objectives as set out in the Prospectus:

	As stated in the Prospectus	**Actual**
	HK$'000	*HK$'000*
Products and services development	200	200
	200	200

As at 31st March 2003, the Group had 273 employees who were engaged in the following functions:

	Hong Kong	**PRC**
Management	13	10
Information solutions and application software projects	35	81
Sales and marketing	5	36
Research and development	14	50
Human resources and administration	9	20
Total	76	197

DIRECTORS AND MANAGEMENT

DIRECTORS

Executive Directors

Dr. Lee Shun Hon, Felix, aged 62, is the Chairman of the Board of Directors, the chief executive officer and founder of the Group. Dr. Lee joined Armitage Associates Limited, a local software consulting firm in 1975 as a systems analyst. In 1979, Dr. Lee became a director, and in 1980 he acquired the IT services operation, of Armitage Associates Limited and founded the Group. Dr. Lee is in charge of the overall business planning and policy making of the Group. Dr. Lee has over 25 years of experience in the IT industry. In 1966, he obtained a bachelor of science degree in physics and in 1971, a doctor of philosophy degree, both from the University of California at Berkeley in the United States.

Mr. Au Yat-Gai, aged 30, is the chief financial officer of the Group. Mr. Au joined the Group in August 2000 and is responsible for overseeing mergers and acquisitions, finance and business development. Prior to joining the Group, Mr. Au worked for Deutsche Bank in Hong Kong from 1996 to 1997 and ING Barings in Hong Kong from 1997 to 2000, originating and executing equity fund raising and merger and acquisition transactions in Asia. His primary responsibility included carrying out negotiation and due diligence process. In 1995, Mr. Au obtained a bachelor of science degree in business administration from the University of California at Berkeley in the United States.

Mr. Chun Hon Ching, aged 57, is the senior vice president of the Group. His main duty is to spearhead the Group's daily operation, research and development on its ERP application software, *AIMS*. Mr. Chun joined the Group in January 1993 and has played leading roles in the implementation of the ERP solutions mandated by major customers of the Group. Mr. Chun has over 30 years of experience in the IT industry and in particular the ERP sector. From 1983 to 1992, Mr. Chun was the electronic data processing manager of Universal International (Holdings) Limited, during which he was responsible for planning and managing daily operations of all computing services for the group of companies in Hong Kong, Macau and Thailand. From 1980 to 1983, Mr. Chun worked for Philips Hong Kong Limited as systems manager and was mainly responsible for developing and implementing ERP and related systems. In 1969, Mr. Chun obtained a bachelor of arts degree from the University of Hong Kong.

Non-Executive Director

Dr. Liao, York, aged 57, has been appointed as a non-executive Director since February 2002. Dr. Liao is also a strategic consultant to the Group responsible for formulating business strategies and positioning the Group in the public and private sectors. Dr. Liao is a former director of Varitronix International Limited, a company whose shares are listed on the main board of the Stock Exchange. Since 1994, Dr. Liao has been appointed by the Hong Kong government as a member of the University Grants Committee to oversee the funding of tertiary education in Hong Kong and a member of the Boards of the Hong Kong Science and Technology Parks Corporation and the Hong Kong Applied Science and Technology Research Institute Company Limited in Hong Kong. He is also a member of the Council of Advisors on Innovation and Technology. Dr. Liao was awarded the Most Excellent Order of the British Empire for his services to Hong Kong community in education and hi-tech industry in 1996 and was appointed as Justice of Peace by the Hong Kong government in 1998. In the same year, Dr. Liao was appointed by the Chief Executive of the Hong Kong government to be a member of the Commission on Strategic Development in Hong Kong and was elected to be a member of the Board of Trustees of California Institute of Technology in the United States. In 1967, Dr. Liao obtained a bachelor of science degree in physics from the California Institute of Technology in the United States, and in 1968, a master of arts and in 1973, a doctor of philosophy degree in applied physics, both from Harvard University in the United States.

Independent Non-Executive Directors

Mr. Anthony Francis Martin Conway, aged 62, was appointed as an independent non-executive Director in February 2002. Mr. Conway is currently the chairman of I.Tel (Holdings) Limited, a company which specializes in recruitment of telecommunication executives in the Asia Pacific region. Mr. Conway had been a director of CSL, a subsidiary of Hong Kong Telecommunication Limited (now known as Pacific Century Cyberworks Limited), from 1984 to 1989 and a director overseeing the marketing and support for the major customers of Hong Kong Telecommunications Limited from 1989 to 1995, respectively. Prior to his career in the telecommunication industry, he had been a senior executive of three US-based computer firms in Hong Kong, namely NCR (HK) Ltd, Dataprep (Hong Kong) Ltd and Honeywell Information Systems. Mr. Conway was a system consultant of NCR (HK) Ltd and a managing director of Dataprep (Hong Kong) Ltd and Honeywell Information Systems. Mr. Conway is a fellow member of the Hong Kong Institute of Directors, the Hong Kong Management Association, the British Computer Society and the Hong Kong Institution of Engineers.

Professor Tsang Hin Pok, Herbert, aged 59, was appointed as an independent non-executive Director in February 2002. Professor Tsang is currently the vice-president for research & support services at Hong Kong Baptist University responsible for resources planning, administration of research and consulting work and the coordination of academic support. He also oversees student affairs and international cooperation and exchange of students. During 1971 to 1990, he had been a visiting scholar at various prestigious institutions. In 1965, Professor Tsang obtained a bachelor of arts degree in business administration from the University of Washington, and in 1968, a master of science and in 1971, a doctor of philosophy degree in Economics from the University of Illinois, in the United States.

Senior Management

Mr. Poon Pak Wai, aged 62, joined the Group in December 1998 and is responsible for formulating and spearheading the Group's strategy that aims to differentiate the Group from its competitors in the provision of information solutions projects to the government and other public sector bodies in Hong Kong. Mr. Poon was appointed as an executive Director in January 2002. On 31st July, 2002, Mr. Poon resigned as an executive Director and on 1st August, 2002, Mr. Poon was appointed as an executive vice president of the Group to focus on the government and public sector. From 1965 to 1988, Mr. Poon had managed the IT operation of various departments at the Hong Kong government. From 1988 to 1993, Mr. Poon served as the management services manager of China Light & Power Co. Ltd. In 1965, he obtained a bachelor of arts degree from the University of Hong Kong and in 1969, a master of science degree in computer science from the University of London in the United Kingdom. In 1983, he also attended an executive management program at Harvard University in the United States.

Mr. Wong Ping Kuen, aged 41, joined the Group in August 1996. Mr. Wong is the senior vice president of the Group responsible for managing and implementing fixed-price information solutions projects. Mr. Wong had played a major role in the success of some of the Group's major projects such as those involving the provision of information solutions to the Marine Department of the Hong Kong government. Mr. Wong also leads the research and development team for *e-Frame* and *Adapter*. Prior to joining the Group, he worked for Siemens Limited for approximately nine years where he was promoted to software manager and responsible for supporting the sale of the company's products and providing technical advice and training to customers. In 1984, Mr. Wong obtained a bachelor of science degree in computer science from the University of Wales (Swansea College) in the United Kingdom.

DIRECTORS AND MANAGEMENT

Mr. Li Tung On, aged 52, first joined the Group in 1974 as a programmer and left the Group in 1979 as a systems analyst. He re-joined the Group in 1981 and was promoted to an executive director in 1989 and had held the position until he immigrated to Canada in 1995. In 1986, Mr. Li was assigned to lead a team to provide information solutions to a company engaged in the operations of container terminals. In December 2001, he rejoined the Group as vice president responsible for overseeing the Group's T&M projects, including those for the Group's largest customer. In 1973, Mr. Li obtained a bachelor of science degree in computer science from Washington State University in the United States.

Mr. To Yung Yui, Steve, aged 52, joined the Group in December 2000 as the chief executive officer of Guangzhou Armitage. Mr. To is responsible for business development strategies, daily operation and sales and marketing activities. Prior to joining the Group, Mr. To founded Beijing Amlife Biotechnology Limited, a joint venture with a company owned by the Beijing Feng Shan District Government, in 1994, spearheading strategic planning, supply chain management, sales strategy and quality management programme. Prior to establishing Beijing Amlife Biotechnology Limited, Mr. To was a general manager of Apple Computer in Hong Kong and China and general manager of Digital Equipment Corporation in Beijing, China. In 1976, Mr. To obtained a bachelor of arts degree and in 1978, a master of business administration degree, both from University of Houston in the United States.

Ms. Jim Sui Fun, aged 44, joined the Group in March 1994. Ms. Jim is the vice president for administration and human resources department of the Group. She is in charge of the Group's overall administration, recruitment and staff development programme. Prior to joining the Group, Ms. Jim worked for HKR International Limited for approximately eight years, and before leaving the company, she was an assistant manager for office administration.

Mr. Yeung Chun Lam, aged 36, joined the Group in July 1996 as account manager and was promoted to vice president of sales and marketing in December 2002. Mr. Yeung is responsible for overseeing the Group's sales and marketing activities and leading the Group to pursue information solutions projects from the government and other public sector bodies in Hong Kong. Mr. Yeung has had extensive sales experience in the IT industry and has been working in the IT industry since 1990. In 1989, Mr. Yeung obtained a bachelor of science degree from Baptist University, Hong Kong and in 2001 a master of business administration degree from Strathclyde University of Scotland.

Ms. Antonia Rose Assang, aged 33, joined the Group in March 2001 as the vice president responsible for corporate development. From 1994 to 2000, Ms. Assang worked for BreitBurn Energy Co. LLC, an oil production and exploration company in Los Angeles, the United States, as a production analyst responsible for identifying oil and gas-field exploration and acquisition opportunities. Prior to joining the Group, Ms. Assang worked at BroadVision, Inc. as a managing principal where she was responsible for managing business relationships with clients and providing pre-sales and post-sales support. In 1992, Ms. Assang obtained a bachelor of arts degree in physics from the University of California at Berkeley in the United States and in 1994, a master of science degree in operations research from Stanford University in the United States.

Ms. Wong Man Yee, aged 30, joined the Group in December 2001 as accounting manager. Ms. Wong is a member of the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants. Ms. Wong has a total of seven years of audit and accounting experience. In 1994, Ms. Wong obtained a bachelor of arts degree in accountancy from City University of Hong Kong.

Mr. Sander Weng, aged 37, joined the Group in October 1998. Mr. Weng is a vice president and general manager of the service sector of Guangzhou Armitage and responsible for developing, managing and implementing the Group's hotel management software, *Pegasus*. Between 1998 and 2001, Mr. Weng was managing director of Guangzhou Vanky, and between 1992 and 1998, Mr. Weng was managing director of Loyal Computer Company. In 1988, Mr. Weng obtained a bachelor of science degree in computer science from Zhongshan University in China.

Mr. William Tang, aged 33, joined the Group in October 1998. Mr. Tang is a vice president and general manager of the industry sector of Guangzhou Armitage and responsible for managing and implementing ERP solutions for customers in China. He also oversees the division which provides IT professionals to local and overseas customers. Mr. Tang joined Loyal Computer Company in 1993 as senior programmer and participated in the initial development of *Pegasus*. In 1994, Mr. Tang obtained a master of engineering degree in computer science from Zhongshan University in China.

Mr. Z.M. Dong, aged 36, joined the Group in February 1999. Mr. Dong is the director of research and development of Guangzhou Armitage, leading the research and development team for *Pegasus*. Mr. Dong has worked in the IT industry since 1991. In 1991, Mr. Dong obtained a master of science degree in computer science from Zhongshan University in China and in 1988, a bachelor of science degree in computer science from Beijing University in Beijing, China. He has published articles in computer journals.

The directors are pleased to present to the shareholders their first report together with the audited financial statements for the year ended 31st March, 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was investment holding and those of the subsidiaries are set out in note 14 to the financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31st March, 2003 are set out in the consolidated income statement on page 28.

The directors do not recommend the payment of any dividend in respect of the year ended 31st March, 2003.

FINANCIAL SUMMARY

The summary of the results of the Group for each of the three years ended 31st March, 2003 and the assets and liabilities of the Group as at 31st March, 2001, 2002 and 2003 are set out on page 65.

FIXED ASSETS

The Group purchased and disposed of fixed assets amounted to approximately HK$986,000 and HK$358,000 respectively during the year. Detailed movements in fixed assets of the Group are set out in note 11 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in share capital of the Company during the year and the reason thereof and the details of share options are set out in notes 21 and 23 to the financial statements respectively.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 32 and note 22 to the financial statements respectively.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the transactions as disclosed in note 27 to the financial statements, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

The details of connected transactions during the year under the GEM Listing Rules are set out in note 27 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company who held office during the year and up to the date of this report were:

Executive directors:

Dr. Lee Shun Hon, Felix
Mr. Au Yat-Gai
Mr. Chun Hon Ching
Mr. Poon Pak Wai (resigned on 31st July, 2002)

Non-executive director:

Dr. Liao, York

Independent non-executive directors:

Mr. Anthony Francis Martin Conway
Professor Tsang Hin Pok, Herbert

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Au Yat-Gai, Mr. Chun Hon Ching, Dr. Liao, York, Mr. Anthony Francis Martin Conway and Professor Tsang Hin Pok, Herbert shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The term of non-executive directorship under each letter of appointment is 1 year from 1st April, 2002 to 31st March, 2003, which shall be automatically renewed each year unless terminated by either party giving to the other not less than 3 months' notice.

Each of the three executive directors has entered into a service contract for an initial term of 3 years commencing from 18th March, 2003 (the "Listing Date") and may be terminated by either party at any time by giving to the other of not less than 6 months' written notice or payment of salary in lieu of notice.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

SHARE OPTIONS

Pursuant to the written resolutions passed by all the shareholders of the Company on 26th February, 2003, the Company adopted the following share option schemes:

(A) Share Option Scheme

The purpose of the Share Option Scheme (the "Scheme") is to provide the participants with an opportunity to acquire equity interests in the Company, thus providing them with an incentive to continue contributing to the success of the Company.

Subject to the terms of the Scheme, the committee (the "Committee") which was authorised and charged by the Board of Directors (the "Board") with the administration of the Scheme may, at any time offer to grant to any employee, agent, consultant or representative of the Company or any of its subsidiaries, including any executive or non-executive director of the Company or any subsidiary of the Company who, the Committee may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his or her performance and/or years of service, or is regarded as valuable human resources of the Group based on his work experience, knowledge in the industry and other relevant factors, options to subscribe for such number of shares as the Committee may determine at the exercise price.

The maximum number of shares to be issued in respect of which options may be granted (together with shares in respect of which options are then outstanding under the Scheme or any other schemes of the Company) under the Scheme shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time.

The maximum entitlement for any one participant (including both exercised and outstanding options) in any twelve-month period shall not exceed 1% of the total number of shares in issue.

An option may be exercised in whole or in part in the manner provided in the Scheme by a grantee (or, as the case may be, by his legal personal representative) giving notice in writing to the Company after it has vested at any time during the period (the "Option Period") commencing one year after the date of the grant of the option, which shall be not less than three years nor more than ten years from the date an option is offered (the "Offer Date"). No performance target is required to be reached by the participant before any option can be exercised.

A sum of HK$1 is payable by the participant on acceptance of the option offer.

The exercise price for the shares (the "Exercise Price") in relation to options to be granted under the Scheme shall be determined by the Committee and notified to a participant and shall be at least the higher of:–

(i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the Offer Date; and,

(ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date (where the Company has been listed on the Growth Enterprise Market ("GEM") of the Stock Exchange for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing).

provided that the Exercise Price shall not be lower than the nominal value of the shares.

As at 31st March, 2003, no option under the Scheme has been granted or agreed to be granted.

SHARE OPTIONS (cont'd)

(B) Pre-IPO Share Option Plan

The Board may offer to grant to any employee of the Company or any subsidiary of the Company before the Listing Date, including any executive director or non-executive director of the Company or any subsidiary of the Company, as the Board may in its absolute discretion select, an option (a "Pre-IPO Option") to subscribe for such number of shares as the Board may determine at the exercise price.

A sum of HK$1 is payable by the grantee on acceptance of the Pre-IPO Option.

The exercise price per share payable by a grantee upon exercise of the Pre-IPO Option (the "Exercise Price") shall be the issue price of HK$0.35 or HK$0.1, if the Board (in its absolute discretion) so elects in respect of the grant of an Option to a person who is a non-executive director of the Company or any subsidiary of the Company.

A Pre-IPO Option may be exercised in whole or in part in the manner provided in the Pre-IPO Share Option Plan by a grantee (or, as the case may be, his or her legal personal representative) by giving notice in writing to the Company at any time after it has vested during a period of four years commencing on the commencement date (the "Pre-IPO Option Period"), save that each grantee has undertaken to the Company that he or she will not exercise the Pre-IPO Option, whether in whole or in part, until 18 months after the listing date.

The maximum number of shares to be issued in respect of which Pre-IPO Option may be granted (together with shares in respect of which Pre-IPO Options are then outstanding under the Pre-IPO Share Option Plan or any other executive and/or employment share scheme(s) established by the Company from time to time) under the Pre-IPO Share Option Plan shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time.

The Pre-IPO Share Option Plan, shall be valid and effective for a period of ten years from 26th February, 2003, after which period no further Pre-IPO Options will be issued but the provisions of the Pre-IPO Share Option Plan shall remain in full force and effect in all other respects.

The directors consider it inappropriate to value the share options as the generally accepted methodology to calculate the value of options such as the Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that are fully transferable. Such an option pricing model requires input of highly subjective assumptions, including the expected share price volatility. Because the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, such generally accepted methodology such as the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the Company's share options.

As at 31st March, 2003, Pre-IPO Options to subscribe for an aggregate of 39,000,000 shares (representing approximately 4.9% of the enlarged issued share capital of the Company) have been granted to a total of 72 directors and employees of the Group.

SHARE OPTIONS (cont'd)

(B) Pre-IPO Share Option Plan (cont'd)

A summary of the share options granted on 26th February, 2003 under the Pre-IPO Share Option Plan is as follows:

Grantees	Exercisable period	Exercise price	Granted during the year and as at 31.3.2003
Executive directors	18th September, 2004 to 17th March, 2007	HK$0.35	1,460,000
Executive directors	18th September, 2005 to 17th March, 2007	HK$0.35	1,460,000
Executive directors	18th September, 2006 to 17th March, 2007	HK$0.35	1,460,000
Non-executive director	18th September, 2004 to 17th March, 2007	HK$0.10	2,400,000
Non-executive director	18th September, 2005 to 17th March, 2007	HK$0.10	2,400,000
Non-executive director	18th September, 2006 to 17th March, 2007	HK$0.10	2,400,000
Senior management	18th September, 2004 to 17th March, 2007	HK$0.35	1,820,666
Senior management	18th September, 2005 to 17th March, 2007	HK$0.35	1,820,667
Senior management	18th September, 2006 to 17th March, 2007	HK$0.35	1,820,667
Other employees	18th September, 2004 to 17th March, 2007	HK$0.35	7,319,333
Other employees	18th September, 2005 to 17th March, 2007	HK$0.35	7,319,333
Other employees	18th September, 2006 to 17th March, 2007	HK$0.35	7,319,334
			39,000,000

DIRECTORS' INTERESTS IN SECURITIES

As at 31st March, 2003, the directors and their associates had the following interests in shares of the Company as recorded in the Register of Directors' Interests kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"):

Director	Type of interest	Number of shares	
Dr. Lee Shun Hon, Felix	Personal	331,301,790	
	Family	17,907,651	*(Note 1)*
Mr. Au Yat-Gai	Personal	14,472,212	
Mr. Chun Hon Ching	Personal	11,503,399	
Dr. Liao, York	Corporate	29,988,007	*(Note 2)*

Notes:

1. These shares are held by Dr. Lee Shun Hon, Felix's wife, Ms. Leung Mee Chun, Stella, and therefore Dr. Lee Shun Hon, Felix is deemed to have an interest in the shares in which Ms. Leung Mee Chun, Stella is interested in.

2. 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 the shares in which Winbridge is interested in.

The interests of the directors in the share options of the Company are separately disclosed in the section headed "Directors' rights to acquire shares or debentures" below.

Save as disclosed above, as at 31st March, 2003, none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the year ended 31st March, 2003, the directors who had personal interests in respect of options granted under the Pre-IPO Share Option Plan of the Company within the meaning of SDI Ordinance are as follows:

Options granted on 26th February, 2003 under Pre-IPO Share Option Plan are as follows:

Grantees	Exercisable period	Exercise price	Granted during the year and as at 31.3.2003
Dr. Lee Shun Hon, Felix	18th September, 2004 to 17th March, 2007	HK$0.35	493,334
	18th September, 2005 to 17th March, 2007	HK$0.35	493,333
	18th September, 2006 to 17th March, 2007	HK$0.35	493,333
Mr. Au Yat-Gai	18th September, 2004 to 17th March, 2007	HK$0.35	366,666
	18th September, 2005 to 17th March, 2007	HK$0.35	366,667
	18th September, 2006 to 17th March, 2007	HK$0.35	366,667
Mr. Chun Hon Ching	18th September, 2004 to 17th March, 2007	HK$0.35	600,000
	18th September, 2005 to 17th March, 2007	HK$0.35	600,000
	18th September, 2006 to 17th March, 2007	HK$0.35	600,000
Dr. Liao, York	18th September, 2004 to 17th March, 2007	HK$0.10	2,400,000
	18th September, 2005 to 17th March, 2007	HK$0.10	2,400,000
	18th September, 2006 to 17th March, 2007	HK$0.10	2,400,000
			11,580,000

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31st March, 2003, according to the register required to be kept under Section 16(1) of the SDI Ordinance, the following persons were interested in 10% or more of the issued share capital of the Company:

Name of shareholder	Number of shares held		Percentage of the issued share capital
Dr. Lee Shun Hon, Felix	349,209,441	*(Note 1)*	46.56%
Kingspecial Investments Ltd.	114,578,176	*(Note 2)*	15.28%

Notes:

1. Of the 349,209,441 shares held, 331,301,790 shares are held by Dr. Lee Shun Hon, Felix personally and 17,907,651 shares are held by Ms. Leung Mee Chun, Stella, the wife of Dr. Lee Shun Hon, Felix. Dr. Lee Shun Hon, Felix is deemed to be interested in his wife's shares under the SDI Ordinance.

2. The issued share capital of Kingspecial Investments Limited is beneficially owned as to 30% by Dr. 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 Dr. Lee Shun Hon, Felix) and as to 10% by Ms. So Li Hang Lin, the sister of Dr. Lee Shun Hon, Felix.

Save as disclosed above, the Company has not been notified of any other interests as at 31st March, 2003 representing 10% or more of the issued share capital of the Company.

MANAGEMENT SHAREHOLDERS' INTERESTS

Save as disclosed under the sections headed "Directors' interests in securities" and "Substantial shareholders" above, as at 31st March, 2003, no other person was able, as a practical matter, to direct or influence the management of the Company.

COMPETING INTERESTS

None of the directors, the substantial shareholder 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.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 64% of the total sales for the year and sales to the largest customer included therein amounted to approximately 50%. The Group is engaged in the provision of services and therefore has no suppliers.

To the best knowledge of the directors, neither the directors, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers during the year.

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

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

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, Anglo Chinese Corporate Finance, Limited ("Anglo Chinese"), as at 31st March, 2003, neither Anglo Chinese nor any of its directors, employees or associates had any interests in the shares of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the shares of the Company or any member of the Group.

Pursuant to the sponsorship agreement dated 28th February, 2003 entered with the Company, Anglo Chinese received and will receive fees for acting as the Company's continuing sponsor for the period from the Listing Date to 31st March, 2005.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee will also be responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The audit committee has three members comprising the two independent non-executive directors, namely Mr. Anthony Francis Martin Conway and Professor Tsang Hin Pok, Herbert, and an executive director, Mr. Au Yat-Gai.

Up to the date of approval of these financial statements, the audit committee has held one meeting and has reviewed the annual report and accounts for the year ended 31st March, 2003 prior to recommending such accounts to the Board for approval.

COMPLIANCE

In the opinion of the directors, the Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures throughout the financial year ended 31st March, 2003.

AUDITORS

A resolution to re-appoint the retiring auditors, Messrs. PKF, is to be proposed at the forthcoming general meeting.

On behalf of the Board

Dr. Lee Shun Hon, Felix
Chairman

Hong Kong, 18th June, 2003

AUDITORS' REPORT

梁學濂會計師事務所

PKF

26th Floor, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

TO THE SHAREHOLDERS OF
ARMITAGE TECHNOLOGIES HOLDING LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 28 to 64 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st March, 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PKF
Certified Public Accountants

Hong Kong, 18th June, 2003

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2003

	Note	2003 HK$'000	2002 HK$'000
Turnover	3	**41,944**	35,605
Cost of sales and services rendered		**(17,347)**	(18,901)
Gross profit		**24,597**	16,704
Other income	4	**949**	701
Net realised and unrealised (losses)/gains on other investments		**(3)**	2
Deficit on revaluation of land and buildings		**(21)**	(81)
Loss on disposal of properties and related fixed assets written off		**—**	(1,164)
Loss on disposal of investment securities		**—**	(1,000)
Provision for loss on loans to an associate		**—**	(200)
Impairment of goodwill		**—**	(514)
Operating expenses		**(23,932)**	(25,956)
Operating profit/(loss)		**1,590**	(11,508)
Finance costs		**(199)**	(902)
Share of loss of an associate		**—**	(158)
Profit/(loss) before taxation	5	**1,391**	(12,568)
Taxation	7(a)	**(104)**	(46)
Profit/(loss) after taxation		**1,287**	(12,614)
Minority interests		**33**	443
Profit/(loss) attributable to shareholders	8	**1,320**	(12,171)
Dividend	9	**—**	—
Earnings/(loss) per share (HK cents)			
- Basic	10	**0.20**	(1.99)
- Diluted	10	**0.20**	N/A

BALANCE SHEETS

For the year ended 31st March, 2003

	Note	Group 2003 HK$'000	Group 2002 HK$'000	Company 2003 HK$'000	Company 2002 HK$'000
NON-CURRENT ASSETS					
Fixed assets	11	**4,524**	4,523	**—**	—
Software	12	**2,047**	3,015	**—**	—
Trade mark	13	**81**	—	**—**	—
Interests in subsidiaries	14	**—**	—	**43,611**	48,577
Goodwill on consolidation	15	**3,880**	4,920	**—**	—
Development costs	16	**18,925**	4,601	**—**	—
Club debenture, at cost		**200**	200	**—**	—
		29,657	17,259	**43,611**	48,577
CURRENT ASSETS					
Other investments	17	**351**	1,230	**—**	—
Debtors, deposits and prepayments	18	**9,554**	15,702	**62**	4,744
Pledged time deposits	25	**10,500**	10,500	**—**	—
Time deposits with a bank		**—**	17,073	**—**	14,050
Cash and bank balances	19	**31,062**	4,421	**18,525**	68
		51,467	48,926	**18,587**	18,862
DEDUCT:					
CURRENT LIABILITIES					
Bank overdraft, secured		**14,936**	—	**—**	—
Bank overdraft, unsecured		**—**	2	**—**	—
Bank loan, secured		**3,000**	—	**—**	—
Creditors, accruals and deposits received	20	**9,588**	4,480	**4,703**	144
Tax payable	7(b)	**93**	79	**—**	—
		27,617	4,561	**4,703**	144
NET CURRENT ASSETS		**23,850**	44,365	**13,884**	18,718
		53,507	61,624	**57,495**	67,295
REPRESENTING:					
SHARE CAPITAL	21	**7,500**	1,194	**7,500**	1,194
RESERVES	22	**46,007**	60,397	**49,995**	66,101
SHAREHOLDERS' FUNDS		**53,507**	61,591	**57,495**	67,295
MINORITY INTERESTS		**—**	33	**—**	—
		53,507	61,624	**57,495**	67,295

Approved and authorised for issue by the Board of Directors on 18th June, 2003

Dr. Lee Shun Hon, Felix
Director

Mr. Au Yat-Gai
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2003

	2003 HK$'000	2002 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	**1,391**	(12,568)
Share of loss of an associate	**—**	158
Provision for loss on loans to an associate	**—**	200
Dividend income	**(17)**	(28)
Interest income	**(357)**	(478)
Interest expenses	**269**	826
Amortisation of software	**968**	638
Amortisation of goodwill	**1,040**	284
Amortisation of development costs	**168**	—
Depreciation	**766**	1,270
Impairment of goodwill	**—**	514
Deficit on revaluation of land and buildings	**21**	81
Loss on disposal of investment securities	**—**	1,000
Unrealised losses on other investments	**5**	12
Loss on disposal of fixed assets	**126**	1,218
Operating profit/(loss) before working capital changes	**4,380**	(6,873)
Increase in debtors, deposits and prepayments	**(5,844)**	(8,597)
Increase in pledged time deposits	**—**	(4,000)
Increase/(decrease) in creditors, accruals and deposits received	**5,108**	(784)
Cash generated from/(used in) operations	**3,644**	(20,254)
Dividend received	**17**	28
Interest received	**357**	457
Interest paid	**(269)**	(826)
Profits tax paid	**(90)**	(109)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**3,659**	(20,704)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	**(986)**	(2,229)
Proceeds from disposal of fixed assets	**72**	7,198
Increase in trade mark	**(81)**	—
Increase in interests in subsidiaries	**—**	(5,499)
Decrease in loans to an associate	**—**	399
Increase in development costs	**(14,492)**	(3,398)
Increase in software	**—**	(2,200)
Decrease in other investments	**874**	429
Decrease in amount due from a related company	**—**	1,662
Decrease in amount due from a director	**—**	2,275
Decrease in amount due from a shareholder	**—**	36
Decrease in loan to an officer	**—**	600
NET CASH USED IN INVESTING ACTIVITIES	**(14,613)**	(727)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2003

	2003 HK$'000	2002 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in bank loans	**3,000**	(3,487)
Decrease in loans from a director	**—**	(1,575)
Decrease in loan from a shareholder	**—**	(1,644)
Repurchase of preferred shares	**(28,580)**	—
Issue of new shares	**31,168**	56,878
NET CASH FROM FINANCING ACTIVITIES	**5,588**	50,172
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(5,366)**	28,741
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**21,492**	(7,249)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**16,126**	21,492
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Time deposits	**—**	17,073
Cash and bank balances	**31,062**	4,421
Bank overdraft	**(14,936)**	(2)
	16,126	21,492

For the year ended 31st March, 2003

	Share capital HK$'000	**Retained profits** HK$'000	**Share premium** HK$'000	**Special reserve** HK$'000	**Capital reserve** HK$'000	**Exchange reserve** HK$'000	**Total** HK$'000
At 1.4.2001	977	12,395	3,343	—	174	(5)	16,884
Loss for the year	—	(12,171)	—	—	—	—	(12,171)
Share premium on issue of shares in the capital of Armitage Technologies Limited ("ATL")	—	—	458	—	—	—	458
Share premium on issue of shares of the Company	—	—	56,203	—	—	—	56,203
Transfer to special reserve upon share exchange between the Company and shareholders of ATL	—	—	(3,801)	3,801	—	—	—
Issue of shares	217	—	—	—	—	—	217
At 31.3.2002 and 1.4.2002	1,194	224	56,203	3,801	174	(5)	61,591
Profit for the year	—	1,320	—	—	—	—	1,320
Share placing	891	—	—	—	—	—	891
Share premium on share placing	—	—	30,277	—	—	—	30,277
Capitalisation issue	5,507	—	(5,507)	—	—	—	—
Expenses for share placing	—	—	(11,992)	—	—	—	(11,992)
Repurchase of preferred shares	(92)	—	(28,488)	—	—	—	(28,580)
At 31.3.2003	**7,500**	**1,544**	**40,493**	**3,801**	**174**	**(5)**	**53,507**

1. GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 13th November, 2001 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of its shares on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Reorganisation"), the Company became the holding company of the companies now comprising the group (as detailed in note 14) on 6th December, 2001. This was accomplished by acquiring the entire issued share capital of Armitage Technologies Holding (BVI) Limited in consideration of and in exchange for the Company's allotted and issued ordinary shares.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants ("HKSA") and are prepared under the historical cost convention as modified by revaluation of land and buildings and other investments.

In the current year, the Group adopted the following applicable SSAPs issued by the HKSA which are effective for the current year's financial statements:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

The main revision to SSAP 1 is to change the requirement from presenting a statement of recognised gains and losses to presenting a statement of changes in equity.

The effect of adopting SSAP 11 (revised) is set out in note 2(n) below.

The main revision to SSAP 15 is to require the provision of information about the historical changes in cash and cash equivalents of an enterprise by means of a cash flow statement which classifies cash flows during the year into operating, investing and financing activities whereas the old SSAP specifies two additional standard headings: "Returns on investments and servicing of finance" and "Taxation".

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

The new SSAP 34 requires an enterprise to recognise the service provided by an employee in exchange for employee benefits to be paid in the future as a liability, and when the enterprise consumes the economic benefit arising from service provided by an employee in exchange for employee benefits as expenses. The adoption of the SSAP has not had any significant impact on these financial statements.

(b) Basis of consolidation

The Reorganisation has been accounted for using merger accounting by regarding the Company as being the holding company of the Group from the beginning of the earliest period presented.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year. Apart from the Reorganisation, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions and balances have been eliminated on consolidation.

(c) Goodwill/negative goodwill

Goodwill/negative goodwill arising on consolidation represents the excess/shortfall of the cost of investments in subsidiaries over the appropriate share of the fair value of the net tangible assets at the date of acquisition.

Goodwill is recognised as an asset which is amortised on a straight line basis over its estimated useful life of not more than twenty years. Negative goodwill is recognised in the income statement depending on the circumstances which give rise to it.

(d) Fixed assets and depreciation

Fixed assets are stated at cost or valuation less aggregate depreciation. Depreciation is calculated to write off the cost or valuation of fixed assets over their estimated useful lives on a straight line basis at the following annual rates:

Land	- over the remaining lease terms
Buildings	- $2^1/_2$ to $4^1/_6$%
Furniture, fixtures and equipment	- 10% to 50% or over the lease term whichever is the shorter
Motor vehicle	- 10%

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(d) Fixed assets and depreciation (cont'd)

During the year, the depreciation rates for furniture, fixtures and equipment and motor vehicle of ATL were changed from 20% and 33$^1/_3$% respectively to 10%. The directors considered that the revised depreciation rate reflects more fairly the expected useful lives of these fixed assets. The effect of the change in the depreciation rates is not material to the results of the Group for the current and subsequent periods.

Land and buildings are stated in the Group's balance sheet at their open market value. Changes in the value of land and buildings are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged.

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

(e) Subsidiaries

A subsidiary is an enterprise over which the Company has control either directly or indirectly. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any identified impairment loss. Income from subsidiaries is recognised in the Company's financial statements on the basis of dividends declared by the subsidiaries.

(f) Other investments

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the income statement. Profits and losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the income statement as they arise.

(g) Development costs

Development costs are capitalised only when it is expected that the product under development will generate probable future economic benefits and will be produced or used internally, its technical feasibility has been demonstrated and the expenditure is separately identifiable and has been measured reliably. Capitalised development costs are amortised on a straight line basis over five years commencing when the relevant product is available for sale or use. Development costs which do not meet these criteria are expensed when incurred.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(h) Software

Software is stated at cost of acquisition less aggregate amortisation. Amortisation is calculated to write off the cost of software over its estimated useful life of five years on a straight line basis.

(i) Trade mark

The initial cost of registration of trade mark is capitalised and amortised on a straight line basis over twenty years. The cost of renewing trade mark is recognised as an expense as incurred.

(j) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(l) Revenue recognition

Revenue from provision of system development services is recognised at the time when the services are provided.

Revenue from provision of system integration services is recognised in the income statement by reference to the percentage of services performed to date bear to the total services to be performed.

Revenue from maintenance service contracts, which is received or receivable from customers once the maintenance service contracts are signed, is amortised and credited to the income statement on a straight line basis over the terms of the maintenance service contracts.

Revenue from system enhancement is recognised upon acceptance by the customer.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(l) Revenue recognition (cont'd)

Revenue from sale of application software is recognised when the goods are delivered at the customers' premises, which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

Rental income is recognised on a straight line basis over the terms of the relevant leases.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the company's right to receive payment is established.

(m) Operating leases

Payments under operating leases are charged to the income statement on a straight line basis over the terms of the relevant leases.

(n) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the market exchange rates ruling at the balance sheet date. Differences on foreign currency translation are dealt with in the income statement.

In prior years, the financial statements of the Company's PRC subsidiaries which are denominated in Renminbi are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. All exchange differences arising from such translation are dealt with as movements in the exchange reserve.

With effect from 1st April, 2002, with the introduction of SSAP 11 (revised), the consolidated financial statements are prepared by using the net investment method such that the balance sheet of the Company's PRC subsidiaries is translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date while the income statement is translated into Hong Kong dollars at the average exchange rate for the year. Any exchange differences arising on such translation are dealt with as movements in the exchange reserve.

There is no material impact to the financial results and the financial position of the Group by the adoption of the revised SSAP.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(o) Employee benefits

Salaries, annual bonuses, annual leave entitlements and the cost to the company of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the company.

Obligations for contributions to defined contribution retirement plan under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the PRC state-sponsored retirement plan, are recognised as an expense in the income statement as incurred.

When the Company grants employees options to acquire its shares, the option exercise price will be determined by the directors at the date of grant and no employee benefit cost or obligation is recognised at that time. When the options are exercised, the equity is increased by the amount of proceeds received.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(p) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(q) Deferred taxation

Deferred taxation is calculated under the liability method in respect of the taxation effect arising from all timing differences which are expected with reasonable probability to crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

(r) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is based on similar terms as those available to other external parties.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items may comprise financial and corporate assets, interest-bearing loans, corporate and financing expenses and minority interests.

3. TURNOVER

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

	2003	2002
	HK$'000	HK$'000
Provision of information solutions		
System development and integration	**27,454**	24,633
Maintenance and enhancement income	**4,788**	7,347
Sales of application software	**9,702**	3,625
	41,944	35,605

4. OTHER INCOME

	2003 HK$'000	2002 HK$'000
Rental income	—	111
Interest income	357	478
Dividend income	17	28
Rentals payable written back	454	—
Management fee income	42	48
Others	79	36
	949	701

5. PROFIT/(LOSS) BEFORE TAXATION

	2003 HK$'000	2002 HK$'000
Profit/(loss) before taxation is arrived at after charging/(crediting):		
Amortisation of development costs	168	—
Amortisation of goodwill	1,040	284
Amortisation of software	968	638
Depreciation	766	1,270
Less: Amounts capitalised as development costs	287	—
	479	1,270
Auditors' remuneration	379	143
Interest on bank loans and overdrafts and other loans wholly repayable within five years	269	826
Operating lease rentals for properties	2,248	1,487
Less: Amounts capitalised as development costs	701	83
	1,547	1,404
Bad debts written off	85	75
Directors' remuneration - *Note 6*	3,630	3,386
Less: Amounts capitalised as development costs	552	—
	3,078	3,386

5. PROFIT/(LOSS) BEFORE TAXATION (cont'd)

	2003 HK$'000	2002 HK$'000
Other staff salaries and benefits	**35,673**	32,800
Retirement benefit costs	**1,150**	1,105
	36,823	33,905
Less: Amount capitalised as development costs	**11,073**	3,217
Other staff costs	**25,750**	30,688
Loss on disposal of fixed assets	**126**	54
Dividend income from listed investments	**(17)**	(28)
Rental income	**—**	(111)
Less: Outgoings	**—**	19
	—	(92)
Dividend income from listed investments	**(17)**	(28)
Preliminary expenses	**—**	69
Exchange loss	**9**	21

6. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Details of directors' remuneration are as follows:

	2003 HK$'000	2002 HK$'000
Fees		
- Executive directors	**—**	—
- Non-executive director	**50**	—
- Independent non-executive directors	**100**	—
Other emoluments of executive directors		
- Basic salaries, allowances and benefits in kind	**3,441**	3,345
- Pension scheme contributions	**39**	41
	3,630	3,386

6. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (cont'd)

The number of directors whose remuneration fell within the following band is as follows:

	2003	2002
HK$Nil - HK$1,000,000	**6**	6
HK$1,000,001 - HK$1,500,000	**—**	1
HK$1,500,001 - HK$2,000,000	**1**	—
	7	7

Four executive directors received individual emoluments of approximately HK$1,644,000, HK$915,000, HK$209,000 and HK$712,000 (2002: HK$1,284,000, HK$955,000, HK$825,000 and HK$322,000) and one non-executive director and two independent non-executive directors received individual emoluments of HK$50,000 each (2002: HK$ Nil) during the year ended 31st March, 2003.

No directors waived any emoluments during the year.

(b) Senior executives' remuneration

The remuneration of employees who were not directors during the year and who were amongst the five highest paid individuals of the Group is as follows:

	2003 HK$'000	2002 HK$'000
Basic salaries, allowances and benefits in kind	**1,438**	1,621
Discretionary bonuses	**—**	91
Pension scheme contributions	**24**	24
	1,462	1,736

The number of employees whose remuneration fell within the following band is as follows:

	2003	2002
HK$Nil - HK$1,000,000	**2**	2

(c) During the year, no directors have waived any emoluments and no emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join the Group or as compensation for loss of office.

7. TAXATION

(a) Taxation in the consolidated income statement represents:

	2003	2002
	HK$'000	HK$'000
The Company and subsidiaries		
Provision for Hong Kong profits tax at 16% on the estimated assessable profits for the year	**104**	12
Under-provision in respect of previous year	**—**	2
	104	14
Share of taxation of an associate	**—**	32
	104	46

The subsidiaries of the Company which operate in the People's Republic of China ("PRC") have not commenced to generate any assessable profits in the PRC since the dates of their establishment.

(b) Taxation in the Group's balance sheet represents:

	2003	2002
	HK$'000	HK$'000
Provision for the year	**104**	12
Provisional profits tax paid	**(11)**	(14)
Balance of tax payable in respect of previous year	**—**	81
Tax payable	**93**	79

7. TAXATION (cont'd)

(c) The components of unprovided deferred tax (asset)/liability are as follows:

	2003 HK$'000	2002 HK$'000
Accelerated depreciation allowances	**283**	211
Unutilised tax losses	**(3,127)**	(2,610)
Net deferred tax asset	**(2,844)**	(2,399)

(i) Net deferred tax asset has not been recognised in these financial statements owing to uncertainty regarding the Group's future operating results.

(ii) The unutilised tax losses accumulated in the PRC subsidiaries amounted to approximately HK$2,947,000 (2002: HK$1,878,000) would be expired in five years from the respective year of loss.

8. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Profit/(loss) attributable to shareholders includes a loss of approximately HK$396,000 (2002: HK$88,000) which has been dealt with in the financial statements of the Company.

9. DIVIDEND

No dividend has been paid or declared by the Company since the date of its incorporation.

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share for the year ended 31st March, 2003 is based on the Group's profit attributable to shareholders and assuming that a total of 665,341,507 shares (comprising 110,202,390 shares, being 10 shares issued on the incorporation of the Company on 13th November, 2001, 102,012,990 shares as the consideration for the acquisition of the entire issued share capital of Armitage Technologies Holding (BVI) Limited on 6th December, 2001, 4,000,000 shares issued on 20th March, 2002 and 4,189,390 preferred shares converted into ordinary shares on 26th February, 2003, and adjusting for the capitalisation issue of 550,747,610 shares as referred to in the prospectus of the Company dated 28th February, 2003 and 4,391,507 shares, being the weighted average number of 89,050,000 shares issued to the placees on 14th March, 2003) had been in issue throughout the year ended 31st March, 2003.

10. EARNINGS/(LOSS) PER SHARE (cont'd)

Diluted earnings per share for the year ended 31st March, 2003 is based on the Group's profit attributable to shareholders and the assumption that 670,484,364 shares had been in issue during the year. The number of shares used in the calculation comprised 665,341,507 shares referred to in the immediately preceding above and 5,142,857 shares assumed to have been issued at no consideration on the deemed exercise of the options under the Pre-IPO Share Option Plan based on the issue price of HK$0.35.

The calculation of basic loss per share for the year ended 31st March, 2002 is based on the Group's loss attributable to shareholders and assuming that a total of 612,622,030 shares (comprising 102,144,507 shares, being the weighted average of the 10 shares issued on the incorporation of the Company on 13th November, 2001, 102,012,990 shares issued as the consideration for the acquisition of the entire issued share capital of Armitage Technologies Holding (BVI) Limited on 6th December, 2001 and 4,000,000 shares issued on 20th March, 2002, and adjusting for the capitalisation issue of 510,477,523 shares, being the relevant attributable amount of the capitalisation issue for the purpose of this calculation, as referred to in the paragraphs headed "Group reorganisation" and "Resolutions passed at an extraordinary general meeting of the Company held on 26th February, 2003" under the section headed "Further information about the Company and its subsidiaries" in appendix IV to the prospectus of the Company dated 28th February, 2003) had been in issue throughout the year ended 31st March, 2002.

No diluted loss per share for the year ended 31st March, 2002 has been presented as the potential ordinary shares to be issued upon exercise of the outstanding options under the Pre-IPO Share Option Plan are anti-dilutive.

11. FIXED ASSETS

	Land and buildings HK$'000	Fumiture, fixtures and equipment HK$'000	Motor vehicle HK$000	Total HK$'000
Cost or valuation:				
At 1.4.2002	1,200	7,231	220	8,651
Additions	—	986	—	986
Disposals	—	(358)	—	(358)
Deficit on revaluation - Note 11(c)	(50)	—	—	(50)
At 31.3.2003	**1,150**	**7,859**	**220**	**9,229**
Representing:				
At cost	—	7,859	220	8,079
At professional valuation	1,150	—	—	1,150
	1,150	7,859	220	9,229
Aggregate depreciation:				
At 1.4.2002	—	4,006	122	4,128
Charge for the year	29	725	12	766
Written back on disposal	—	(160)	—	(160)
Written back on revaluation - *Note 11(c)*	(29)	—	—	(29)
At 31.3.2003	**—**	**4,571**	**134**	**4,705**
Net book value:				
At 31.3.2003	**1,150**	**3,288**	**86**	**4,524**
At 31.3.2002	1,200	3,225	98	4,523

11. FIXED ASSETS (cont'd)

Notes:

(a) All properties are held in Hong Kong on medium term leases.

(b) As at 31st March, 2003, properties with net book value of HK$1,150,000 (2002: HK$1,200,000) have been pledged to a bank to secure general banking facilities granted to the Group.

(c) The land and buildings were revalued on open market value basis by Memfus Wong Surveyors Limited on 2nd May, 2003 and their valuation as at 31st March, 2003 amounted to HK$1,150,000. As a deficit on revaluation has occurred, the land and buildings have been written down to HK$1,150,000 and the resultant deficit on revaluation of HK$21,000 was charged to the income statement.

(d) As at 31st March, 2003, the carrying amount of land and buildings (now stated at valuation) that would have been included in the Group's balance sheet had the assets been carried at cost less aggregate depreciation amounted to approximately HK$1,251,000 (2002: HK$1,281,000).

12. SOFTWARE

	HK$'000
Cost:	
At 1.4.2002 and 31.3.2003	**3,785**
Aggregate amortisation:	
At 1.4.2002	770
Charge for the year	968
At 31.3.2003	**1,738**
Net book value:	
At 31.3.2003	**2,047**
At 31.3.2002	3,015

13. TRADE MARK

	HK$'000
Cost:	
Additions during the year and at 31.3.2003	**81**

14. INTERESTS IN SUBSIDIARIES

	2003 HK$'000	2002 HK$'000
Unlisted shares	**11,006**	11,006
Amounts due from subsidiaries - Note 14(b)	**32,609**	37,595
Amounts due to subsidiaries - Note 14(b)	**(4)**	(24)
	43,611	48,577

The carrying value of the Company's investments in the subsidiaries is determined by the directors on the basis of the underlying assets of the subsidiaries at the time they were acquired by the Company pursuant to the Reorganisation which took place on 6th December, 2001.

(a) Details of the subsidiaries are as follows:

Name of company	Place of incorporation/ establishment	Attributable equity interest % Direct	Attributable equity interest % Indirect	Issued/ registered capital	Principal activities
Armitage Technologies Holding (BVI) Limited	British Virgin Islands	100	—	HK$1,020,130	Investment holding
Armitage Holdings Limited	Hong Kong	—	100	HK$1,020,130	Investment holding
Guangzhou Armitage Computer Software Limited ("GZ Armitage")	PRC	—	90	RMB6,800,000	Design, development and sales of application software and provision of information solutions
ATL	Hong Kong	—	100	HK$996,000	Provision of information solutions and sales of application software
Eastern Express Solutions Limited	Hong Kong	—	100	HK$100	Investment holding
Armitage Computer Systems (China) Limited ("ACSCL")	Hong Kong	—	100	HK$2,875,000	Dormant

14. INTERESTS IN SUBSIDIARIES (cont'd)

(a) Details of the subsidiaries are as follows: (cont'd)

Name of company	Place of incorporation/ establishment	Attributable equity interest % Direct	Attributable equity interest % Indirect	Issued/ registered capital	Principal activities
Armitech Computer Services Limited	Hong Kong	—	100	HK$1,000	Dormant
Mentor Systems Limited	Hong Kong	—	100	HK$156,000	Property investment
Guangzhou Eastern Express Hotel Management Limited	PRC	—	100	RMB3,000,000	Provision of IT related services for PRC hotels

(b) The amounts are interest-free, unsecured and have no fixed repayment term.

15. GOODWILL ON CONSOLIDATION

	HK$'000
Cost:	
At 1.4.2002 and 31.3.2003	**5,204**
Aggregate amortisation:	
At 1.4.2002	284
Charge for the year	1,040
At 31.3.2003	**1,324**
Net book value:	
At 31.3.2003	**3,880**
At 31.3.2002	4,920

16. DEVELOPMENT COSTS

	HK$'000
Cost:	
At 1.4.2002	4,601
Additions	14,492
At 31.3.2003	**19,093**
Aggregate amortisation:	
Charge for the year and at 31.3.2003	**168**
Net book value:	
At 31.3.2003	**18,925**
At 31.3.2002	4,601

17. OTHER INVESTMENTS

	2003	2002
	HK$'000	HK$'000
Listed shares in Hong Kong, at market value	**351**	1,230

18. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise:

	2003	2002
	HK$'000	HK$'000
Trade debtors	**8,158**	9,691
Rental and utility deposits	**404**	292
Prepayments	**414**	780
Other debtors	**578**	207
Prepaid listing expenses	**—**	4,732
	9,554	15,702

The Group allows its customers credit period of 30 days to 60 days depending on their credit worthiness. The following is an aging analysis of trade debtors net of provision for bad and doubtful debts:

	2003	2002
	HK$'000	HK$'000
0 - 30 days	**6,577**	5,600
31 - 60 days	**606**	1,938
61 - 90 days	**151**	1,872
91 days - 180 days	**478**	141
>180 days	**346**	140
	8,158	9,691

19. CASH AND BANK BALANCES

At 31st March, 2003, the cash and bank balances of the Group denominated in Renminbi amounted to approximately HK$349,000 (2002: HK$784,000). Renminbi is not freely convertible into foreign currencies. Subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business.

20. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Creditors, accruals and deposits received comprise:

	2003	2002
	HK$'000	HK$'000
Trade creditors	**934**	442
Deferred enhancement and maintenance income - *Note*	**1,660**	949
Deposits received	**50**	98
Accruals and provisions	**6,585**	2,407
Other creditors	**359**	584
	9,588	4,480

Note :

Deferred maintenance income represents after-sales maintenance service income from customers in respect of system development and integration projects and sales of application software. After the completion of the system development project or sales of application software, the Group charged its customers the maintenance service fee in advance.

The following is an aging analysis of trade creditors:

	2003	2002
	HK$'000	HK$'000
0 - 30 days	**762**	71
31 - 60 days	**59**	129
61 - 90 days	**44**	242
> 90 days	**69**	—
	934	442

21. SHARE CAPITAL

	Note	Number of shares	HK$'000
Authorised:			
Ordinary shares of HK$0.1 each at 1.4.2002		34,000,000	3,400
Subdivision of shares	(c)	306,000,000	—
Converted from preferred shares	(d)	50,000,000	500
Increase in authorised capital	(d)	1,610,000,000	16,100
Ordinary shares of HK$0.01 each at 31.3.2003		**2,000,000,000**	**20,000**
Preferred shares of HK$0.1 each at 1.4.2002		5,000,000	500
Subdivision of shares	(c)	45,000,000	—
Cancelled and converted to ordinary shares	(d)	(50,000,000)	(500)
Preferred shares of HK$0.01 each at 31.3.2003		**—**	**—**
Issued and fully paid:			
Ordinary shares of HK$0.1 each at 1.4.2002		10,601,300	1,060
Subdivision of shares	(c)	95,411,700	—
Converted from preferred shares	(e)	4,189,390	42
Capitalisation issue	(f)	550,747,610	5,507
Placing of shares	(g)	89,050,000	891
Ordinary shares of HK$0.01 each at 31.3.2003		**750,000,000**	**7,500**
Preferred shares of HK$0.1 each at 1.4.2002		1,334,939	134
Repurchase of shares	(b)	(916,000)	(92)
Subdivision of shares	(c)	3,770,451	—
Converted to ordinary shares	(e)	(4,189,390)	(42)
Preferred shares of HK$0.01 each at 31.3.2003		**—**	**—**

21. SHARE CAPITAL (cont'd)

Notes:

(a) The rights carried by the preferred shares are as follows:

(i) Dividend - each preferred share shall confer on the holder thereof the right to receive out of the funds of the Company available for distribution a fixed cumulative preferential cash dividend at the rate of 5% per annum accrued on a daily basis from 1st April, 2002. The preferred shares shall rank for dividend in priority to ordinary shares from time to time.

In the event that a holder of preferred shares converts all or part of the preferred shares held by it pursuant to (iv) or (v) below, such member shall not receive any preferred dividend in respect of the preferred shares which have been so converted for the financial year in which such conversion takes place.

(ii) Dissolution - upon the occurrence of a dissolution event, the assets and funds of the Company available for distribution among the shareholders shall be applied in the following order of priority:

— First to the holders of the preferred shares, the subscription price per preferred share together with the amount of any outstanding preferred dividend. If the assets and funds of the Company available for distribution shall be insufficient to provide for full payment to the holders of the preferred shares, the Company shall make payment on the preferred shares on a pro rata basis.

— Thereafter, the balance of such assets and funds of the Company available for distribution among the shareholders shall be distributed ratably among the holders of the ordinary shares.

(iii) Voting right - the holder of preferred shares present in person or by proxy or by representative at a general meeting shall have:

— on a show of hands, one vote; and

— on a poll, one vote for each ordinary share as if each preferred share registered in its name in the register of members of the Company had been converted at the time such meeting in accordance with (iv) and (v) below.

(iv) Optional conversion the preferred shares shall be convertible at the option of the holder thereof, at any time after the date of allotment and issue without the payment of any additional consideration therefore, into such number of fully paid ordinary shares as determined in accordance with the then effective conversion rate.

(v) Automatic conversion - upon the passing of a resolution by the holders of not less than 50% in nominal value of the preferred shares or occurrence of a qualified initial public offering ("IPO"), each preferred share shall automatically be converted without any further act of the Company or the shareholders into such number of fully paid ordinary shares as determined in accordance with the then effective conversion rate.

(vi) Redemption - subject to the passing of a resolution by the holders of not less than 50% in nominal value of the preferred shares which are in issue at the time of the meeting of the holders of the preferred shares, a holder of preferred shares may, at any time after 31st December, 2004 and ceasing on a qualified IPO, by notice in writing to the Company require the Company to redeem all or any of its preferred shares on a date to be notified by the Company, being a date not earlier than 30 business days after the date of receipt of such notice by the Company. Such preferred shares shall be redeemed at a price equal to the aggregate subscription price of the preferred shares together with any arrears of declared but unpaid dividends in respect of such preferred shares.

21. SHARE CAPITAL (cont'd)

(b) Pursuant to written resolutions passed by the shareholders of the Company on 15th November, 2002, the Company repurchased 916,000 preferred shares at a price of HK$28,579,200. The preferred shares repurchased by the Company have been cancelled upon completion of the repurchase and the amount of issued share capital and share premium account of the Company were reduced by HK$91,600 and HK$28,487,600 respectively.

(c) Pursuant to written resolutions passed by the shareholders of the Company on 26th February, 2003, each of the existing issued and unissued shares of HK$0.1 each be subdivided into ten shares of HK$0.01 each ("Subdivided Shares") in the capital of the Company. The Subdivided Shares will rank pari passu in all respects with the then existing shares.

(d) Pursuant to written resolutions passed by the shareholders of the Company on 26th February, 2003, the class of preferred shares in the capital of the Company be cancelled and the authorised share capital of the Company be increased to HK$20,000,000 comprising 2,000,000,000 shares by the creation of an additional 1,610,000,000 shares. Such new shares will rank pari passu in all respects with the then existing shares.

(e) Pursuant to written resolutions passed by the shareholders of the Company on 26th February, 2003, each of the 4,189,390 preferred shares of HK$0.01 each held by Keystone Ventures, L.P. was converted into 1 ordinary share. The ordinary shares being converted from the preferred shares will rank pari passu in all respects with the then existing ordinary shares.

(f) On 13th March, 2003, immediately after the conversion of all preferred shares into ordinary shares, 550,747,610 shares of HK$0.01 each were allotted and issued at par, credited as fully paid, to the shareholders and registered in the register of the members of the Company on 14th March, 2003 by way of the capitalisation of the share premium available. The issued shares will rank pari passu in all respects with the then existing shares.

(g) Pursuant to written resolutions passed by the then shareholders of the Company on 14th March, 2003, 89,050,000 new shares of HK$0.01 each were issued at HK$0.35 per share for cash by way of placing (the "Placing"). The excess of the issue price over the par value of the shares issued upon the Placing totalling HK$30,277,000 was credited to the share premium account of the Company.

22. RESERVES

The Company	**Share premium**	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000
Surplus arising on Reorganisation	9,986	—	9,986
Share premium on issue of new shares	56,203	—	56,203
Loss for the period	—	(88)	(88)
At 31.3.2002 and 1.4.2002	66,189	(88)	66,101
Loss for the year	—	(396)	(396)
Share premium on share placing	30,277	—	30,277
Capitalisation issue	(5,507)	—	(5,507)
Expenses for share placing	(11,992)	—	(11,992)
Repurchase of preferred shares	(28,488)	—	(28,488)
At 31.3.2003	**50,479**	**(484)**	**49,995**

(a) The share premium of the Company includes (i) shares issued at premium and (ii) the difference between the nominal value of the shares of the Company issued in exchange for the entire issued share capital of Armitage Technologies Holding (BVI) Limited and the value of the underlying net assets of Armitage Technologies Holding (BVI) Limited and its subsidiaries at the date they were acquired by the Company. Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) At 31st March, 2003, in the opinion of the directors, the reserves of the Company available for distribution to the shareholders amounted to approximately HK$49,995,000 (2002 : HK$66,101,000), subject to the restrictions stated in note 22(a) above.

23. SHARE OPTIONS

The Company operates two share option schemes, namely the Share Option Scheme and Pre-IPO Share Option Plan, adopted on 26th February, 2003.

The committee (the "Committee") which was authorised and charged by the Board of Directors (the "Board") with the administration of the Share Option Scheme, and the Board in case of the Pre-IPO Share Option Plan, are authorised, at their discretion, to invite employees of the Group, including any executive director or non-executive director of the Company or other eligible employees to take up options to subscribe for the shares of the Company.

A sum of HK$1 is payable by the participant on acceptance of the option offer.

The exercise price for the shares (the "Exercise Price") in relation to options to be granted under the Share Option Scheme shall be determined by the Committee and notified to a participant and shall be at least the higher of:–

(i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date an option is offered (the "Offer Date"); and,

(ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date (where the Company has been listed on the Growth Enterprise Market ("GEM") of the Stock Exchange for less than five business days, the new issue price shall be used as the closing price for any business day failing within the period before listing).

provided that the Exercise Price shall not be lower than the nominal value of the shares.

As at 31st March, 2003, no option under the Share Option Scheme has been granted or agreed to be granted.

During the year, the Company granted a total of 39,000,000 share options under the Pre-IPO Share Option Plan to 72 directors and employees of the Group for a nominal consideration of HK$1 in total per grant. The share options granted entitle the holders to subscribe for shares of the Company at any time during the period from 18th September, 2004 to 17th March, 2007. The exercise price of these options granted to Dr. Liao, York , a non-executive director and other grantees is HK$0.1 and HK$0.35 respectively.

23. SHARE OPTIONS (cont'd)

A summary of the share options under the Pre-IPO Share Option Plan is as follows:

Grantees	Exercisable period	Exercise price	Granted during the year and as at 31.3.2003
Executive directors	18th September, 2004 to 17th March, 2007	HK$0.35	1,460,000
Executive directors	18th September, 2005 to 17th March, 2007	HK$0.35	1,460,000
Executive directors	18th September, 2006 to 17th March, 2007	HK$0.35	1,460,000
Non-executive director	18th September, 2004 to 17th March, 2007	HK$0.10	2,400,000
Non-executive director	18th September, 2005 to 17th March, 2007	HK$0.10	2,400,000
Non-executive director	18th September, 2006 to 17th March, 2007	HK$0.10	2,400,000
Senior management	18th September, 2004 to 17th March, 2007	HK$0.35	1,820,666
Senior management	18th September, 2005 to 17th March, 2007	HK$0.35	1,820,667
Senior management	18th September, 2006 to 17th March, 2007	HK$0.35	1,820,667
Other employees	18th September, 2004 to 17th March, 2007	HK$0.35	7,319,333
Other employees	18th September, 2005 to 17th March, 2007	HK$0.35	7,319,333
Other employees	18th September, 2006 to 17th March, 2007	HK$0.35	7,319,334
			39,000,000

24. CONTINGENT LIABILITIES

(a) As at 31st March, 2003, the Group had contingent liabilities in respect of performance bonds amounted to approximately HK$516,000 (2002 : HK$451,000) issued by a bank in favour of a customer for the due performance of contract works undertaken by the Group.

(b) As at 31st March, 2003, the Group had contingent liabilities in respect of factored trade accounts receivable amounted to approximately HK$2,263,000 (2002 : HK$Nil) (Note 25).

25. BANKING FACILITIES

As at 31st March, 2003, the Group had banking facilities to the extent of approximately HK$19,233,000 (2002: HK$19,233,000) which were secured on the Group's properties , the Group's time deposits of HK$10,500,000 (2002: HK$10,500,000) and a personal guarantee put up by a director of the Company. Such guarantee has been released in June 2003.

During the year, the Group obtained a trade accounts receivable factoring facility of HK$10,000,000. Under the facility, the Group will receive from the bank advances representing 90% of the Group trade accounts receivables due from selected customers within the factoring limit of HK$10,000,000 (less service and monthly discounting charges). As at 31st March, 2003, the Group utilised the factoring facility amounted to approximately HK$2,263,000 (Note 24(b)).

26. COMMITMENTS

(a) Operating lease commitments

As at 31st March, 2003, the Group had outstanding commitments for future minimum leases payments under non-cancellable operating leases, which fall due as follows:

	2003	2002
	HK$'000	HK$'000
Within one year	**853**	943
After one year but within five years	**50**	192
	903	1,135

Operating lease payments represent rentals payable by the Group for the use of office premises and staff quarters. Leases are negotiated for terms of half year to two years with fixed monthly rentals.

(b) Capital commitments

As at 31st March, 2003, the Group and the Company had no material capital commitments.

27. CONNECTED AND RELATED PARTY TRANSACTIONS

Apart from the personal guarantee as disclosed in note 25 to the financial statements, the Group had the following material transactions with its related parties during the year:

	Notes	**2003** **HK$'000**	2002 HK$'000
Rentals paid to Supercom Investments Limited ("Supercom") (formerly known as Armitage Computer International Limited) in which a director, Dr. Lee Shun Hon, Felix has beneficial interest	(a)	**440**	474
Loan interest income from Supercom	(b)	—	126
Loan interest paid to			
- a shareholder, Kingspecial Investments Limited	(b)	—	33
- a director, Dr. Lee Shun Hon, Felix	(b)	—	22
Provision for loss on loans to Supercom		—	200

Notes :

The above transactions were entered into on the following bases:

(a) market rate as appraised by independent professional valuers; and

(b) certain percentage on outstanding loan balance.

In addition, as part of the Reorganisation, the Group waived its loans to Supercom in December 2001 amounted to approximately HK$3,590,000 and acquired an additional 23.9% equity interest in ACSCL from Kingspecial Investments Limited for a cash consideration of approximately HK$709,000 by reference to the estimated net asset value of ACSCL as at 31st October, 2001, after taking into account the directors' valuation of ACSCL's investments in Guangzhou Armitage.

All the transactions set out above also constituted connected transactions under the GEM Listing Rules. The directors have reviewed the connected transactions and are of the opinion that, save for the waiver of loans to Supercom and the acquisition of additional equity interest in ACSCL, these transactions were effected on normal commercial terms and in the ordinary course of the business of the Group.

28. RETIREMENT BENEFIT COSTS

A Hong Kong operating subsidiary of the Group had participated in the Mandatory Provident Fund Scheme ("MPF Scheme"). The assets of the MPF Scheme are held separately in an independently managed and administered fund. Contributions to the MPF Scheme are made by both the employer and employees at 5% on the employees' salaries or HK$1,000 whichever is the lower.

The Company's subsidiaries in PRC has participated in the state-sponsored retirement plan, contributions are made by the subsidiaries to the plan based on 11% to 21% of the applicable payroll costs. The Group has no other obligation other than above-mentioned contributions.

29. SEGMENT REPORTING

Segment information is presented in respect of the Group's geographical segments. Information relating to geographical segments based on the location of customers is chosen as the reporting format because this is considered by management to be more relevant to the Group in making operating and financial decisions.

(a) Geographical segments by the location of customers and by the location of assets

The Group's business can be subdivided into the Hong Kong and Mainland China markets.

The Group's geographical segments are classified according to the location of the customers. No separate disclosure of the Group's geographical segments according to the location of assets has been made as there is no material difference between the Group's geographical segments classified by location of customers or by location of assets.

Management considers that all items in the combined income statement and assets included in the combined balance sheet can be reasonably allocated to each geographical segment.

29. SEGMENT REPORTING (cont'd)

(a) Geographical segments by the location of customers and by the location of assets (cont'd)

	Hong Kong		Mainland China		Inter-segment		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	**34,911**	30,536	**7,302**	5,301	**(269)**	(232)	**41,944**	35,605
Cost of sales and services rendered	**(15,002)**	(17,535)	**(2,345)**	(1,366)	**—**	—	**(17,347)**	(18,901)
Gross profit	**19,909**	13,001	**4,957**	3,935	**(269)**	(232)	**24,597**	16,704
Other income	**1,182**	2,762	**519**	11	**(752)**	(2,072)	**949**	701
Net realised and unrealised (losses)/gains on other investments	**(3)**	2	**—**	—	**—**	—	**(3)**	2
Deficit on revaluation of land and buildings	**(21)**	(81)	**—**	—	**—**	—	**(21)**	(81)
Loss on disposal of properties and related fixed assets written off	**—**	(1,164)	**—**	—	**—**	—	**—**	(1,164)
Loss on disposal of investment securities	**—**	(1,000)	**—**	—	**—**	—	**—**	(1,000)
Provision for loss on loans to an associate	**—**	(200)	**—**	—	**—**	—	**—**	(200)
Impairment of goodwill	**—**	(514)	**—**	—	**—**	—	**—**	(514)
Operating expenses	**(17,821)**	(18,814)	**(6,962)**	(9,391)	**851**	2,249	**(23,932)**	(25,956)

29. SEGMENT REPORTING (cont'd)

(a) Geographical segments by the location of customers and by the location of assets (cont'd)

	Hong Kong		Mainland China		Inter-segment		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Operating profit/(loss)	**3,246**	(6,008)	**(1,486)**	(5,445)	**(170)**	(55)	**1,590**	(11,508)
Finance costs	**(178)**	(847)	**(173)**	(110)	**152**	55	**(199)**	(902)
Share of loss of an associate	**—**	(158)	**—**	—	**—**	—	**—**	(158)
Profit/(loss) before taxation	**3,068**	(7,013)	**(1,659)**	(5,555)	**(18)**	—	**1,391**	(12,568)
Taxation	**(104)**	(46)	**—**	—	**—**	—	**(104)**	(46)
Profit/(loss) after taxation	**2,964**	(7,059)	**(1,659)**	(5,555)	**(18)**	—	**1,287**	(12,614)
Minority interests	**—**	—	**33**	443	**—**	—	**33**	443
Profit/(loss) attributable to shareholders	**2,964**	(7,059)	**(1,626)**	(5,112)	**(18)**	—	**1,320**	(12,171)
Depreciation and amortisation	**1,826**	1,169	**1,097**	1,023	**19**	—	**2,942**	2,192
Capital expenditure incurred during the year	**10,828**	6,707	**5,038**	1,120	**(307)**	—	**15,559**	7,827
Segment assets and total assets	**124,759**	67,398	**10,144**	4,059	**(53,779)**	(5,272)	**81,124**	66,185
Segment liabilities and total liabilities	**(59,262)**	(2,508)	**(22,116)**	(7,325)	**53,761**	5,272	**(27,617)**	(4,561)
Minority interests	**—**	—	**—**	(33)	**—**	—	**—**	(33)

29. SEGMENT REPORTING (cont'd)

(b) Business segments

No information has been disclosed in respect of the Group's business segments as the Group operates only one business segment which is the provision of information solutions and design, development and sales of application software.

30. COMPARATIVE FIGURES

During the year, certain comparative figures have been restated as a result of the adoption of the new/revised SSAPs as set out in note 2(a) above.

FINANCIAL SUMMARY

RESULTS

	Years ended 31st March,		
	2001	2002	**2003**
	HK$'000	HK$'000	**HK$'000**
Turnover	28,553	35,605	**41,944**
(Loss)/profit for the year	(1,675)	(12,171)	**1,320**

Note:

1. The results of the Group for each of the two years ended 31st March, 2002 are extracted from the prospectus of the Company dated 28th February, 2003.

ASSETS AND LIABILITIES

	At 31st March,		
	2001	2002	**2003**
	HK$'000	HK$'000	**HK$'000**
NON-CURRENT ASSETS	17,220	17,259	**29,657**
CURRENT ASSETS	20,789	48,926	**51,467**
DEDUCT:			
CURRENT LIABILITIES	13,893	4,561	**27,617**
NET CURRENT ASSETS	6,896	44,365	**23,850**
NET ASSETS	24,116	61,624	**53,507**

Note:

1. The assets and liabilities of the Group as at 31st March, 2001 and 2002 are extracted from the prospectus of the Company dated 28th February, 2003.

NOTICE IS HEREBY GIVEN that an Annual General Meeting ("Meeting") of Armitage Technologies Holding Limited (the "Company") will be held at 22/F, Benson Tower, 74 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Tuesday, 29th July, 2003 at 4:00 p.m., for the following purposes.

1. To receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the financial year ended 31st March, 2003.

2. A To re-elect retiring directors;

   B To authorize the board of directors (the "Board") to fix the remuneration of the directors;

3. To re-appoint the auditors of the Company and to authorize the Board to fix their remuneration;

4. To consider and, if thought fit, pass the following resolution with or without amendments as ordinary resolution of the Company:

   (i) subject to sub-paragraph (iii) of this resolution, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot, issue or otherwise deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares) which might require the exercise of such powers either during or after the Relevant Period, be and is hereby generally and unconditionally approved;

   (ii) the approval in paragraph (i) of this Resolutions shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

   (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in sub-paragraph (i) of this resolution, otherwise than pursuant to (a) a Rights Issue (as defined below), (b) the exercise of warrants to subscribe for shares of the Company or the exercise of options granted under any share option scheme adopted by the Company, or (c) an issue of shares of the Company in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and this approval shall be limited accordingly; and

(iv) for the purpose of this resolution, "Relevant Period" means the period from the date of the passing of this resolution until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next Annual General Meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and

(c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution in general meeting of the Company.

"Rights Issue" means an offer of shares of the Company open for a period fixed by the directors of the Company to holders of shares in the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, or in any territory applicable to the Company)."

By order of the Board
Dr. Lee Shun Hon, Felix
Chairman

Hong Kong, 27th June, 2003

Registered Office
Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

Principal place of business in Hong Kong
22nd Floor, Benson Tower
74 Hung To Road
Kwun Tong
Kowloon
Hong Kong

Notes:

(i) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.

(ii) In order to be valid, the proxy form together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of such power of authority), must be delivered to the Company's branch share registrar and transfer office in Hong Kong , Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof.

(iii) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.