



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

*(incorporated in the Cayman Islands with limited liability)*

**FIRST QUARTERLY REPORT**  
**FOR THE THREE MONTHS ENDED 30TH JUNE, 2003**

*\* For identification purpose only*

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

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

## **FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED 30TH JUNE, 2003**

- Turnover reached HK\$11.1 million, a 22% increase from the previous period.
- Turnover in Hong Kong and China posted a 23% and 20% increase, respectively.
- Application software sales grew by 40% to HK\$3.1 million.
- Gross profit margin improved to 60% from 49% in the previous period.
- Operating profit of HK\$31,000 was achieved, as compared to a loss of HK\$679,000 in the previous period.
- A loss after taxation of HK\$302,000 was recorded for the period. The directors believe that satisfactory results could be achieved for the whole year.

## RESULTS

The board of directors (the “Board”) of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the three months ended 30th June, 2003, together with the comparative unaudited consolidated figures for the corresponding period as follows:

		<b>For the three months ended 30th June,</b>	
		<b>2003</b>	<b>2002</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	<b>11,114</b>	9,090
Cost of sales and services rendered		<b>(4,428)</b>	(4,629)
Gross profit		<b>6,686</b>	4,461
Other income		<b>159</b>	624
Net realised and unrealised gains on other investments		<b>36</b>	206
Operating expenses		<b>(6,850)</b>	(5,970)
Operating profit / (loss)		<b>31</b>	(679)
Finance costs	3	<b>(160)</b>	(25)
Loss before taxation		<b>(129)</b>	(704)
Taxation	4	<b>(173)</b>	(3)
Loss after taxation		<b>(302)</b>	(707)
Minority interests		<b>—</b>	(32)
Loss attributable to shareholders		<b>(302)</b>	(739)
Loss per share (HK cents)			
- Basic	5	<b>(0.04)</b>	(0.12)
- Diluted	5	<b>N/A</b>	N/A

## 1. Group reorganisation and basis of preparation

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 GEM of the Stock Exchange (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group 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.

The shares of the Company have been listed on the GEM of the Stock Exchange since 18th March, 2003.

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

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

During the three months ended 30th June, 2003, the Group adopted SSAP 12 (revised) "Income Taxes" for the first time in the preparation of the quarterly accounts.

The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (revised) had no significant effect on the results for the current or prior accounting periods.

## 2. 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. An analysis of the turnover during the period is set out below:

	<b>For the three months ended 30th June,</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Provision of information solutions		
System development and integration	<b>6,492</b>	5,634
Maintenance and enhancement income	<b>1,476</b>	1,206
Sales of application software	<b>3,146</b>	2,250
	<b><u>11,114</u></b>	<b><u>9,090</u></b>

## 3. Finance costs

Finance costs for the period amounted to approximately HK\$160,000 (2002: approximately HK\$25,000). The increase was mainly due to the additional utilization of banking facilities.

## 4. Taxation

- i. Hong Kong profits tax has been provided at 17.5% (2002: 16%) on the estimated assessable profits for the period.
- ii. 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 their respective dates of establishment.

## 5. Loss per share

The calculation of basic loss per share for the periods presented is based on the following data:

	<b>For the three months ended 30th June,</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss		
Loss for the period used in the calculation of basic loss per share	<u>(302)</u>	<u>(739)</u>
Shares		
Weighted average number of shares in issue for the purpose of calculation of basic loss per share	<u>750,000,000</u>	<u>635,823,709</u>

No diluted loss per share 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.

## 6. Reserves

Movements in reserves for the three months ended 30th June, 2003 and 2002, respectively were as follows:

	<b>Retained profits/ (Accumulated loss)</b>	<b>Share premium</b>	<b>Special reserve</b>	<b>Capital reserve</b>	<b>Exchange reserve</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April, 2002 (Audited)	224	56,203	3,801	174	(5)	60,397
Loss for the three months ended 30th June, 2002	<u>(739)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(739)</u>
At 30th June, 2002 (Unaudited)	<u>(515)</u>	<u>56,203</u>	<u>3,801</u>	<u>174</u>	<u>(5)</u>	<u>59,658</u>
At 1st April, 2003 (Audited)	1,544	40,493	3,801	174	(5)	46,007
Loss for the three months ended 30th June, 2003	<u>(302)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(302)</u>
At 30th June, 2003 (Unaudited)	<u>1,242</u>	<u>40,493</u>	<u>3,801</u>	<u>174</u>	<u>(5)</u>	<u>45,705</u>

*Note:* As stated in the announcement made by the Company on 4th August, 2003, certain accounting entries such as the credit of share premium account by HK\$2,343,000 arising from the unrecorded receivable in respect of the listing expenses shared between the Company and Dr. Lee Shun Hon, Felix was made to the financial statements of the Company on 25th July, 2003, details of which will be disclosed and reflected in the Company's unaudited financial results announcement for the half-year ended 30th September, 2003.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the three months ended 30th June, 2003 (2002: Nil).

## **FINANCIAL REVIEW**

For the three months ended 30th June, 2003, the Group achieved a 22% increase to HK\$11.1 million in its turnover as compared to the same quarter in the previous year. Gross profit margin improved from 49% to 60%. The Group managed to achieve an operating profit compared to an operating loss during the same quarter in the previous year. These improvements are attributable to the Group's effort in implementing cost cutting measures.

## **BUSINESS REVIEW**

Despite the adverse effect posed by the outbreak of the Severe Acute Respiratory Syndrome ("SARS") on almost every industry, the Group managed to be marginally affected. During the period under review, the Group was awarded an ERP implementation contract by a Taiwan electronics group with manufacturing plants set up in the PRC. In addition, the Group also acted swiftly to the outbreak of SARS by implementing measures such as publishing and circulating of industry related newsletters or flyers, promotional articles published in popular magazines and constant updates of its websites in an effort to maintain regular contacts with its clients, at a time when interactions were almost impossible at the peak of the SARS outbreak.

The Group established Armitage Technologies (Shenzhen) Limited in Shenzhen, the PRC in April 2003 to further strengthen its research and development in AIMS.



www.dongyee.com, an integrated website designed by the Group, provides a wide spectrum of information ranging from the most updated hotel management information, hotel inventory supplier database, recruitment tips and inquiries, to hotel related software support. This internet platform not only enables the Group to respond more quickly to its customers' need but it also provides the Group with immediate access to an extensive base of potential clients from the hotel industry.

The Group is actively pursuing strategic partnerships and exploring merger and acquisition opportunities and is currently engaged in active discussions with both local and multinational companies.

## **FUTURE PROSPECTS**

The Group will continue its effort in the development and system enhancement of its ERP and hotel management software, respectively. The Group has also been actively seeking business opportunities in the logistic/transportation, hospitality and manufacturing sectors. The Group's business in the PRC will benefit significantly from the PRC's admission into the World Trade Organization and the hosting of the Olympic Games in 2008. In PRC, the Group's hotel management software is gaining momentum and is well positioned to be the leading hotel management software provider.

The Group shall continue to exercise stringent cost control, exert more effort in cultivating further business opportunities through direct sales and explore the possibility of diversifying its sales through channel sales or other distribution points.

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

During the three months ended 30th June, 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

**DISCLOSURE OF DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SECURITIES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS**

As at 30th June, 2003, the interests or short positions of the directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 under the Laws of Hong Kong), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

<b>Name of Director</b>	<b>Type of interest</b>	<b>Number of shares</b>	<b>Approximate percentage of the issued share capital</b> <i>(Note 3)</i>
Dr. Lee Shun Hon, Felix	Personal	331,301,790	44.17%
	Family	17,907,651 <i>(Note 1)</i>	2.39%
Mr. Au Yat-Gai	Personal	14,472,212	1.93%
Mr. Chun Hon Ching	Personal	11,503,399	1.53%
Dr. Liao, York	Corporate	29,988,007 <i>(Note 2)</i>	4.00%

*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.
3. Based on 750,000,000 shares of the Company in issue as at 30th June, 2003.

**(b) Long positions in underlying shares of equity derivatives of the Company**

<b>Name</b>	<b>Type of interests</b>	<b>Number and description of equity derivatives</b>	<b>Number of underlying shares</b>
Dr. Lee Shun Hon, Felix	Personal	Pursuant to the Pre-IPO Share Option Plan dated 26th February, 2003, share option to subscribe for 1,480,000 shares was granted at an exercise price of HK\$0.35 per share. The exercise period is from 18th September, 2004 to 17th March, 2007	1,480,000
Mr. Au Yat-Gai	Personal	Pursuant to the Pre-IPO Share Option Plan dated 26th February, 2003, share option to subscribe for 1,100,000 shares was granted at an exercise price of HK\$0.35 per share. The exercise period is from 18th September, 2004 to 17th March, 2007	1,100,000
Mr. Chun Hon Ching	Personal	Pursuant to the Pre-IPO Share Option Plan dated 26th February, 2003, share option to subscribe for 1,800,000 shares was granted at an exercise price of HK\$0.35 per share. The exercise period is from 18th September, 2004 to 17th March, 2007	1,800,000
Dr. Liao, York	Personal	Pursuant to the Pre-IPO Share Option Plan dated 26th February, 2003, share option to subscribe for 7,200,000 shares was granted at an exercise price of HK\$0.10 per share. The exercise period is from 18th September, 2004 to 17th March, 2007	7,200,000
			<hr/> <hr/> <b>11,580,000</b>

**(c) Short positions in the shares and underlying shares of equity derivatives of the Company**

Save as disclosed herein, as at 30th June, 2003, none of the Directors has short positions in the shares or underlying share of equity derivatives of the Company.

Save as disclosed herein, as at 30th June, 2003, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as is known to any director or chief executive of the Company, as at 30th June, 2003, persons or companies who had an interest or short position in the shares or underlying shares of the Company which were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or interested in, directly or indirectly, 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

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

<b>Name</b>	<b>Type of interests</b>	<b>Number of shares held</b>	<b>Approximate percentage of the issued share capital</b> <i>(Note 4)</i>
Dr. Lee Shun Hon, Felix	Personal	331,301,790	44.17%
	Family	17,907,651 <i>(Note 1)</i>	2.39%
Kingspecial Investments Limited	Corporate	114,578,176 <i>(Note 2)</i>	15.28%
Mr. Lee Shun Kwong	Corporate	41,870,454 <i>(Note 3)</i>	5.58%

*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.

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.
3. Mr. Lee Shun Kwong has an attributable interest of 34,373,452 shares through his shareholding interest of 30% in Kingspecial Investments Limited and of an attributable interest in 7,497,002 shares through his interest of approximately 29.84% in Keystone Ventures, L.P. (in his capacity as a limited partner of Keystone Ventures, L.P.).
4. Based on 750,000,000 shares of the Company in issue as at 30th June, 2003.

**(b) Long positions in underlying shares of equity derivatives of the Company**

Name	Type of interests	Number and description of equity derivatives	Number of underlying shares
Dr. Lee Shun Hon, Felix	Personal	Pursuant to the Pre-IPO Share Option Plan dated 26th February, 2003, share option to subscribe for 1,480,000 shares was granted at an exercise price of HK\$0.35 per share. The exercise period is from 18th September, 2004 to 17th March, 2007	1,480,000
			1,480,000

**(c) Short positions in the shares and underlying shares of equity derivatives of the Company**

So far as the Directors are aware, save as disclosed herein, no persons have short positions in the shares or underlying shares of equity derivatives of the Company.

Save as disclosed herein, so far as is known to the Directors, as at 30th June, 2003, no other persons or companies had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or were interested in, directly or indirectly, 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

## **COMPETING INTERESTS**

None of the directors, the substantial shareholders, the management shareholders and their respective associates (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.

## **SPONSOR'S INTERESTS**

As updated and notified by the Company's sponsor, Anglo Chinese Corporate Finance, Limited ("Anglo Chinese"), as at 30th June, 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 has received and will receive fees for acting as the Company's continuing sponsor for the period from 18th March, 2003 (date of listing of the Company's shares on GEM) 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 5.27 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 the Group's unaudited results for the three months ended 30th June, 2003, the audit committee has held one meeting and has reviewed the quarterly report and accounts for the three months ended 30th June, 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 three months ended 30th June, 2003.

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

Hong Kong, 12th August, 2003