



Armitage Technologies Holding Limited
(萬達資訊科技控股有限公司) *

(incorporated in the Cayman Islands with limited liability)

THIRD QUARTERLY REPORT
FOR THE NINE MONTHS ENDED 31ST DECEMBER, 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.

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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 NINE MONTHS ENDED
31ST DECEMBER, 2003.**

- Turnover amounted to approximately HK\$39.8 million, representing an increase of approximately 31% over the same period last year.
- Hong Kong turnover recorded a growth of approximately 15%. During the period, turnover from the provision of information solutions increased to approximately HK\$27.3 million compared to approximately HK\$24.0 million in the corresponding period last year.
- Turnover in China posted a significant growth of approximately 112% to approximately HK\$10.2 million.
- Application software sales increased by approximately 92% to approximately HK\$12.5 million.
- Operating profit of approximately HK\$2.5 million was achieved, an increase of approximately 73% over the same period last year.
- A profit after taxation of approximately HK\$1.6 million was recorded for the period, an increase of approximately 16% over the same period last 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 nine months ended 31st December, 2003 and the three months ended 31st December, 2003, together with the comparative unaudited consolidated figures for the corresponding period as follows:

		For the nine months ended 31st December,		For the three months ended 31st December,	
		2003	2002	2003	2002
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	39,817	30,471	14,912	10,558
Cost of sales and services rendered		(16,317)	(12,673)	(5,864)	(3,874)
Gross profit		23,500	17,798	9,048	6,684
Other income		454	860	139	121
Net realised and unrealised gains/ (losses) on other investments		299	(12)	107	8
Surplus on revaluation of investment properties		—	72	—	10
Operating expenses		(21,790)	(17,297)	(7,784)	(5,645)
Operating profit		2,463	1,421	1,510	1,178
Finance costs		(364)	(59)	(115)	(22)
Profit before taxation		2,099	1,362	1,395	1,156
Taxation	3	(532)	(7)	(218)	—
Profit after taxation		1,567	1,355	1,177	1,156
Minority interests		(256)	(13)	(181)	16
Profit attributable to shareholders		1,311	1,342	996	1,172
Earnings per share (HK cents)					
— Basic	4	0.175	0.211	0.133	0.184
— Diluted	4	0.174	0.209	0.132	0.183

Notes:

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 on 18th March, 2003.

The Reorganisation has been accounted for 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 results 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 nine months ended 31st December, 2003 the Group adopted SSAP 12 (revised) “Income Taxes” for 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 bases 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:

	For the nine months ended 31st December,	
	2003	2002
	HK\$'000	HK\$'000
Provision of information solutions		
System development and integration	23,352	19,107
Maintenance and enhancement income	3,957	4,846
Sales of application software	<u>12,508</u>	<u>6,518</u>
	<u><u>39,817</u></u>	<u><u>30,471</u></u>

3. Taxation

- a. Hong Kong profits tax has been provided at 17.5% (2002: 16%) on the estimated assessable profits for the period.
- b. No provision for the PRC enterprise income tax has been made as the Group's subsidiaries operating in the PRC have no assessable profits after offsetting with available tax losses.

4. Earnings per share

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

	For the nine months ended 31st December,		For the three months ended 31st December,	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit				
Profit for the period used in the calculation of basic and diluted earnings per share	<u>1,311</u>	<u>1,342</u>	<u>996</u>	<u>1,172</u>
Shares				
Weighted average number of shares in issue for the purpose of calculation of basic earnings per share	<u>750,000,000</u>	<u>635,823,709</u>	<u>750,000,000</u>	<u>635,823,709</u>
Weighted average number of shares in issue for the purpose of calculation of diluted earnings per share	<u>755,142,857</u>	<u>640,966,566</u>	<u>755,142,857</u>	<u>640,966,566</u>

5. Reserves

Movements in reserves for the nine months ended 31st December, 2003 and 2002, respectively are as follows:

	Retained profits <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2002 (Audited)	224	56,203	3,801	174	(5)	60,397
Profit for the six months ended 30th September, 2002	<u>170</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>170</u>
At 30th September, 2002 (Unaudited)	394	56,203	3,801	174	(5)	60,567
Profit for the three months ended 31st December, 2002	<u>1,172</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,172</u>
At 31st December, 2002 (Unaudited)	<u>1,566</u>	<u>56,203</u>	<u>3,801</u>	<u>174</u>	<u>(5)</u>	<u>61,739</u>
At 1st April, 2003 (Audited)	1,544	40,493	3,801	174	(5)	46,007
Adjustment for expenses for share placing	—	2,343	—	—	—	2,343
Profit for the six months ended 30th September, 2003	<u>315</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>315</u>
At 30th September, 2003 (Unaudited)	1,859	42,836	3,801	174	(5)	48,665
Profit for the three months ended 31st December, 2003	<u>996</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>996</u>
At 31st December, 2003 (Unaudited)	<u>2,855</u>	<u>42,836</u>	<u>3,801</u>	<u>174</u>	<u>(5)</u>	<u>49,661</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31st December, 2003 (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the nine months ended 31st December, 2003, the Group recorded an increase in turnover of approximately 31%. Gross profit margin remained stable at approximately 59% for both periods under review. Finance costs increase from approximately HK\$59,000 in last period to approximately HK\$364,000 in current period. It is mainly due to the increase in usage of banking facilities in the current period.

BUSINESS REVIEW

For the nine months ended 31st December, 2003, the Group has achieved a consolidated turnover of approximately HK\$39.8 million and an operating profit of approximately HK\$2.5 million, representing a growth of approximately 31% in turnover and increase of approximately 73% in operating profit. For the three months ended 31st December, 2003, the Group's turnover amounted to approximately HK\$14.9 million and operating profit amounted to approximately HK\$1.5 million, representing an increase of approximately 41% in total turnover and an increase of approximately 28% in operating profit as compared to the same period in the previous year. PRC business continued to record significant growth with total turnover at approximately HK\$10.2 million, an approximately 112% increase as compared to approximately HK\$4.8 million over the same period last year.

Application software turnover increased by approximately 92% to approximately HK\$12.5 million. The increase is largely attributed to the growth in the sale of the Group's proprietary hotel management software, Pegasus v.7.0, and implementation of Enterprise Resource Planning ("ERP") systems in the PRC. The Group's effort in improving its product quality and services, and extending its market share to areas of high development potentials in the PRC has resulted in the improvement in business turnover.

In Hong Kong, total turnover recorded a growth of approximately 15% as compared to the same period last year. Provision of information solutions continued to play the major role. During the period, the Group was awarded a contract to provide an Integrated Garment Application System for a Hong Kong base garment trader to enhance their productivity and maximize profitability. The Group's new business venture, Armitage Business Consulting Group Limited ("ABCG"), which was established in August 2003 and specializes in the implementation of Oracle Applications (ERP application software for large enterprises), has achieved turnover of approximately HK\$4.0 million during the period. Overall, business in Hong Kong remained stable during the period under review.

The Group's proprietary ERP system, Armitage Industrial Management System ("AIMS"), specially designed for small to medium sized enterprises in Hong Kong and the PRC, was officially launched at the end of 2003. A number of sales and marketing campaigns were organized to promote AIMS Version 3.02. Research and development effort continues for AIMS to further enhance its functions.

The Group's subsidiary Guangzhou Eastern Express Hotel Management Limited (widely known as EE in the PRC) is now focusing on the provision of exclusive hotel related information services, both on-line and off-line. Supplemented by the magazine Hotel Expert, the web site dongyee.com is very popular amongst PRC hotel owners, managers and executives. Subscriptions to its usage are increasing by multi-folds every month. The platform is unique in the sense that it contains useful reference material on hotel management and valuable industry related information.

FUTURE PROSPECTS

Expansion of business in the PRC market is the Group's main focus in future business development. The Group is constantly reviewing its business plan in the PRC for marketing its proprietary application software systems, including its hotel management software, Pegasus and ERP software, AIMS. As performance in the Northern and Eastern regions of the PRC is good, the Group plans to expand its offices in Shanghai and Beijing to further develop Pegasus' business in these regions. The Group's plans to expand its Wuhan office and open one sales office in Xian are still under review. The Group believes that its integrated strength and profound experience in these areas give the Group more edge than its competitors. Coupled with the expected high investment input in PRC hotel related industries by investors and the continuous growth of the PRC economy, it is expected that the Group can achieve good performance in these sectors in the years to come.

Leveraging on the Group's existence and recognition by a large number of PRC mid-range hotels as a reliable solutions provider and its experience in magazine publication, the Group has decided to launch a new project — the publication of a magazine e²Smart which is targeted to be placed in guest rooms of mid-range hotels in the PRC, complemented by a web site of the same name. The initial launching date of the magazine is end of February 2004 targeted to be placed in approximately 100 hotels in the cities of Beijing, Shanghai, Guangzhou and Shenzhen. The Group believes that this is an important move for the Group to expand its business scope to the huge media market of the PRC.

In Hong Kong, the Group expects that its performance in provision of information solutions shall be improved alongside with the rebound of the local economy. The Group's subsidiary, ABCG, which specializes in high end ERP business consulting (implementation of Oracle Applications), will contribute to a large part of the Group's growth in Hong Kong in the coming years. The Group believes that ABCG possesses the expertise in its specialized area that few competitors can match with.

The Group shall continue to improve product quality and service level. Aggressive sales activities are also planned to promote its products. Effective cost control remains to be the continuing mutual goal of all operations within the Group. With the anticipation that employment status shall improve with the upward trend of the economy, the Group has formulated strategies to support its existing proficient technical and management team.

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

During the nine months ended 31st December, 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 31st December, 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

Name of Director	Type of interests	Number of shares	Approximate percentage of the issued share capital (Note 3)
Dr. Lee Shun	Personal	331,301,790	44.17%
Hon, Felix	Family	17,907,651 (Note 1)	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 (Note 2)	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 31st December, 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
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

Name	Type of interests	Number and description of equity derivatives	Number of underlying shares
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
			11,580,000

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

Save as disclosed herein, as at 31st December, 2003, none of the Directors has short positions in the shares or underlying shares of equity derivatives of the Company.

Save as disclosed herein, as at 31st December, 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 Rules 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 31st December, 2003, the 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

Name	Type of interests	Number of shares held	Approximate percentage of the issued share capital <i>(Note 4)</i>
Dr. Lee Shun	Personal	331,301,790	44.17%
Hon, Felix	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 31st December, 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
			<hr/> <hr/> 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 31st December, 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 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 31st December, 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 had 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, interim 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 nine months ended 31st December, 2003, the audit committee has held three meetings and has reviewed the quarterly report and accounts for the nine months ended 31st December, 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 nine months ended 31st December, 2003.

On behalf of the Board
Lee Shun Hon, Felix
Chairman

Hong Kong, 11th February, 2004