

ANNUAL REPORT  
2003-2004



**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.*

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## EXECUTIVE DIRECTORS

Mr. Lee Shun Hon, Felix  
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. Chun Hon Ching\*

## AUDIT COMMITTEE

Mr. Anthony Francis Martin Conway  
Professor Tsang Hin Pok, Herbert  
Mr. Chun Hon Ching\*

## AUTHORIZED REPRESENTATIVES

Mr. Lee Shun Hon, Felix  
Mr. Chun Hon Ching\*

## 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  
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

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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](http://www.armitage.com.hk)  
[www.armitage.com.cn](http://www.armitage.com.cn)  
[www.dongyee.com](http://www.dongyee.com)  
[www.e2smart.com](http://www.e2smart.com)

## GEM STOCK CODE

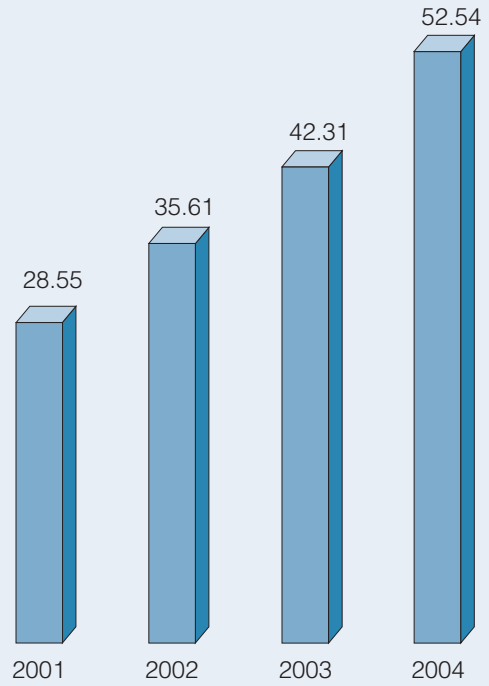
8213

\* Mr. Chun Hon Ching was appointed as compliance officer, audit committee member and authorized representative with effect from 14th May, 2004.

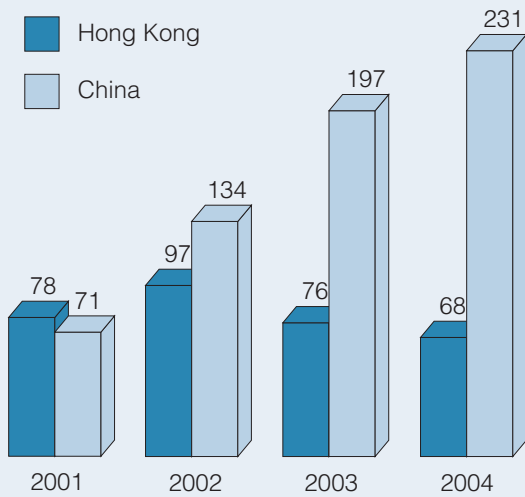
# FINANCIAL HIGHLIGHTS

For the year ended 31st March,	2001	2002	2003	2004
(in HK \$million)				
Turnover	28.55	35.61	42.31	<b>52.54</b>
Gross Profit	13.57	16.70	24.60	<b>29.12</b>
Operating (Loss)/Profit	(0.14)	(11.51)	1.59	<b>(6.66)</b>
Net (Loss)/Profit	(0.96)	(11.52)	0.55	<b>(7.10)</b>

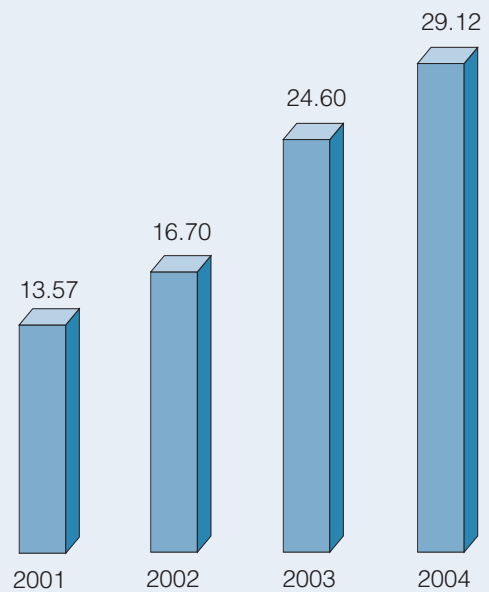
Turnover (in HK\$ million)



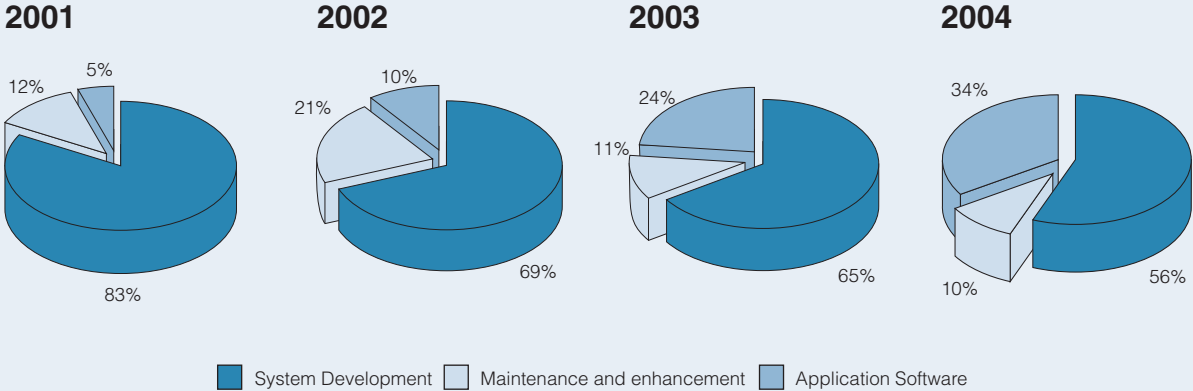
Employees



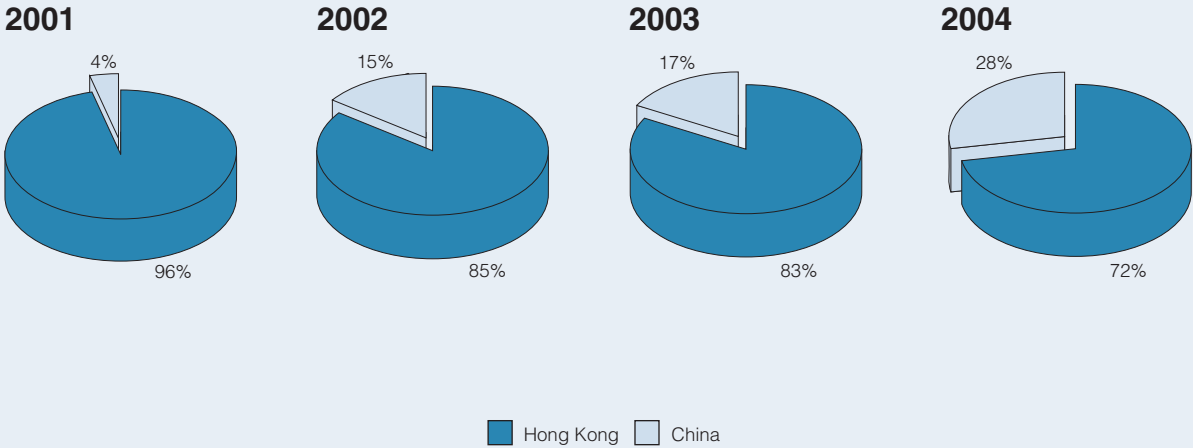
Gross Profit (in HK\$ million)



BUSINESS COMPOSITION (BY TURNOVER)



GEOGRAPHICAL COMPOSITION (BY TURNOVER)



# CHAIRMAN'S STATEMENT

I am pleased to present the financial results for Armitage Technologies Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31st March, 2004.

Financial year 2003/2004 was challenging. On the whole, our total turnover enjoyed an approximately 24% growth over the last financial year. Revenue generated from the People's Republic of China ("PRC") recorded a significant increase of approximately 101% as compared to the last financial year whilst turnover derived from Hong Kong recorded a mild increase of approximately 8%. The results are encouraging as economic situation in Hong Kong remained weak.

In Hong Kong, we continue to provide IT solutions including staff outsourcing to corporate clients whereas in the PRC our focus was on the areas of application software. During the reporting year, over 180 *Pegasus* licences were sold to customers. We are optimistic that our mission to become the number one mid-range hotel management software provider in the PRC could be achieved in year 2005.

Loss attributable to shareholders amounted to approximately HK\$7.1 million, largely due to the write off of bad debts of approximately HK\$1.2 million and provision for impairment loss of development costs of approximately HK\$5.3 million.

Last year, I emphasized the importance of research and development in our business. I still want to stress here that research and development are essential to our future growth and we shall continue with function enhancement for our products *Pegasus* and *AIMS* to ensure their competitiveness and marketability.

The length of IT product development and enhancement cycle is often longer than we originally anticipated. At present, there is a possibility that development for some products will experience delay and certain products, after launching, may not be completely technically viable or readily accepted by the market. To this end, we are now actively pursuing cooperation opportunities with research units at various universities to jointly develop products and for technologies exchange.

The encouraging results brought about by our aggressive expansion in the PRC hospitality market during the past years has given us confidence to diversify to other business scope and product offering in the same market. One of our wholly owned subsidiary – Guangzhou Eastern Express Hotel Management Limited is now publishing a hotel guest room magazine entitled e<sup>2</sup>Smart. The launching of e<sup>2</sup>Smart, together with the hotel management software, *Pegasus*, enabled us to offer customers a diversified range of products distributed through the hospitality channel.

During the past fiscal year, we have strengthened our corporate restructuring plan to rationalize cost. This included re-organization of regional offices and localization of support teams in our PRC operation and a company-wide initiative to align personnel with our "team-across-border" strategy in Hong Kong, resulting in a reduction of our workforce by approximately 11% in Hong Kong and an increase of approximately 23% in Shenzhen. In longer term, we believe that this strategy will increase our competitiveness and reduce our expenditure.

Our mid to long term strategic objective remains simple. We aim to position ourselves as one of the prominent IT application software developers and service providers in the PRC. 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 methods. To our customers, we promise to deliver customized and good quality products and superior services. To our employees, we promise to provide a challenging and rewarding workplace. To our shareholders, we promise to strengthen our organization and refine our overall strategic directions from time to time.

Looking forward, we are confident that with our experience and expertise, business in our Hong Kong operation will increase steadily and believe that our pursuit of further business opportunities in the hospitality sector in the PRC will contribute significantly to our growth in the years to come.

I want to conclude this message by thanking my fellow directors, our management and staff members for their effort, dedication and valuable contribution throughout the year. I also like to express my sincere appreciation to our shareholders, customers and business partners for their continuous support.

**Lee Shun Hon, Felix**

*Chairman*

Hong Kong, 21st June, 2004



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Hong Kong Operation

#### *Information Solution Projects*

Although general consumer sentiment had gradually improved during the year, actual business environment, especially in the IT sector, continued to be difficult. The Group is pleased to announce that with the concerted effort of its dedicated staff, turnover derived from Hong Kong achieved a growth rate of approximately 8% for the year. Turnover generated from the provision of system development and integration, and maintenance and enhancement income recorded increase of approximately 8% and approximately 12% respectively for the year. The Group was engaged to provide IT solutions for customers in trading, transportation and manufacturing industries. The Group was awarded a project by the Hong Kong Government Dockyard for the upgrading and enhancement of the existing computer system that managed the operation of the fleet of ships owned by the Hong Kong government.

In April 2003, the Group established a subsidiary in Shenzhen, Armitage Technologies (Shenzhen) Limited. The establishment of this subsidiary further realized the Group's "team-across-border" strategy, which was formulated to increase the Group's competitiveness in the local IT market by utilizing the relatively less expensive technical resources in the PRC for the support and implementation of projects based in Hong Kong.

In August 2003, the Group set up a subsidiary Armitage Business Consulting Group Limited ("ABCG") jointly with an independent third party to take part in high-end application consulting business. However, in the first two months of 2004, business of ABCG deteriorated substantially and the Group began to have doubts on its future profitability. At the same time, the management of ABCG had a divergence in views regarding the future business strategy of ABCG. Consequently, the Board unanimously decided to cut loss and dispose of its entire investment in March 2004 and recorded a gain on disposal of approximately HK\$86,000.

During the year, decision was made not to proceed further with the development of the IT project relating to human resources management of a Hong Kong government department. After careful review of the circumstances surrounding the IT project, the Group considered that the Government of the HKSAR human resources project potential was not commercially attractive and decided to cease further development of this human resources software, *HR Adapter*. Development costs of approximately HK\$3.5 million were written off.

#### *ERP System*

The Group's proprietary Enterprise Resource Planning ("ERP") system, Armitage Industrial Management System ("AIMS"), an application software specifically designed for small and medium sized enterprises in Hong Kong and the PRC, was formally launched to the market in December 2003. Despite the keen competition for the sale of ERP system and related application software to customers in the manufacturing industry, sales generated from *AIMS* together with its previous version *KONTO21*, and related implementation services amounted to approximately HK\$3.5 million, representing an increase of approximately 18% over the last year. The Group continued the research and development for *AIMS* with an aim of enhancing its functions and technologies.

## PRC Operation

The Group's financial results in the PRC were very encouraging. Turnover derived from the PRC operation has increased by approximately 101% to approximately HK\$14.9 million for the year (2003: approximately HK\$7.4 million). This included approximately HK\$11.1 million generated from the sale of the Group's proprietary hotel management software — *Pegasus* and approximately HK\$3.8 million in the implementation of ERP system. During the year, the Group constantly reviewed its strategies and reacted swiftly to the changing market situation in the PRC.

### *Hospitality*

#### *"Pegasus" — Award-Winning Hotel Management Software*

Turnover of the sale of the Group's award-winning hotel management software, *Pegasus* doubled from approximately HK\$5.3 million recorded for last year to approximately HK\$11.1 million recorded for this year. With the inclusion of new innovative functions to cater for the special requirements of hotel operation in the PRC, the latest version of *Pegasus* v.7.0 received a good response and demand from the hospitality industry. In particular, business in the southern and northern regions of the PRC recorded significant growth. During the year, the Group formulated various plans to increase its exposure in certain regions of the PRC with good development potential such as Shenzhen, Xiamen, Qingdao and relinquished areas with little development potential. The Group also set up local support teams in its regional offices in the PRC to provide prompt and efficient services to customers. The Group's focus on good quality products and customer oriented services, complemented by aggressive sales and marketing plans and sensible expansion strategies are important factors contributing to the remarkable financial results in the PRC.

#### *Diversification into the media market in the PRC*

The Group's wholly-owned subsidiary Guangzhou Eastern Express Hotel Management Limited ("Eastern Express"), a mid-range hotel information solutions provider in the PRC, underwent rationalization of its business strategy during the year.

Eastern Express diverted its scope of business to target the media market in the hospitality industry. In addition to operating the popular hotel information website [www.dongyee.com](http://www.dongyee.com), Eastern Express published magazines within the hospitality channel, namely Hotel Expert and e<sup>2</sup>Smart. Hotel Expert is an industry-related professional magazine subscribed by PRC hotel managers and operators. e<sup>2</sup>Smart is a leisure magazine published bi-monthly and placed in mid to high range hotel guest rooms targeting business travelers in the major PRC cities with strong spending potential. The first issue of e<sup>2</sup>Smart was published in March 2004 and distributed to approximately 125 hotels in Beijing, Shanghai, Guangzhou and Shenzhen. Leveraging on the Group's strong relationship with the hospitality industry, it is expected that the number of hotels included in the network will increase steadily each month. With the strong distribution network, the Group is well positioned to develop the publication business in the PRC.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *ERP System*

The Group's implementation of *IFS* — a third party ERP software system in the PRC achieved satisfactory results. Turnover derived from the sale of *IFS* was approximately HK\$3.8 million for the year, representing an increase of approximately 81% as compared to the turnover of approximately HK\$2.1 million for the last year. The Group maintained a close working relationship with Industrial and Financial System (Beijing) Limited with an aim to further developing business in this area together.

## PROSPECTS

In Hong Kong, the Group expects that business for provision of information solutions to continue growing given the anticipated recovery in the local economy. The Group is currently discussing with a number of strategic partners on the possibility of project cooperation. The Group expects a modest growth on business from sale of application software and enhancement services in the coming year.

In the PRC, the Group anticipates further growth on its proprietary hotel management system — *Pegasus*. The encouragement and support from the PRC government on local tourism and travel industry have created strong demand for hotel application software. The construction of new hotels and renovation of existing hotels with outdated facilities need to uplift to cope with demands from customers. All these factors have created business opportunities for *Pegasus*. Leveraging on a mature product widely recognized in the market and its profound experience and expertise in this area, the Group expects to increase its market share substantially in the future and believes that it is well positioned to become one of the leading PRC hotel management software providers for mid range hotels.

The Group's diversification into the publication business through Eastern Express is expected to solidify in the coming year. Utilizing the Group's strong network in the hospitality industry to establish this unique channel along the mid-high range PRC hotel line, the number of hotels distributed with e<sup>2</sup>Smart magazine is expected to increase steadily on every new issue. The Group also plans to extend the distribution of e<sup>2</sup>Smart magazine to other well-developed business cities in the PRC in the near future. The Group believes that the PRC media market has great business opportunities and e<sup>2</sup>Smart magazine, which reaches business travelers with high spending potential, is the preferred choice by international and local companies to promote their products to the right group of people in the PRC consumer market. The Group believes that e<sup>2</sup>Smart magazine may contribute significantly to its revenue in the years to come.

## FINANCIAL REVIEW

### Consolidated results of operations

For the year ended 31st March, 2004, the Group recorded total turnover of approximately HK\$52.5 million, an increase of approximately 24% over last year. The increase in turnover was mostly contributed by sale of application software, which amounted to approximately HK\$17.6 million, an increase of approximately 75% as compared to the approximately HK\$10.1 million recorded for the previous year.

The Group's strategy to expand into the PRC market during the past few years has proven to be correct. Turnover in the PRC operation amounted to approximately HK\$14.9 million, an approximately 101% increase as compared to approximately HK\$7.4 million for last year.

The Group has implemented strict cost control plan. However, during the year, bad debts of approximately HK\$1,206,000 (2003: approximately HK\$85,000) was provided mainly due to the cessation of a Hong Kong government project. Moreover, an impairment loss of development costs amounted to approximately HK\$5,344,000 was provided. As a result, net loss of approximately HK\$7.1 million was recorded for the year.

## Gross profit

Gross profit margin had slightly reduced from approximately 58% in 2003 to approximately 55% in the current year. During the year due to keen competition, the Group's overall charging rate for the provision of information solutions to customers was reduced. Also the Group's subsidiary, ABCG, was operating at higher staff cost. Profit margin of this subsidiary was only at approximately 30%. Consequently, the gross profit margin for the provision of information solutions was brought down (from approximately 54% in 2003 to approximately 47% this year) and thus the overall gross profit margin of the Group also decreased.

Gross profit margin for the sales of application software remained stable at approximately 71% for both years under review.

## Other income

Other income of approximately HK\$1,076,000 was recorded for the year as compared to approximately HK\$949,000 last year. In 2003, there was a write back of a provision for rental payable of approximately HK\$454,000 related to the leasing of the Group's office in Guangzhou.

During the year, a property held by the Group was leased to an independent third party to generate rental income amounted to HK\$180,000. Moreover, a revaluation surplus of this property amounted to HK\$250,000 was recorded during the year.

## Expenses

Total operating expenses increased by approximately 27%, from approximately HK\$23.9 million last year to approximately HK\$30.3 million this year. The Group has established new offices in the PRC for expansion of its business and employed more staff to cope with the expansion. The listing of the Company in March 2003 and the compliance with the listing requirements also contributed to the increase in operating expenses for the year. Starting from December 2003, due to the completion of AIMS v.3.02, the Group had started to amortise its development costs. This resulted in the increase in amortisation of development costs by approximately HK\$913,000 over the last year.

Total staff costs (including directors' remuneration) amounted to approximately HK\$34.2 million (2003: approximately HK\$28.8 million), representing an increase of approximately 19%. Total number of staff increased from 273 (as at 31st March, 2003) to 299 (as at 31st March, 2004). Additional staff recruitment is required in order to cope with the expansion of the Group's business. During the year, approximately HK\$439,000 was paid as compensation to terminate employment of staff.

Finance costs increased to approximately HK\$478,000 (2003: approximately HK\$199,000) due to the additional utilisation of banking facilities. In the last year, the Group began to utilize banking facilities from the 3rd quarter of the year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial resources and liquidity

As at 31st March, 2004, the shareholders' funds of the Group amounted to approximately HK\$49.4 million. Current assets amounted to approximately HK\$46.4 million of which approximately HK\$31.2 million were cash and bank deposits and approximately HK\$13.4 million were debtors, deposits and prepayments. The Group's current liabilities amounted to approximately HK\$27.6 million, including approximately HK\$20.6 million bank loans and overdrafts.

Current ratio as at 31st March, 2004 was approximately 1.68 (2003: approximately 1.86). Gearing ratio, expressed as a ratio of total bank borrowings to shareholders' funds, was approximately 0.45 (2003: approximately 0.33). Fluctuations in the ratios were mainly due to the additional utilisation of banking facilities.

## Foreign exchange

The Group received renminbi from sales in China. Fluctuation of exchange rates of renminbi against foreign currencies could affect the Group's results of operations. During the reporting period, no hedging transaction or arrangement was made.

## Significant investments and acquisition

In April 2003, the Group established Armitage Technologies (Shenzhen) Limited in Shenzhen, the PRC, to further strengthen its research and development activities for *AIMS* and as a technical resource centre to support projects implemented in Hong Kong.

In August 2003, with a view to extending the Group's business scope to high-end application consulting, the Group formed ABCG with a joint venture partner, which is an independent third party. The Group held 60% of the shareholding in ABCG. In March 2004, due to the Group's doubts on ABCG's future profitability and the divergence in views between the Group and the joint venture partner regarding ABCG's future business strategy, the Group decided to dispose of its entire shareholding in ABCG.

In March 2004, the Group established 廣州市東驛廣告有限公司 in Guangzhou, to operate publication and advertising businesses.

Save as disclosed above, the Group had no material acquisitions and disposal of subsidiaries and affiliated companies in current and prior years.

## Charges on the Group's assets

As at 31st March, 2004, the Group's time deposits of approximately HK\$10.0 million (2003: HK\$10.5 million) have been pledged to banks to secure general banking facilities granted to the Group.

## Capital commitments

For both years under review, the Group had no material capital commitments.

## Contingent liabilities

- (a) As at 31st March, 2004, the Group had contingent liabilities in respect of performance bonds amounted to approximately HK\$151,000 (2003: approximately HK\$516,000) 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, 2004, the Group had contingent liabilities in respect of factored trade accounts receivable amounted to approximately HK\$1,593,000 (2003: approximately HK\$2,263,000).
- (c) As at 31st March, 2004, the Company and the Group had contingent liability in respect of a guarantee given to a customer for the service performed by a former subsidiary to the extent of HK\$756,000. On 4th June, 2004, the customer released and discharged the Company and the Group from all past, present and future liability under the guarantee in consideration of the payment of the sum of HK\$10 to the customer.

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During both years under review, there was no on-going financial exposure to borrowers or other on-going matters of relevance as defined in Rules 17.22 to 17.24 of the GEM Listing Rules.

## Employees and remuneration policies

As at 31st March, 2004, the Group had 299 employees in Hong Kong and the PRC (2003: 273). Remuneration is determined by reference to market terms and in accordance with the performance, qualification and experience of individual employee. Discretionary bonuses based on individual's performance are paid to employees as recognition and reward of their contributions. Other fringe benefits such as medical subsidy, medical insurance, education/training subsidies, pension funds are offered to most employees. Share options are granted at discretion under the terms and conditions of the Employees Share Option Scheme.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

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 1st October, 2003 to 31st March, 2004 (the 'Relevant Period').

### Business Objectives for the Relevant Period as stated in the Prospectus

#### Strategic development

Continue to focus on the marketing and sale, and research and development of its proprietary application software

Continue to seek strategic alliances with application software developers and utilise their software in the Group's provision of information solutions services and sale of application software to customers in Hong Kong and China.

Continue to strengthen its existing strategic collaborations with international IT partners, and identify and, or acquire IT companies and, or application software developers

### Actual Business Progress in the Relevant Period

The Group has continued to focus on the marketing and sale, and research and development of its proprietary application software. A new version 3.02 of *AIMS* was formally launched to market in December 2003. Additional reporting functions were added to the version 7.0 of *Pegasus*.

The Group has continued to seek strategic alliances with application software developers such as IFS, Datastream and Oracle and utilize their software in the Group's provision of information solutions services and sale of application software to customers in Hong Kong and China.

The Group has continued to strengthen its existing strategic collaborations with international IT partners and maintained close working relationship with Unisys, Fujitsu, EDS and Oracle. During the year, the Group has established a joint venture partnership with a high-end application consultant and formed a subsidiary, ABCG in August 2003. Subsequently, due to the divergence in views amongst the management of ABCG regarding its future business strategy, the Group disposed of its entire investment in ABCG in March 2004.

## Business Objectives for the Relevant Period as stated in the Prospectus

### Products and services development

Enhance *AIMS* with functions specifically designed for toys, watches and electronic products manufacturers and release upgraded versions for large-sized and more sophisticated manufacturing companies in China

Enhance version 7.0 of *Pegasus* with additional features and more advanced technologies

Launch *Procurement Adapter* which is capable of handling the procurement requirements of the Hong Kong government

Develop an *Adapter* for handling the workflow management requirements of the Hong Kong government

Develop a Chinese version of *e-Frame* which supports both traditional and simplified Chinese characters, to cater for Chinese language users, and to add an extra function for data communication between different system

## Actual Business Progress in the Relevant Period

The Group has placed significant resources to enhance *AIMS* with functions specifically designed for toys, watches and electronic products manufacturers. In December 2003, *AIMS* version 3.02 with more functions to suit larger size and more sophisticated manufacturing companies in China was formally launched to market.

The Group has continued to enhance version 7.0 of *Pegasus* with additional features and more advanced technologies. Efforts have been taken to enhance the reporting functions of various modules. The research and development team has been working on the upgrading of the food and beverage module and back-office modules during the year.

During the year, due to unsatisfactory result, the development of *Adapter* has been ceased.

During the year, due to unsatisfactory result, the development of *Adapter* has been ceased.

The Chinese version of *e-Frame* has been completed during the year.



# COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

## Business Objectives for the Relevant Period as stated in the Prospectus

### Sales and marketing

Promote its brand, products and services in Hong Kong and China through actively organising press conferences, seminars and taking part in exhibitions in Hong Kong and Guangzhou, Shenzhen, Shanghai and Beijing in China

Broaden the customer base of its hotel industry website, www.dongyee.com, operated by Eastern Express through sales and marketing campaigns

### Geographical expansion

Upgrade its sales office in Wuhan, China to a regional office and open one sales office in Xian, China

### Human resources

Recruit technical and marketing staff in tandem with any increase in its business activities

## Actual Business Progress in the Relevant Period

The Group has continued to promote its brand, products and services in Hong Kong and China through actively organizing press conferences, seminars and taking part in exhibitions in Hong Kong and Guangzhou, Shenzhen, Shanghai, Beijing, Donguan, Chengdu and Wuhan in China.

The Group has broadened the customer base of its hotel industry website, www.dongyee.com operated by Eastern Express through sales and marketing campaigns. The Group has attended seminars and exhibitions to achieve this effect.

The Wuhan office has been upgraded to a regional office responsible for the business activities in the provinces of Hunan, Hubei, Henan, Hainan and Fujian.

The plan for opening one sales office in Xian has been suspended as after investigation, the Group considered that there is little business development potential in Xian for the Group and decided not to proceed with the plan.

The number of technical staff for information solutions and application software projects has increased by 30 to cope with the increase in business turnover in that area. The number of marketing staff has also increased by 18 in the PRC due to additional sales activities in the region.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

As at 31st March, 2004, the Group has incurred the following amounts to achieve the business objectives as set out in the Prospectus:

	<b>As stated in the Prospectus</b>	<b>Actual</b>
	HK\$'000	HK\$'000
Strategic development	3,000	3,000
Products and services development	3,000	3,000
Sales and marketing	800	714
Geographical expansion	300	300
Human resources	500	500
General working capital	700	700
	8,300	8,214

The remaining unused proceeds have been deposited in licensed banks in Hong Kong.

Less expenses were incurred in sales and marketing as there were less marketing activities during the Chinese New Year.

As at 31st March, 2004, the Group had 299 employees who were engaged in the following functions:

	<b>Hong Kong</b>	<b>PRC</b>
Management	9	10
Information solutions and application software projects	36	111
Sales and marketing	4	54
Research and development	10	37
Human resources and administration	9	19
	68	231

## DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

Mr. Lee Shun Hon, Felix, aged 63, is the Chairman of the Board of Directors, the chief executive officer and founder of the Group. Mr. Lee established Armitage in 1980 and successfully leads the Group to become one of the renowned IT services providers in Hong Kong. He has demonstrated his outstanding skills in managing his staff and streamlining business strategies to adapt to the industry environment, economic fluctuations and technological development. With over 25 years of experience in the IT industry, Mr. Lee has established an excellent reputation, strong business network and close relationships with customers. Mr. Lee is in charge of the overall business planning and policy making of the Group. He holds a Doctor of Philosophy Degree in Physics from the University of California at Berkeley in the United States.

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Mr. Chun Hon Ching, aged 58, is the senior vice president of the Group. Mr. Chun joined the Group in 1993 and has played leading roles in the implementation of the ERP solutions mandated by major customers of the Group. Mr. Chun's main duty is to manage the Group's Hong Kong operation in projects, outsourcing, customer service and research and development. 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 EDP manager of Universal International (Holdings) Limited, where he was responsible for planning and managing 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. Mr. Chun holds a Bachelor of Arts Degree in Economics from the University of Hong Kong.

Mr. Au Yat-Gai, aged 31, is the chief financial officer of the Group. Mr. Au joined the Group in 2000 and is responsible for overseeing mergers and acquisitions, finance and business development. Prior to joining the Group, Mr. Au worked for ING Barings and Deutsche Bank in Hong Kong. Mr. Au holds a Bachelor of Science Degree in Business Administration from the University of California at Berkeley in the United States. \*

\* *Mr. Au ceased to be an Executive Director of the Company from 14th May, 2004.*

### NON-EXECUTIVE DIRECTOR

Dr. Liao, York, aged 58, 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. He was a founder of a listed company, Varitronix International Limited. Currently, Dr. Liao is the managing director of a private investment and consultancy company, Winbridge Company Limited. He also serves on the board of a number of public and private companies in the fields of manufacturing, software, environmental and investment. He was appointed by the Hong Kong government for a number of public service positions including chairman of the Hong Kong Council of Academic Assessment, member of the Boards of the Hong Kong Science and Technology Parks Corporation, the Hong Kong Applied Science and Technology Research Institute and the Steering Committee on Innovation and Technology. Dr. Liao holds a Doctor of Philosophy Degree in Applied Physics from Harvard University.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anthony Francis Martin Conway, aged 64, was appointed as an independent non-executive Director in February 2002. Mr. Conway is the chairman of I. Tel. (Holdings) Limited, a company which specializes in recruitment of IT and telecommunication executives in the Asia Pacific region. Mr. Conway is well-known and highly respected in the IT profession and has extensive experience in the IT industry in Hong Kong. He 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 61, was appointed as an independent non-executive Director in February 2002. Professor Tsang is a vice-president at Hong Kong Baptist University, responsible for strategic planning, academic development plan, academic quality assurance, research funding and research administration. He had also been a visiting scholar at various prestigious institutions. Professor Tsang holds a Doctor of Philosophy Degree in Economics from the University of Illinois in the United States.

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## SENIOR MANAGEMENT

Mr. To Yung Yui, Steve, aged 53, joined the Group in December 2000 as the chief executive officer of Guangzhou Armitage Computer Software Limited. Mr. To is responsible for business development strategies and operation of the Group's activities in China. Prior to joining the Group, in 1994, Mr. To founded Beijing Amlife Biotechnology Limited, a joint venture with a company owned by the Beijing Feng Shan District Government. Prior to that, Mr. To was the general manager of Apple Computer in Hong Kong and China and the general manager of Digital Equipment Corporation in Beijing, China. Mr. To holds a Bachelor of Arts Degree and Master of Business Administration Degree, both from University of Houston in the United States.

Mr. Li Tung On, aged 53, first 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. He re-joined the Group in December 2001 as vice-president for IT services, responsible for the Group's Time & Material projects, including staff outsourcing. He is also the general manager of the Group's Shenzhen operation. Mr. Li holds a Bachelor of Science Degree in Computer Science from Washington State University in the United States.

Mr. Wong Ping Kuen, aged 42, joined the Group in 1996. Mr. Wong is the vice president of the Group responsible for managing and implementing fixed-price information solutions projects. He leads the research and development team and is also acting as the Group's principal technical adviser. Prior to joining the Group, he worked for Siemens Limited for nine years where his last position was software manager. Mr. Wong holds a Bachelor of Science Degree in Computer Science from the University of Wales (Swansea College) in the United Kingdom.

Ms. Jim Sui Fun, aged 45, joined the Group in 1994. Ms. Jim is currently the senior vice president of Guangzhou Eastern Express Hotel Management Limited, responsible for its daily operation. Eastern Express provides multi-media information and solutions to hospitality industry. Ms. Jim is also the Group's vice president for administration and human resources, overseeing the Group's overall administration, recruitment and staff development program. Prior to joining the Group, Ms. Jim worked for HKR International Limited for eight years, and before leaving the company, she was an assistant manager for office administration.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Yeung Chun Lam, aged 37, joined the Group in 1996. Mr. Yeung is the vice president for sales and marketing. He manages the sales and marketing activities and leading the Group to pursue information solutions projects from the commercial and government sectors in Hong Kong. He is also responsible for sourcing appropriate project partners and all subsequent coordination. Mr. Yeung has been working in the IT industry since 1990. Mr. Yeung holds a Bachelor of Science Degree in Physics from Baptist University, Hong Kong and a Master of Business Administration Degree from Strathclyde University of Scotland.

Ms. Wong Man Yee, aged 31, joined the Group in December 2001 as accounting manager. She is the Qualified Accountant and Company Secretary of the Company. Ms. Wong is a member of the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants. She has over nine years of audit and accounting experience. Ms. Wong holds a Bachelor of Arts Degree in Accountancy from City University of Hong Kong.

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Mr. Sander Weng, aged 38, joined the Group in October 1998. Mr. Weng is a vice president and general manager of the service sector of Guangzhou Armitage Computer Software Limited, responsible for sales and marketing, development and implementation of the Group's hotel management software, Pegasus. Prior to joining the Group, he was managing director of Loyal Computer Company which initially developed Pegasus. Mr. Weng holds a Bachelor of Science Degree in Computer Science from Zhongshan University in China.

Mr. William Tang, aged 34, joined the Group in October 1998. Mr. Tang is a vice president and the general manager of the industry sector of Guangzhou Armitage Computer Software Limited, responsible for managing and implementing ERP solutions for customers in China. Prior to joining the Group, he had participated in the initial development of Pegasus at Loyal Computer Company. Mr. Tang holds a Master of Science Degree in Computer Science from Zhongshan University in China.

Mr. Z.M. Dong, aged 37, joined the Group in February 1999. Mr. Dong is the director of research and development team of Guangzhou Armitage Computer Software Limited, leading the team for Pegasus. Mr. Dong had over ten years working experience in the IT field. Mr. Dong holds a Bachelor of Science Degree in Computer Science from Beijing University in China and a Master of Science Degree in Computer Science from Zhongshan University in China.

Mr. David Wu, aged 35, joined the Group in December 2000. Mr. Wu is the vice president for public relations and the chief editorial consultant of Guangzhou Eastern Express Hotel Management Limited. Mr. Wu has over 10 years of senior management experience in the PRC hotel industry and had been in charge of public relations, quality assurance, IT application and in-house magazine publication. Before joining the Group, he worked for White Swan Hotel, Guangzhou as manager for the public relations department for 9 years. Mr. Wu holds a Bachelor Degree in Philosophy from Zhongzhan University in China and a Master of Economics Degree from Mid-South Financial University, China.

The directors are pleased to present to the shareholders their annual report together with the audited financial statements for the year ended 31st March, 2004.

## 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, 2004 are set out in the consolidated income statement on page 32.

The directors do not recommend the payment of any dividend in respect of the year ended 31st March, 2004.

## FINANCIAL SUMMARY

The summary of the results of the Group for each of the four years ended 31st March, 2004 and the assets and liabilities of the Group as at 31st March, 2001, 2002, 2003 and 2004 are set out on page 70.

## FIXED ASSETS

The Group purchased and disposed of fixed assets amounted to approximately HK\$1,353,000 and HK\$143,000 respectively during the year. Detailed movements in fixed assets of the Group are set out in note 11 to the financial statements.

## SHARE OPTIONS

Details of the Company's share option schemes are set out in note 28 to the financial statements.

## 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 37 and note 24 to the financial statements respectively.

## DIRECTORS' INTERESTS IN CONTRACTS

No 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.

# DIRECTORS' REPORT

## CONNECTED TRANSACTIONS

The details of connected transactions during the year under the GEM Listing Rules are set out in note 33 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:

Mr. Lee Shun Hon, Felix

Mr. Chun Hon Ching

Mr. Au Yat-Gai (ceased to be an executive director on 14th May, 2004)

### Non-executive director:

Dr. Liao, York

### Independent non-executive directors:

Mr. Anthony Francis Martin Conway

Professor Tsang Hin Pok, Herbert

In accordance with Article 87(1) of the Company's Articles of Association, Professor Tsang Hin Pok, Herbert shall retire from office by rotation and, being eligible, offers himself 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. As Mr. Au Yat-Gai ceased to be an executive director on 14th May, 2004, six months' salaries were paid to him as 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.

Each of the independent non-executive directors has confirmed his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules as at 31st March, 2004 and for the year ended 31st March, 2004 and the Company still considers the independent non-executive directors to be independent.

## 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 of Hong Kong Limited (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 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, 2004, 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\$0.10, 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, 2004, Pre-IPO Options to subscribe for an aggregate of 36,414,000 shares (representing approximately 4.6% of the enlarged issued share capital of the Company) have been granted to a total of 64 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 to eligible participants pursuant to the Pre-IPO Share Option Plan adopted on 26th February, 2003 is as follows :

Grantees	Exercisable period	Exercise Price	Number of underlying shares		
			As at 1.4.2003	Lapsed during the year	As at 31.3.2004
Executive directors	18th September, 2004 to 17th March, 2007	HK\$0.35	1,460,000	—	1,460,000
Executive directors	18th September, 2005 to 17th March, 2007	HK\$0.35	1,460,000	—	1,460,000
Executive directors	18th September, 2006 to 17th March, 2007	HK\$0.35	1,460,000	—	1,460,000
Non-executive director	18th September, 2004 to 17th March, 2007	HK\$0.10	2,400,000	—	2,400,000
Non-executive director	18th September, 2005 to 17th March, 2007	HK\$0.10	2,400,000	—	2,400,000
Non-executive director	18th September, 2006 to 17th March, 2007	HK\$0.10	2,400,000	—	2,400,000
Senior management	18th September, 2004 to 17th March, 2007	HK\$0.35	1,820,666	(193,333)	1,627,333
Senior management	18th September, 2005 to 17th March, 2007	HK\$0.35	1,820,667	(193,334)	1,627,333
Senior management	18th September, 2006 to 17th March, 2007	HK\$0.35	1,820,667	(193,333)	1,627,334
Other employees	18th September, 2004 to 17th March, 2007	HK\$0.35	7,319,333	(668,667)	6,650,666
Other employees	18th September, 2005 to 17th March, 2007	HK\$0.35	7,319,333	(668,666)	6,650,667
Other employees	18th September, 2006 to 17th March, 2007	HK\$0.35	7,319,334	(668,667)	6,650,667
			39,000,000	(2,586,000)	36,414,000

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

As at 31st March, 2004, 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 Rule 5.61 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

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

#### Notes:

- These shares are held by Mr. Lee Shun Hon, Felix's wife, Ms. Leung Mee Chun, Stella, and therefore Mr. Lee Shun Hon, Felix is deemed to have an interest in the shares in which Ms. Leung Mee Chun, Stella is interested in.
- 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.
- Based on 750,000,000 shares of the Company in issue as at 31st March, 2004.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SECURITIES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS (cont'd)

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

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

Name	Type of interests	Exercisable period	Exercise Price	Number of underlying shares
Mr. Lee Shun Hon, Felix	Personal	18th September, 2004 to 17th March, 2007	HK\$0.35	493,333
		18th September, 2005 to 17th March, 2007	HK\$0.35	493,333
		18th September, 2006 to 17th March, 2007	HK\$0.35	493,334
				1,480,000
Mr. Chun Hon Ching	Personal	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
				1,800,000
Mr. Au Yat-Gai	Personal	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
				1,100,000
Dr. Liao, York	Personal	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
				7,200,000
				<u>11,580,000</u>

# DIRECTORS' REPORT

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SECURITIES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS (cont'd)

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

Save as disclosed herein, as at 31st March, 2004, 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 March, 2004, 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 5.61 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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### 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 March, 2004, 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, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company 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 (Note 4)
Mr. Lee Shun Hon, Felix	Personal	331,301,790	44.17%
	Family	17,907,651 (Note 1)	2.39%
Kingspecial Investments Limited	Corporate	114,578,176 (Note 2)	15.28%
Mr. Lee Shun Kwong	Corporate	41,870,454 (Note 3)	5.58%

**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** (cont'd)

**(a) Long positions in the shares of the Company** (cont'd)

Notes:

1. These shares are held by Mr. Lee Shun Hon, Felix's wife, Ms. Leung Mee Chun, Stella, and therefore Mr. Lee Shun Hon, Felix is deemed to have an interest in the shares in which Ms. Leung Mee Chun, Stella is interested in.
2. The issued share capital of Kingspecial Investments Limited is beneficially owned as to 30% by Mr. 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 Mr. Lee Shun Hon, Felix) and as to 10% by Ms. So Li Hang Lin, the sister of Mr. 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 March, 2004.

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

A summary of the share options granted to a substantial shareholder pursuant to the Pre-IPO Share Option Plan adopted on 26th February, 2003 is as follows :

Name	Type of interests	Exercisable period	Exercise Price	Number of underlying shares
Mr. Lee Shun Hon, Felix	Personal	18th September, 2004 to 17th March, 2007	HK\$0.35	493,333
		18th September, 2005 to 17th March, 2007	HK\$0.35	493,333
		18th September, 2006 to 17th March, 2007	HK\$0.35	493,334
				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 March, 2004, 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, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

# DIRECTORS' REPORT

## MANAGEMENT SHAREHOLDERS' INTERESTS

Save as disclosed under the sections headed "Directors' and chief executives' interests in the securities of the Company or any associated corporations" and "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" above, as at 31st March, 2004, 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 shareholders or the management shareholders (as defined in the GEM Listing Rules) had any interests in any business which competed with or might compete with the business of the Group.

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## MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 49% of the total sales for the year and sales to the largest customer included therein amounted to approximately 35%. 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, 2004, 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 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 5.29 to 5.32 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's draft annual, interim and quarterly reports and accounts 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. Chun Hon Ching.

Up to the date of approval of these financial statements, the audit committee has held four meetings and has reviewed the Company's draft annual, interim and quarterly financial reports and accounts prior to recommending such reports and accounts to the Board for approval.

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## CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning management responsibilities of the Board throughout the financial year ended 31st March, 2004.

## 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

**Lee Shun Hon, Felix**

*Chairman*

Hong Kong, 21st June, 2004



# AUDITORS' REPORT

梁學濂會計師事務所



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)*

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We have audited the financial statements on pages 32 to 69 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 solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## 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, 2004 and of the loss 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, 21st June, 2004

# CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2004

	Note	2004 HK\$'000	Restated 2003 HK\$'000
Turnover	3	52,540	42,306
Cost of sales and services rendered		(23,419)	(17,709)
Gross profit		29,121	24,597
Other income	4	1,076	949
Bad debts		(1,206)	(85)
Impairment loss of development costs		(5,344)	—
Operating expenses		(30,306)	(23,871)
Operating (loss)/profit		(6,659)	1,590
Finance costs		(478)	(199)
(Loss)/profit before income tax	5	(7,137)	1,391
Income tax credit/(expense)	7(a)	15	(792)
(Loss)/profit after income tax		(7,122)	599
Minority interests		23	(45)
(Loss)/profit attributable to shareholders	8	(7,099)	554
Dividend	9	—	—
(Loss)/earnings per share (HK cents)			
- Basic	10	(0.95)	0.08
- Diluted	10	N/A	0.08

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# BALANCE SHEETS

For the year ended 31st March, 2004

	Note	Group		Company	
		2004 HK\$'000	Restated 2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>NON-CURRENT ASSETS</b>					
Fixed assets	11	5,395	4,524	—	—
Software	12	1,210	2,047	—	—
Trade mark	13	106	81	—	—
Interests in subsidiaries	14	—	—	58,686	43,611
Goodwill on consolidation	15	2,840	3,880	—	—
Development costs	16	20,427	18,925	—	—
Club debenture, at cost		200	200	—	—
Loan receivable	17	1,480	—	—	—
Deferred tax	18	788	1,014	—	—
		<b>32,446</b>	30,671	<b>58,686</b>	43,611
<b>CURRENT ASSETS</b>					
Other investments	19	617	351	—	—
Debtors, deposits and prepayments	20	13,394	9,554	138	62
Income tax recoverable		727	—	—	—
Loan receivable	17	520	—	—	—
Pledged time deposits	30	10,000	10,500	—	—
Time deposits with a bank		3,500	—	—	—
Cash and bank balances	21	17,673	31,062	86	18,525
		<b>46,431</b>	51,467	<b>224</b>	18,587
<b>DEDUCT :</b>					
<b>CURRENT LIABILITIES</b>					
Bank overdrafts, secured	30	16,336	14,936	—	—
Bank loans, secured	25&30	4,286	3,000	—	—
Creditors, accruals and deposits received	22	6,993	9,588	760	4,703
Income tax payable		—	93	—	—
		<b>27,615</b>	27,617	<b>760</b>	4,703
<b>NET CURRENT ASSETS/(LIABILITIES)</b>					
		<b>18,816</b>	23,850	<b>(536)</b>	13,884
		<b>51,262</b>	54,521	<b>58,150</b>	57,495



# BALANCE SHEETS

For the year ended 31st March, 2004

	Note	Group		Company	
		2004 HK\$'000	Restated 2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
REPRESENTING :					
SHARE CAPITAL	23	<b>7,500</b>	7,500	<b>7,500</b>	7,500
RESERVES	24	<b>41,902</b>	46,658	<b>50,650</b>	49,995
SHAREHOLDERS' FUNDS		<b>49,402</b>	54,158	<b>58,150</b>	57,495
MINORITY INTERESTS		<b>112</b>	78	—	—
NON-CURRENT LIABILITIES					
Bank loans, secured	25	<b>1,714</b>	—	—	—
Deferred tax	18	<b>34</b>	285	—	—
		<b>1,748</b>	285	—	—
		<b>51,262</b>	54,521	<b>58,150</b>	57,495

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Approved and authorised for issue by the Board of directors on 21st June, 2004

**Lee Shun Hon, Felix**  
Director

**Chun Hon Ching**  
Director



# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2004

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	<b>2004</b>	Restated
	<b>HK\$'000</b>	2003
		HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before income tax	<b>(7,137)</b>	1,391
Adjustments for :		
Dividend income	<b>(9)</b>	(17)
Interest income	<b>(200)</b>	(357)
Gain on disposal of a subsidiary	<b>(86)</b>	—
Interest expenses	<b>322</b>	117
Depreciation of fixed assets	<b>580</b>	479
Amortisation of software	<b>837</b>	968
Amortisation of goodwill	<b>1,040</b>	1,040
Amortisation of development costs	<b>1,081</b>	168
Amortisation of trade mark	<b>4</b>	—
Impairment loss of development costs	<b>5,344</b>	—
Surplus on revaluation of investment properties	<b>(250)</b>	—
Deficit on revaluation of land and buildings	<b>—</b>	21
Unrealised (gains)/losses on other investments	<b>(266)</b>	5
Loss on disposal of fixed assets	<b>46</b>	126
	<hr/>	<hr/>
Operating profit before working capital changes	<b>1,306</b>	3,941
Increase in debtors, deposits and prepayments	<b>(7,594)</b>	(5,844)
Decrease in pledged time deposits	<b>500</b>	—
Increase in creditors, accruals and deposits received	<b>69</b>	5,108
	<hr/>	<hr/>
Cash (used in)/ from operations	<b>(5,719)</b>	3,205
Dividend received	<b>9</b>	17
Interest received	<b>200</b>	357
Interest paid	<b>(322)</b>	(117)
Income tax paid	<b>(830)</b>	(90)
	<hr/>	<hr/>
<b>NET CASH (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>(6,662)</b>	3,372
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# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2004

	<i>Note</i>	<b>2004</b> <b>HK\$'000</b>	Restated 2003 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		<b>(1,353)</b>	(986)
Sales proceeds of fixed assets		<b>5</b>	72
Increase in trade mark		<b>(29)</b>	(81)
Increase in development costs		<b>(7,826)</b>	(14,205)
Decrease in other investments		<b>—</b>	874
Cash outflow from disposal of a subsidiary	26	<b>(267)</b>	—
Increase in loan receivable		<b>(1,100)</b>	—
		<b>(10,570)</b>	(14,326)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in bank loans		<b>3,000</b>	3,000
Recovery of share placing expenses		<b>2,343</b>	—
Contribution from minority shareholders		<b>600</b>	—
Repurchase of preferred shares		<b>—</b>	(28,580)
Issue of new shares		<b>—</b>	31,168
		<b>5,943</b>	5,588
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>(11,289)</b>	(5,366)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>			
		<b>16,126</b>	21,492
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>			
		<b>4,837</b>	16,126
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Time deposits		<b>3,500</b>	—
Cash and bank balances		<b>17,673</b>	31,062
Bank overdrafts		<b>(16,336)</b>	(14,936)
		<b>4,837</b>	16,126

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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2004

	Share capital HK\$'000	Retained profits/ (accumulated loss) HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
At 1.4.2002							
As previously reported	1,194	224	56,203	3,801	174	(5)	61,591
Adjustment on adoption of SSAP 12 (revised) - Note 2(a)	—	1,417	—	—	—	—	1,417
As restated	1,194	1,641	56,203	3,801	174	(5)	63,008
Profit for the year	—	554	—	—	—	—	554
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 and 1.4.2003	7,500	2,195	40,493	3,801	174	(5)	54,158
Loss for the year	—	(7,099)	—	—	—	—	(7,099)
Recovery of share placing expenses	—	—	2,343	—	—	—	2,343
<b>At 31.3.2004</b>	<b>7,500</b>	<b>(4,904)</b>	<b>42,836</b>	<b>3,801</b>	<b>174</b>	<b>(5)</b>	<b>49,402</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 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 investment properties and other investments.

In the current year, the Group adopted SSAP 12 (revised) "Income taxes" issued by the HKSA which are effective for the current year's financial statements.

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.

In the absence of any specific transitional requirements in SSAP 12 (revised), the accounting policy has been applied retrospectively. Comparative figures for 2003 have been restated accordingly. Opening retained profits as at 1st April, 2002 have been increased by approximately HK\$1,417,000, which is the cumulative effect of the change of accounting policy on the results for periods prior to 2002. The effect of the change is a decreased charge to income tax in the current year of approximately HK\$25,000 (2003 : increased charge of approximately HK\$688,000).





# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (b) Basis of consolidation

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. Except for investment properties as mentioned in note 1(e) below, depreciation is calculated to write off the cost or valuation less the estimated residual value of fixed assets over their estimated useful lives on a straight line basis at the following annual rates :

Furniture, fixtures and equipment	- 10% to 50% or over the lease term whichever is the shorter
Motor vehicle	- 10%

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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (e) Investment properties

An investment property is an interest in land and building which is held for its investment potential, any rental income being negotiated at arm's length.

Investment properties with unexpired lease terms of over 20 years are not depreciated and are stated in the balance sheet at open market value. Changes in the value of investment properties 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.

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### (f) 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.

### (g) 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.

### (h) 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.

### (i) 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (j) 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.

### (k) 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.

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### (l) 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.

### (m) 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.

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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (m) Revenue recognition (cont'd)

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.

### (n) Operating leases

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

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### (o) 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.

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 market exchange rate ruling at the balance sheet date while the income statement is translated at the average exchange rate for the year. Any exchange difference arising on such translation are dealt with in the exchange reserve.

### (p) 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (q) 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.

### (r) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

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The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### (s) 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (t) 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.

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## 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 recorded for the year is set out below :

	<b>2004</b> <b>HK\$'000</b>	Restated 2003 HK\$'000
Provision of information solutions		
System development and integration	<b>29,552</b>	27,454
Maintenance and enhancement income	<b>5,344</b>	4,788
Sales of application software	<b>17,644</b>	10,064
	<b>52,540</b>	42,306



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 4. OTHER INCOME

	2004 HK\$'000	2003 HK\$'000
Dividend income	9	17
Gain on disposal of a subsidiary	86	—
Interest income	200	357
Management fee income	24	42
Net realised and unrealised gains on other investments	266	—
Rental income	180	—
Surplus on revaluation of investment properties	250	—
Rentals payable written back	—	454
Miscellaneous items	61	79
	<u>1,076</u>	<u>949</u>

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## 5. (LOSS)/PROFIT BEFORE INCOME TAX

	2004 HK\$'000	Restated 2003 HK\$'000
(Loss)/profit before income tax is arrived at after charging/(crediting) :		
Amortisation of development costs	1,081	168
Amortisation of goodwill	1,040	1,040
Amortisation of software	837	968
Amortisation of trade mark	4	—
Depreciation	681	766
Less : Amounts capitalised as development costs	101	287
	580	479
Auditors' remuneration	308	379
Interest on bank loans and overdrafts and other loans wholly repayable within five years	322	117
Operating lease rentals for properties	2,010	2,248
Less : Amounts capitalised as development costs	299	701
	<u>1,711</u>	<u>1,547</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 5. (LOSS)/PROFIT BEFORE INCOME TAX (cont'd)

	<b>2004</b> <b>HK\$'000</b>	Restated 2003 HK\$'000
Directors' remuneration - Note 6	3,442	3,630
Less : Amounts capitalised as development costs	428	552
	<b>3,014</b>	3,078
Other staff salaries and benefits	36,677	35,673
Retirement benefit costs	1,055	1,150
	<b>37,732</b>	36,823
Less : Amount capitalised as development costs	6,568	11,073
Other staff costs	<b>31,164</b>	25,750
Net sales proceeds	(5)	(72)
Less : Net book value	51	198
Loss on disposal of fixed assets	46	126
Net realised and unrealised (gains)/losses on other investments	(266)	3
Deficit on revaluation of land and buildings	—	21
Dividend income from listed investments	(9)	(17)
Rental income	(180)	—
Less : Outgoings	41	—
	<b>(139)</b>	—
Exchange (gain)/loss	(20)	9
	<b>—————</b>	<b>—————</b>

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# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 6. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

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

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Fees		
- Executive directors	—	—
- Non-executive director	<b>50</b>	50
- Independent non-executive directors	<b>100</b>	100
Other emoluments of executive directors		
- Basic salaries, allowances and benefits in kind	<b>3,256</b>	3,441
- Pension scheme contributions	<b>36</b>	39
	<b>3,442</b>	3,630

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

	<b>2004</b>	2003
HK\$Nil - HK\$1,000,000	<b>5</b>	6
HK\$1,500,001 - HK\$2,000,000	<b>1</b>	1
	<b>6</b>	7

Three executive directors received individual emoluments of approximately HK\$1,608,000, HK\$857,000 and HK\$827,000 (2003 : Four executive directors received individual emoluments of approximately HK\$1,644,000, HK\$915,000, HK\$712,000 and HK\$209,000) and one non-executive director and two independent non-executive directors received individual emoluments of HK\$50,000 each (2003 : HK\$50,000) during the year ended 31st March, 2004.

No directors waived any emoluments during the year.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

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

### (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 :

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Basic salaries, allowances and benefits in kind	<b>1,442</b>	1,438
Pension scheme contributions	<b>24</b>	24
	<b><u>1,466</u></b>	<u>1,462</u>

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

	<b>2004</b>	2003
HK\$Nil - HK\$1,000,000	<b><u>2</u></b>	<u>2</u>

- (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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 7. INCOME TAX (CREDIT)/EXPENSE

(a) Income tax (credit)/expense in the consolidated income statement represents :

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Current tax		
Provision for Hong Kong profits tax at 17.5% (2003 : 16%) on the estimated assessable profits for the year	<b>9</b>	104
Under-provision in respect of previous year	<b>1</b>	—
	<b>10</b>	104
Deferred tax - <i>Note 18</i>		
Current year	<b>(51)</b>	688
Attributable to increase in tax rate	<b>26</b>	—
	<b>(25)</b>	688
Income tax (credit)/expense	<b>(15)</b>	792

The income tax (credit)/expense for the year can be reconciled to the (loss)/profit per income statement as follows :

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
(Loss)/profit before income tax	<b>(7,137)</b>	1,391
Tax effect at the profits tax rate of 17.5% (2003 : 16%)	<b>(1,249)</b>	223
Hong Kong and PRC tax rates differential	<b>(9)</b>	(247)
Tax effect of income/expenses that are not taxable/deductible	<b>873</b>	270
Increase in net opening deferred tax liability resulting from increase in Hong Kong profits tax rate	<b>26</b>	—
Effect of tax loss not recognised	<b>343</b>	546
Under-provision in respect of previous year	<b>1</b>	—
Income tax (credit)/expense	<b>(15)</b>	792



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 7. INCOME TAX (CREDIT)/EXPENSE (cont'd)

(b) The components of unrecognised deductible temporary differences in certain subsidiaries of the Company are as follows :

	2004 HK\$'000	2003 HK\$'000
Deductible temporary differences ( <i>Note 7(b)(i)</i> )		
Unutilised tax losses ( <i>Note 7(b)(ii)</i> )	6,139	5,099
Decelerated depreciation allowances	150	241
	<u>6,289</u>	<u>5,340</u>

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(i) Deductible temporary differences have not been recognised owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences.

(ii) The unutilised tax losses accumulated in the PRC subsidiaries amounted to approximately HK\$5,111,000 (2003 : approximately HK\$4,071,000) would expire in five years from the respective year of loss. The unutilised tax losses accumulated in the Hong Kong subsidiaries amounted to approximately HK\$1,028,000 (2003 : approximately HK\$1,028,000) can be carried forward indefinitely.

## 8. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(Loss)/profit attributable to shareholders includes a loss of approximately HK\$1,688,000 (2003 : approximately HK\$396,000) 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.



# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2004*

## 10. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the year ended 31st March, 2004 is based on the Group's loss attributable to shareholders and 750,000,000 ordinary shares in issue during the year.

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.

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No diluted loss per share for the year ended 31st March, 2004 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.

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 preceding paragraph 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 11. FIXED ASSETS

	Investment properties HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicle HK\$000	Total HK\$'000
Cost or valuation :				
At 1.4.2003	1,150	7,859	220	9,229
Additions	—	1,353	—	1,353
Disposals	—	(143)	—	(143)
Surplus on revaluation - <i>Note 11(b)</i>	250	—	—	250
<b>At 31.3.2004</b>	<b>1,400</b>	<b>9,069</b>	<b>220</b>	<b>10,689</b>
Representing :				
At cost	—	9,069	220	9,289
At professional valuation	1,400	—	—	1,400
	1,400	9,069	220	10,689
Aggregate depreciation :				
At 1.4.2003	—	4,571	134	4,705
Charge for the year	—	669	12	681
Written back on disposals	—	(92)	—	(92)
<b>At 31.3.2004</b>	<b>—</b>	<b>5,148</b>	<b>146</b>	<b>5,294</b>
Net book value :				
<b>At 31.3.2004</b>	<b>1,400</b>	<b>3,921</b>	<b>74</b>	<b>5,395</b>
At 31.3.2003	1,150	3,288	86	4,524

Notes :

- (a) All properties are held in Hong Kong on medium term leases.
- (b) The investment properties were revalued on open market value basis by Memfus Wong Surveyors Limited on 3rd May, 2004 and their valuation as at 31st March, 2004 amounted to HK\$1,400,000. As a surplus on revaluation has occurred, the investment properties have been revalued to HK\$1,400,000 and the resultant surplus on revaluation of HK\$250,000 was credited to the income statement.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 12. SOFTWARE

	HK\$'000
Cost :	
<b>At 1.4.2003 and 31.3.2004</b>	<b>3,785</b>
Aggregate amortisation :	
At 1.4.2003	1,738
Charge for the year	837
<b>At 31.3.2004</b>	<b>2,575</b>
Net book value :	
<b>At 31.3.2004</b>	<b>1,210</b>
At 31.3.2003	2,047

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## 13. TRADE MARK

	HK\$'000
Cost :	
At 1.4.2003	81
Additions	29
<b>At 31.3.2004</b>	<b>110</b>
Aggregate amortisation :	
<b>Charge for the year and at 31.3.2004</b>	<b>4</b>
Net book value :	
<b>At 31.3.2004</b>	<b>106</b>
At 31.3.2003	81



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 14. INTERESTS IN SUBSIDIARIES

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Unlisted shares	<b>11,006</b>	11,006
Amounts due from subsidiaries - Note 14(b)	<b>47,684</b>	32,609
Amount due to a subsidiary - Note 14(b)	<b>(4)</b>	(4)
	<b>58,686</b>	43,611

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.

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(a) Details of the subsidiaries are as follows :

Name of company	Place of incorporation/ establishment	Attributable equity interest %		Issued/ registered capital	Principal activities
		Direct	Indirect		
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	PRC	—	90	RMB6,800,000	Design, development and sales of application software and provision of information solutions
Armitage Technologies Limited	Hong Kong	—	100	HK\$996,000	Provision of information solutions and sales of application software and investment holding





# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 14. INTERESTS IN SUBSIDIARIES (cont'd)

Name of company	Place of incorporation/ establishment	Attributable equity interest %		Issued/ registered capital	Principal activities
		Direct	Indirect		
Eastern Express Solutions Limited	Hong Kong	—	100	HK\$100	Investment holding
Armitage Computer Systems (China) Limited	Hong Kong	—	100	HK\$2,875,000	Dormant
Armitage 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 information solutions to PRC hotels and investment holding
Armitage Consulting (BVI) Limited	British Virgin Islands	—	100	US\$1	Dormant
Armitage Technologies (Shenzhen) Limited	PRC	—	100	RMB5,000,000	Research and development of IT solutions and provision of customer services
廣州市東驛廣告有限公司	PRC	—	100	RMB500,000	Provision of advertising services

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 15. GOODWILL ON CONSOLIDATION

	HK\$'000
Cost :	
<b>At 1.4.2003 and 31.3.2004</b>	<b>5,204</b>
Aggregate amortisation :	
At 1.4.2003	1,324
Charge for the year	1,040
<b>At 31.3.2004</b>	<b>2,364</b>
Net book value :	
<b>At 31.3.2004</b>	<b>2,840</b>
At 31.3.2003	3,880

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## 16. DEVELOPMENT COSTS

	HK\$'000
Cost :	
At 1.4.2003	19,093
Additions	7,927
<b>At 31.3.2004</b>	<b>27,020</b>
Aggregate amortisation :	
At 1.4.2003	168
Charge for the year	1,081
<b>At 31.3.2004</b>	<b>1,249</b>
Impairment loss :	
<b>Charge for the year and at 31.3.2004</b>	<b>5,344</b>
Net book value :	
<b>At 31.3.2004</b>	<b>20,427</b>
At 31.3.2003	18,925



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 17. LOAN RECEIVABLE

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Amounts receivable		
- within one year	<b>520</b>	—
- after one year but within five years	<b>1,480</b>	—
	<hr/> <b>2,000</b>	<hr/> —
Less : Amounts receivable within twelve months (shown under current assets)	<b>520</b>	—
	<hr/> <b>1,480</b>	<hr/> —

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The loan represents the consideration for the disposal of a subsidiary and outstanding loan to the acquirer amounted to HK\$900,000 and HK\$1,100,000 respectively (Note 27).



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 18. DEFERRED TAX

The following is deferred tax (asset)/liability recognised by the Group and movements thereon during the current and prior years :

	Properties in Hong Kong HK\$'000	Tax losses HK\$'000	Decelerated depreciation allowances HK\$'000	Accelerated depreciation allowances HK\$'000	Provision for bad debts HK\$'000	Total HK\$'000
At 1.4.2002						
As previously reported	—	—	—	—	—	—
Adjustment on adoption of SSAP 12 (revised) - Note 2(a)	21	(1,648)	(1)	211	—	(1,417)
As restated	21	(1,648)	(1)	211	—	(1,417)
Charge to the income statement for the year - Note 7(a)	5	634	1	48	—	688
At 31.3.2003 and 1.4.2003	26	(1,014)	—	259	—	(729)
Charge/(credit) to the income statement for the year - Note 7(a)	8	(28)	—	82	(87)	(25)
<b>At 31.3.2004</b>	<b>34</b>	<b>(1,042)</b>	<b>—</b>	<b>341</b>	<b>(87)</b>	<b>(754)</b>

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For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (revised). The following is the analysis of the deferred tax balances for financial reporting purposes :

	2004 HK\$'000	2003 HK\$'000
Deferred tax assets	(788)	(1,014)
Deferred tax liabilities	34	285
	<b>(754)</b>	<b>(729)</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 19. OTHER INVESTMENTS

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Listed shares in Hong Kong, at market value	<b>617</b>	351

## 20. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise :

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	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Trade debtors	<b>12,054</b>	8,158
Less : General provision for bad debts	<b>263</b>	—
	<b>11,791</b>	8,158
Rental and utility deposits	<b>376</b>	404
Prepayments	<b>443</b>	414
Other debtors	<b>784</b>	578
	<b>13,394</b>	9,554

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 :

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
0 - 30 days	<b>9,483</b>	6,577
31 - 60 days	<b>585</b>	606
61 - 90 days	<b>154</b>	151
91 - 180 days	<b>715</b>	817
181 - 365 days	<b>591</b>	7
> 1 year	<b>526</b>	—
	<b>12,054</b>	8,158



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 21. CASH AND BANK BALANCES

At 31st March, 2004, the cash and bank balances of the Group denominated in Renminbi amounted to approximately HK\$1,960,000 (2003 : approximately HK\$349,000). 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.

## 22. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Creditors, accruals and deposits received comprise :

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Trade creditors	<b>1,144</b>	934
Deferred enhancement and maintenance income - <i>Note</i>	<b>1,540</b>	1,660
Deposits received	<b>38</b>	50
Accruals and provisions	<b>3,973</b>	6,585
Other creditors	<b>298</b>	359
	<hr/> <b>6,993</b> <hr/>	<hr/> 9,588 <hr/>

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*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 :

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
0 - 30 days	<b>601</b>	762
31 - 60 days	<b>69</b>	59
61 - 90 days	<b>8</b>	44
91 - 180 days	<b>240</b>	69
> 180 days	<b>226</b>	—
	<hr/> <b>1,144</b> <hr/>	<hr/> 934 <hr/>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 23. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised :		
Ordinary shares of HK\$0.01 each at 1.4.2003 and 31.3.2004	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid :		
Ordinary shares of HK\$0.01 each at 1.4.2003 and 31.3.2004	<u>750,000,000</u>	<u>7,500</u>

## 24. RESERVES

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The Company	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 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	<u>(28,488)</u>	<u>—</u>	<u>(28,488)</u>
At 31.3.2003 and 1.4.2003	50,479	(484)	49,995
Loss for the year	—	(1,688)	(1,688)
Recovery of share placing expenses	<u>2,343</u>	<u>—</u>	<u>2,343</u>
<b>At 31.3.2004</b>	<u><b>52,822</b></u>	<u><b>(2,172)</b></u>	<u><b>50,650</b></u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 24. RESERVES (cont'd)

- (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) As at 31st March, 2004, in the opinion of the directors, the reserves of the Company available for distribution to the shareholders amounted to approximately HK\$50,650,000 (2003 : approximately HK\$49,995,000), subject to the restrictions stated in note 24(a) above.

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## 25. BANK LOANS - SECURED

	2004 HK\$'000	2003 HK\$'000
Amounts repayable		
- within one year	4,286	3,000
- after one year but within two years	1,714	—
	<hr/>	<hr/>
	6,000	3,000
Less : Amounts repayable within twelve months (shown under current liabilities)	4,286	3,000
	<hr/>	<hr/>
Non-current portion of bank loans	1,714	—
	<hr/>	<hr/>





# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 26. DISPOSAL OF A SUBSIDIARY

	HK\$'000
Net assets disposed of :	
Debtors and prepayments	3,754
Cash and bank balances	267
Creditors and accruals	(2,664)
Minority interests	(543)
	<hr/>
	814
Gain on disposal of a subsidiary	86
	<hr/>
Total consideration	900
	<hr/>
Satisfied by :	
Increase in loan receivable (Note 27)	900
	<hr/>
Net cash outflow from the disposal of a subsidiary	
Cash and bank balances disposed of	(267)
	<hr/>

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## 27. MAJOR NON-CASH TRANSACTION

During the year, a subsidiary of the Company was disposed to an independent third party (the "Acquirer") for a consideration of HK\$900,000. The consideration of HK\$900,000 together with a loan of HK\$1,150,000 to the Acquirer plus interest thereon are repayable by 12 monthly instalments of HK\$50,000 each, 23 monthly instalments of HK\$67,920 each and a final instalment of HK\$68,042.

## 28. 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 28. SHARE OPTIONS (cont'd)

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 falling within the period before listing).

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

As at 31st March, 2004, no option under the Share Option Scheme has been granted or agreed to be granted.

As at 31st March, 2004, details of share options granted to eligible employees of the Group under the Pre-IPO Share Option Plan are as follows :

Grantees	Date of grant	Exercise Price	Number of shares under option		
			As at 1.4.2003	Lapsed during the year	As at 31.3.2004
Directors, senior management and other employees	26th February, 2003	HK\$0.35	31,800,000	(2,586,000)	29,214,000
A non-executive director	26th February, 2003	HK\$0.10	7,200,000	—	7,200,000
			39,000,000	(2,586,000)	36,414,000

The grantees shall be entitled to exercise the above share options granted according to the following time schedule:

Exercisable period	Maximum number of shares under option exercisable
18th September, 2004 to 17th March, 2007	33 $\frac{1}{3}$ %
18th September, 2005 to 17th March, 2007	66 $\frac{2}{3}$ %
18th September, 2006 to 17th March, 2007	100%



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 29. CONTINGENT LIABILITIES

- (a) As at 31st March, 2004, the Group had contingent liabilities in respect of performance bonds amounted to approximately HK\$151,000 (2003 : approximately HK\$516,000) 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, 2004, the Group had contingent liabilities in respect of factored trade accounts receivable amounted to approximately HK\$1,593,000 (2003 : approximately HK\$2,263,000) (Note 30).
- (c) As at 31st March, 2004, the Company and the Group had contingent liability in respect of a guarantee given to a customer for the service performed by a former subsidiary (Note 27) to the extent of HK\$756,000. On 4th June, 2004, the customer released and discharged the Company and the Group from all past, present and future liability under the guarantee in consideration of the payment of the sum of HK\$10 to the customer.

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## 30. BANKING FACILITIES

As at 31st March, 2004, the Group had banking facilities to the extent of HK\$23,033,000 (2003 : HK\$19,233,000) which were secured by the Group's time deposits of approximately HK\$10,000,000 (2003 : HK\$10,500,000) and corporate guarantees executed by the Company.

In addition, the Group obtained a trade accounts receivable factoring facility of HK\$7,000,000 (2003 : HK\$10,000,000). Under the facility, the Group will receive from the bank advances representing 90% of the Group's trade accounts receivables due from selected customers within the factoring limit of HK\$7,000,000 (2003 : HK\$10,000,000) (less service and monthly discounting charges). As at 31st March, 2004, the Group utilised the factoring facility amounted to approximately HK\$1,593,000 (2003 : approximately HK\$2,263,000) (Note 29(b)).

## 31. OPERATING LEASE ARRANGEMENTS

- (a) As at 31st March, 2004, the Group had outstanding commitments for future minimum leases payments under non-cancellable operating leases, which fall due as follows :

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>1,344</b>	853
After one year but within five years	<b>241</b>	50
	<b>1,585</b>	903

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 31. OPERATING LEASE ARRANGEMENTS (cont'd)

(b) As at 31st March, 2004, the future minimum lease payments to be received under non-cancellable operating lease for the following periods are as follows :

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Within one year	<b>165</b>	180
After one year but within five years	<b>—</b>	165
	<b>165</b>	345

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## 32. CAPITAL COMMITMENTS

As at 31st March, 2004, the Group and the Company had no material capital commitments.

## 33. CONNECTED TRANSACTIONS

The Group had the following connected transaction under the GEM Listing Rules during the year :

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Rentals paid to Supercom Investments Limited in which a director, Mr. Lee Shun Hon, Felix has beneficial interest	<b>420</b>	440

Note :

(a) The above transaction was entered into with reference to market rate as appraised by independent professional valuers.

The directors have reviewed the connected transaction and are of the opinion that this transaction was effected on normal commercial terms and in the ordinary course of the business of the Group.

## 34. 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 the 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 the above-mentioned contributions.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 35. 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 PRC 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.

	Hong Kong		PRC		Inter-segment		Consolidated	
	2004 HK\$'000	Restated 2003 HK\$'000	2004 HK\$'000	Restated 2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	Restated 2003 HK\$'000
Turnover	37,687	34,911	14,853	7,664	—	(269)	52,540	42,306
Cost of sales and services rendered	(18,780)	(15,002)	(4,639)	(2,707)	—	—	(23,419)	(17,709)
Gross profit	18,907	19,909	10,214	4,957	—	(269)	29,121	24,597
Other income	1,039	1,182	37	519	—	(752)	1,076	949
Bad debts	(889)	(56)	(317)	(29)	—	—	(1,206)	(85)
Impairment loss of development costs	(3,481)	—	(1,863)	—	—	—	(5,344)	—
Operating expenses	(20,286)	(17,789)	(10,020)	(6,933)	—	851	(30,306)	(23,871)



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 35. SEGMENT REPORTING (cont'd)

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

	Hong Kong		PRC		Inter-segment		Consolidated	
	2004 HK\$'000	Restated 2003 HK\$'000	2004 HK\$'000	Restated 2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	Restated 2003 HK\$'000
Operating (loss)/profit	(4,710)	3,246	(1,949)	(1,486)	—	(170)	(6,659)	1,590
Finance costs	(461)	(178)	(17)	(173)	—	152	(478)	(199)
(Loss)/profit before income tax	(5,171)	3,068	(1,966)	(1,659)	—	(18)	(7,137)	1,391
Income tax credit/(expense)	337	(726)	(322)	(66)	—	—	15	(792)
(Loss)/profit after income tax	(4,834)	2,342	(2,288)	(1,725)	—	(18)	(7,122)	599
Minority interests	57	—	(34)	(45)	—	—	23	(45)
(Loss)/profit attributable to shareholders	(4,777)	2,342	(2,322)	(1,770)	—	(18)	(7,099)	554
Depreciation and amortisation	2,428	1,751	1,114	885	—	19	3,542	2,655
Capital expenditure incurred during the year	6,838	10,828	2,471	5,038	—	(307)	9,309	15,559
Segment assets and total assets	111,484	124,760	18,023	11,157	(50,630)	(53,779)	78,877	82,138
Segment liabilities and total liabilities	(29,076)	(59,547)	(19,024)	(22,116)	18,737	53,761	(29,363)	(27,902)
Minority interests	—	—	(112)	(78)	—	—	(112)	(78)

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# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2004*

## **35. 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.

## **36. COMPARATIVE FIGURES**

During the year, certain comparative figures have been reclassified and restated following the adoption of SSAP 12 (revised) and to conform to the current year's presentation.



## RESULTS

	Restated	Restated	Restated	
	Years ended 31st March,			
	2001	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	28,553	35,605	42,306	52,540
(Loss)/profit for the year	(961)	(11,524)	554	(7,099)

The comparative figures have been restated following the adoption of SSAP 12 (revised).

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## ASSETS AND LIABILITIES

	Restated	Restated	Restated	
	At 31st March,			
	2001	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS	18,235	18,696	30,671	32,446
CURRENT ASSETS	20,789	48,926	51,467	46,431
DEDUCT:				
CURRENT LIABILITIES	13,893	4,561	27,617	27,615
NET CURRENT ASSETS	6,896	44,365	23,850	18,816
MINORITY INTERESTS	(793)	(33)	(78)	(112)
NON-CURRENT LIABILITIES	(6,684)	(20)	(285)	(1,748)
NET ASSETS	17,654	63,008	54,158	49,402

The comparative figures have been restated following the adoption of SSAP 12 (revised).





## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Annual General 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 Wednesday 28th July, 2004 at 4:00 p.m. to pass the following ordinary and special resolutions of the Company :

### **AS ORDINARY RESOLUTIONS:**

1. To receive and consider the audited consolidated financial statements and the reports of the Directors and the auditors of the Company for the financial year ended 31st March, 2004.
2. (A) To re-elect a retiring Director.  
(B) To authorize 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 as an 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 of The Stock Exchange of Hong Kong Limited, the exercise by the Directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined in this resolution) of all the powers of the Company to allot, issue or otherwise deal with unissued shares of HK\$0.01 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 resolution shall authorize the Directors 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 pursuant to the approval in sub-paragraph (i) of this resolution, otherwise than pursuant to (a) a Rights Issue (as hereinafter defined in this resolution), (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 in force from time to time, 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, 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

# NOTICE OF ANNUAL GENERAL MEETING

(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 given by this resolution is revoked, varied or renewed 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 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 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, any territory applicable to the Company).”

5. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

THAT:

- “(i) subject to paragraph (ii) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined in this resolution) of all powers of the Company to repurchase shares of HK\$0.01 each in the capital of the Company (the “Shares”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the Shares may be listed and is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal value of the Shares repurchased by the Company pursuant to the approval in paragraph (i) above during the Relevant Period (as hereinafter defined in this resolution) shall not exceed 10 per cent. of the total nominal value of the share capital of the Company in issue as at the date of the passing of this resolution, and the authority granted pursuant to paragraph (i) above shall be limited accordingly; and

## NOTICE OF ANNUAL GENERAL MEETING

(iii) for the purposes of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of :

- (a) the conclusion of the next annual general meeting of the Company; or
- (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; or
- (c) the date on which the authority given by this resolution is revoked, varied or renewed by an ordinary resolution in general meeting of the Company.”

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6. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

- (i) conditional upon the ordinary resolution No. 4 and the ordinary resolution No. 5 set out in the notice convening this Meeting to which this resolution forms part being passed, the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with any unissued Shares pursuant to the said ordinary resolution No. 4 be and is hereby extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company under the authority granted pursuant to the said ordinary resolution No. 5, provided that such extended amount shall not exceed 10 per cent. of the total nominal value of the share capital of the Company in issue as at the date of the passing of this resolution.”

### AS SPECIAL RESOLUTION:

7. To consider and, if thought fit, pass the following resolution as a special resolution of the Company:

“That the articles of association of the Company be amended in the following manner:

(1) Article 2

- (i) By inserting the following new definition of “**associate**” in Article 2(1):

“associate” the meaning attributed to it in the Listing Rules.

- (ii) By deleting the words “Section 2 of the Securities and Futures (Clearing Houses) Ordinance of Hong Kong” in the definition of “**clearing house**” in Article 2(1) and substituting therefor the following:

“the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)”

# NOTICE OF ANNUAL GENERAL MEETING

(2) Article 76

(i) By re-numbering existing Article 76 as Article 76(1);

(ii) By inserting the following as new Article 76(2):

“(2) Where the Company has knowledge that any Member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company at any general meeting any votes cast by or on behalf of such Member, or, in the case of a member being a corporation, by its duly authorized representative(s) or his proxy or attorney in contravention of such requirement or restriction shall not be counted for the purpose of determining whether such resolution is passed as a resolution with the requisite majority or votes.”

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(3) Article 88

(i) By deleting the existing Article 88 in its entirety and replacing therewith the following new Article 88:

“88. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office. The period for lodgement of such notices shall commence on (and include) the day after the despatch of the notice of the general meeting appointed for such election and on (and exclude) the date that is seven (7) days prior to the date of such general meeting.”

(4) Article 103

(i) By deleting the existing Article 103 in its entirety and replacing therewith the following new Article 103:

“103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:

(i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

## NOTICE OF ANNUAL GENERAL MEETING

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- (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal, contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is /are or is /are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and his associate(s) are not in aggregate beneficially interested in five (5) percent or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (vi) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:
  - (a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his associate(s) may benefit; or
  - (b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates.

# NOTICE OF ANNUAL GENERAL MEETING

- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) owns five (5) per cent, or more if and so long as (but only if and so long as) he and/or his associates, (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent, or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorized unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.
- (3) Where a company in which a Director and/or his associate(s) holds five (5) per cent, or more is materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or that of his associate(s) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned and/or his associate(s) as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.”

By order of the Board

**ARMITAGE TECHNOLOGIES HOLDING LIMITED**

**Lee Shun Hon, Felix**

*Chairman*

Hong Kong, 29th June, 2004

## NOTICE OF ANNUAL GENERAL MEETING

*Registered Office:*

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British West Indies

*Principal place of business in Hong Kong:*

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