



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

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

**(Stock Code: 8213)**

**FIRST QUARTERLY REPORT**  
**FOR THE THREE MONTHS ENDED 30TH JUNE, 2004**

*\* For identification purpose only*

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

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

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

**FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED  
30TH JUNE, 2004**

- Total turnover amounted to approximately HK\$10.9 million for the period under review, representing a slight decrease of approximately 4% over the corresponding period last year.
- Turnover derived from the PRC posted an approximately 8% increase to approximately HK\$2.7 million for the period under review.
- Operating expenses of approximately HK\$8.8 million was recorded, representing an increase of approximately 29% over the corresponding period last year. Except for the payment of a substantial compensation to a previous executive director for loss of office, the increase in spending was within the expectation of the Group as they were utilized to cope with business expansion and diversification.
- Loss attributable to shareholders was approximately HK\$2.7 million for the period under review (2003: approximately HK\$0.2 million).

## RESULTS

The board of directors (the “Board”) of the Company hereby presents the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the three months ended 30th June, 2004, together with the comparative unaudited consolidated figures for the corresponding period are as follows:

		<b>For the three months ended 30th June,</b>	
		<b>2004</b>	<i>Restated</i> 2003
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	2	<b>10,933</b>	11,437
Cost of sales and services rendered		<b>(4,693)</b>	(4,751)
Gross profit		<b>6,240</b>	6,686
Other income		<b>138</b>	159
Net realised and unrealised (losses)/gains on other investment		<b>(111)</b>	36
Operating expenses		<b>(8,846)</b>	(6,850)
Operating (loss)/profit		<b>(2,579)</b>	31
Finance costs		<b>(215)</b>	(160)
Loss before income tax		<b>(2,794)</b>	(129)
Income tax credit/(expense)	3	<b>44</b>	(136)
Loss after income tax		<b>(2,750)</b>	(265)
Minority interests		<b>66</b>	66
Loss attributable to shareholders		<b>(2,684)</b>	(199)
Dividend		—	—
Loss per share (HK cents)			
- Basic	4	<b>(0.36)</b>	(0.03)
- Diluted	4	<b>N/A</b>	N/A

Notes:

### 1. Basis of preparation

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and are prepared under the historical cost convention as modified by revaluation of investment properties and other investments.

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

### 2. Turnover

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

	<b>For the three months ended 30th June,</b>	
	<b>2004</b>	<i>Restated</i> <b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Provision of information solutions		
System development and integration	<b>6,388</b>	6,492
Maintenance and enhancement income	<b>1,214</b>	1,476
Sales of application software	<b>3,331</b>	3,469
	<u><b>10,933</b></u>	<u>11,437</u>

### 3. Income tax (credit)/expense

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

	<b>For the three months ended 30th June,</b>	
	<b>2004</b>	<i>Restated</i> <b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax		
Provision for Hong Kong profits tax at 17.5% on the estimated assessable profits for the period	<b>3</b>	173
Deferred tax	<b>(47)</b>	(37)
Income tax (credit)/expense	<u><b>(44)</b></u>	<u>136</u>

#### 4. Loss per share

The calculation of basic loss per share for both periods under review is based on the Group's loss attributable to shareholders and 750,000,000 ordinary shares in issue during both periods.

No diluted loss per share for both periods 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.

#### 5. Reserves

Movements in reserves for the three months ended 30th June, 2004 and 2003 were as follows:

	Retained profits/ (Accumulated loss)	Share premium	Special reserve	Capital reserve	Exchange reserve	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April, 2003 (Audited/restated)	2,195	40,493	3,801	174	(5)	46,658
Loss for the three months ended 30th June, 2003	(199)	—	—	—	—	(199)
	<u>1,996</u>	<u>40,493</u>	<u>3,801</u>	<u>174</u>	<u>(5)</u>	<u>46,459</u>
At 30th June, 2003 (Unaudited)						
At 1st April, 2004 (Audited)	(4,904)	42,836	3,801	174	(5)	41,902
Loss for the three months ended 30th June, 2004	(2,684)	—	—	—	—	(2,684)
	<u>(7,588)</u>	<u>42,836</u>	<u>3,801</u>	<u>174</u>	<u>(5)</u>	<u>39,218</u>
At 30th June, 2004 (Unaudited)						

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the three months ended 30th June, 2004 (2003: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

For the first three months of the current year, the Group's unaudited consolidated turnover amounted to approximately HK\$10.9 million, representing a slight decrease of approximately 4% as compared to the corresponding period last year. Gross profit margin remained stable at approximately 57% (2003: approximately 58%). A general provision of approximately HK\$88,000 was made for the long overdue accounts receivable incurred in the PRC operation. A loss of approximately HK\$2.7 million (2003: approximately HK\$0.2 million) was recorded for the period under review.

An increase in operating expenses was recorded when compared to the corresponding period last year. The increase in spending was within the expectation of the Group as they were utilized to cope with business expansion and diversification. The increase was mainly attributable to: 1. employment of additional staff to cope with the expansion in PRC business, particularly for the establishment of support and service teams in regional offices (approximately HK\$300,000); 2. amortization of development costs for product AIMS v3.02 of approximately HK\$432,000 (2003: nil); 3. additional expenditures of approximately HK\$700,000 for the magazine publication and distribution business in the PRC. Together with the HK\$480,000 compensation paid to a previous executive director for loss of office, approximately 29% increase was recorded over the corresponding period last year.

## **BUSINESS REVIEW**

### **HK Operation**

Turnover generated from Hong Kong operation amounted to approximately HK\$8.2 million, representing a decrease of approximately 8% from the approximately HK\$8.9 million recorded for the corresponding period last year. With the improvement in the general economic environment in Hong Kong, the Group began to witness an increasing demand for IT solutions from local and international companies including container terminal operators, airlines, manufacturers, food and beverage operators, etc. Additional outsourcing requirements from existing customers were received at the end of the first quarter and revenue in this respect will be reflected in the latter part of the current year. During the period under review, a number of business contracts for the provision of IT solutions to our customers were concluded and the major part of the revenue derived therefrom are expected to be reflected in the subsequent financial periods.

Sales generated from the Group's Enterprise Resources Planning ("ERP") software system Armitage Industrial Management System ("AIMS") together with its previous version KONTO 21 and related implementation services amounted to approximately HK\$874,000.

Maintenance services continued to generate steady income for the Group.

### **PRC Operation**

Turnover derived from the PRC operation recorded an increase of approximately 8% to approximately HK\$2.7 million (2003: approximately HK\$2.5 million). Sale of the Group's flagship product Pegasus Hotel Management Software ("Pegasus") increased by approximately 30% to approximately HK\$2.6 million (2003: approximately HK\$2.0 million). Performance in the Southern region of the PRC was the most outstanding. The Group's operation in the Northern and Eastern regions of the PRC, which were established more recently, had performed satisfactorily. These encouraging results were achieved through the correct strategy of expansion to areas of high potentials for business development.

Turnover generated from the implementation of the ERP system, IFS was unsatisfactory for the period under review. As the sales cycle of ERP system is often longer than other software systems, it is expected that business contracts negotiated during this period under review could be concluded in the coming quarters.

The Group's diversification into the PRC media business through publishing the hotel guest room magazine e<sup>2</sup>Smart is proceeding smoothly. Up to June 2004, approximately 210 mid/high range hotels were included in our distribution network and two issues of magazines were published.



## **PROSPECTS**

In Hong Kong, the Group is optimistic that prospects on provision of IT solutions to customers are good. The Group is currently negotiating with a large international IT company for the provision of IT resources to support this company's IT activities. A number of IT solution contracts are also under negotiation currently and are expected to conclude in the coming quarters. The Group has also identified a number of customers who are interested in our product AIMS and most of these leads could be realized in the latter part of the current year. The Group believes that there will be significant improvement in this area of business.

The Group continues to see strong demand for hotel management software in the PRC and a large growing potential for our product Pegasus. Apart from sale of new licenses, there will be strong demands from upgrades, enhancements and purchase of new modules from existing customers. The new Food and Beverages and Back-Office modules are expected to be launched to the market in the coming quarters. However, there is a possibility of an adverse impact on the Group's business due to the PRC government's implementation of the "tightening measures" to control the volatile economic development. The Group will monitor the situation closely and react swiftly to cope with the latest changes in the economic landscape of the PRC.

As publishing trendy magazine is a new attempt to the Group, extra effort is required to understand readers' tastes and advertisers' requirements. Through the issue of the previous two issues of e<sup>2</sup>Smart magazine, the Group has collected valuable comments and suggestions on how to improve the quality of the magazine. The Group is determined to combine the strength of both of its Hong Kong and PRC talents to deliver a magazine that will be well received by the market. It is anticipated that this line of business could contribute considerably to the Group's future growth.

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

During the three months ended 30th June, 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 30th June, 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:

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

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

#### *Notes:*

1. These shares are held by 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. These shares are held by Winbridge Company Limited ("Winbridge"), which is owned as to 99% by Dr. Liao, York and therefore Dr. Liao, York is deemed to have an interest in the shares in which Winbridge is interested in.
3. Based on 750,000,000 shares of the Company in issue as at 30th June, 2004.

(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:

<b>Name</b>	<b>Type of interests</b>	<b>Exercisable period</b>	<b>Exercise price</b>	<b>Number of underlying shares</b>
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
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
				<u>7,200,000</u>
				<u><u>10,480,000</u></u>

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

Save as disclosed herein, as at 30th June, 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 30th June, 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.

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

So far as is known to any director or chief executive of the Company, as at 30th June, 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**

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

*Notes:*

1. These shares are held by 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 30th June, 2004.

**(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
				<hr/> <u>1,480,000</u>

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

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

Save as disclosed herein, so far as is known to the directors, as at 30th June, 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.

## **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.

## **SPONSOR'S INTERESTS**

As updated and notified by the Company's sponsor, Anglo Chinese Corporate Finance, Limited ("Anglo Chinese"), as at 30th June, 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 18th March, 2003 (date of listing of the Company's shares on GEM) to 31st March, 2005.

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference in compliance with Rules 5.29 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 the Group's unaudited results for the three months ended 30th June, 2004, the audit committee has held one meeting and has reviewed the draft quarterly report and accounts for the three months ended 30th June, 2004 prior to recommending such report and accounts to the Board for approval.

## **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 three months ended 30th June, 2004.

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

Hong Kong, 9th August, 2004

As at the date of this report, the Company's executive directors include Mr. Lee Shun Hon, Felix and Mr. Chun Hon Ching; non-executive director includes Dr. Liao, York; independent non-executive directors include Professor Tsang Hin Pok, Herbert and Mr. Anthony Francis Martin Conway.