



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)

INTERIM REPORT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2004

** For identification purpose only*

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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 SIX MONTHS ENDED
30TH SEPTEMBER, 2004**

- Total turnover amounted to approximately HK\$23.5 million, representing a decrease of approximately 9% over the corresponding period last year.
- Turnover in Hong Kong had decreased by approximately 6% when compared to the same period last year.
- Turnover derived from the PRC posted an approximately 19% decrease to approximately HK\$6.0 million.
- Sale of the Group's proprietary products, Pegasus Hotel Management System ("Pegasus") and Armitage Industrial Management System ("AIMS") had increased by 12% and 14% respectively.
- Operating expenses of approximately HK\$17.2 million was recorded, representing an increase of approximately 23% over the corresponding period last year. Except for the payment of compensation to a previous executive director for loss of office, the increase in spending was within the expectation of the Group as such spending was utilized for business expansion and diversification.
- Loss attributable to shareholders was approximately HK\$3.5 million for the period under review (2003: profit of 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 six months ended 30th September, 2004 and the three months ended 30th September, 2004, together with the comparative unaudited consolidated figures for the corresponding period last year, as follows:

		For the six months ended 30th September,		For the three months ended 30th September,	
			<i>Restated</i>		<i>Restated</i>
		2004	2003	2004	2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	23,464	25,853	12,531	14,416
Cost of sales and services rendered		(9,389)	(11,401)	(4,696)	(6,650)
Gross profit		14,075	14,452	7,835	7,766
Other income		216	315	78	156
Net realised and unrealised (losses)/gains on other investments		(75)	192	36	156
Operating expenses		(17,223)	(14,006)	(8,377)	(7,156)
Operating (loss)/profit		(3,007)	953	(428)	922
Finance costs		(401)	(249)	(186)	(89)
(Loss)/profit before income tax	3	(3,408)	704	(614)	833
Income tax expense	4	(156)	(436)	(200)	(300)
(Loss)/profit after income tax		(3,564)	268	(814)	533
Minority interests		90	(110)	24	(176)
(Loss)/profit attributable to shareholders		(3,474)	158	(790)	357
(Loss)/earnings per share (HK cents)					
- Basic	5	(0.46)	0.02	(0.11)	0.05
- Diluted	5	N/A	0.02	N/A	0.05

Consolidated Balance Sheet

	At 30th September, 2004 <i>HK\$'000</i> <i>(Unaudited)</i>	At 31st March, 2004 <i>HK\$'000</i> <i>(Audited)</i>
	<i>Note</i>	
NON-CURRENT ASSETS		
Fixed assets	5,188	5,395
Software	990	1,210
Trade mark	103	106
Goodwill on consolidation	2,319	2,840
Development costs	21,940	20,427
Club debenture, at cost	200	200
Loan receivable	1,108	1,480
Deferred tax	642	788
	<u>32,490</u>	<u>32,446</u>
CURRENT ASSETS		
Other investments	542	617
Debtors, deposits and prepayments	6 18,025	13,394
Income tax recoverable	723	727
Loan receivable	644	520
Pledged time deposits	9,000	10,000
Time deposits with a bank	—	3,500
Cash and bank balances	7,634	17,673
	<u>36,568</u>	<u>46,431</u>
DEDUCT:		
CURRENT LIABILITIES		
Bank overdrafts, secured	13,366	16,336
Bank loans, secured	3,000	4,286
Creditors, accruals and deposits received	7 6,702	6,993
Income tax payable	3	—
	<u>23,071</u>	<u>27,615</u>
NET CURRENT ASSETS		
	<u>13,497</u>	<u>18,816</u>
	<u>45,987</u>	<u>51,262</u>
REPRESENTING:		
SHARE CAPITAL	7,500	7,500
RESERVES	38,428	41,902
SHAREHOLDERS' FUNDS	<u>45,928</u>	<u>49,402</u>
MINORITY INTERESTS	<u>22</u>	<u>112</u>
NON-CURRENT LIABILITIES		
Bank loans, secured	—	1,714
Deferred tax	37	34
	<u>37</u>	<u>1,748</u>
	<u>45,987</u>	<u>51,262</u>

Condensed Consolidated Cash Flow Statement

	For the six months ended 30th September,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH USED IN OPERATING ACTIVITIES	(4,772)	(4,870)
NET CASH USED IN INVESTING ACTIVITIES	(2,797)	(4,618)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	<u>(3,000)</u>	<u>2,943</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,569)	(6,545)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>4,837</u>	<u>16,126</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>(5,732)</u></u>	<u><u>9,581</u></u>

ANALYSIS OF CASH AND CASH EQUIVALENTS

	At 30th September, 2004	At 30th September, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Time deposits	—	5,014
Cash and bank balances	7,634	20,934
Bank overdraft	<u>(13,366)</u>	<u>(16,367)</u>
	<u><u>(5,732)</u></u>	<u><u>9,581</u></u>

Consolidated statement of changes in equity

	Retained profits/		Share premium	Special reserve	Capital reserve	Exchange reserve	Total
	Share capital	(accumulated losses)					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2003 (Audited/restated)	7,500	2,195	40,493	3,801	174	(5)	54,158
Loss for the three months ended 30th June, 2003	—	(199)	—	—	—	—	(199)
At 30th June, 2003 (Unaudited)	7,500	1,996	40,493	3,801	174	(5)	53,959
Recovery of share placing expenses	—	—	2,343	—	—	—	2,343
Profit for the three months ended 30th September, 2003	—	357	—	—	—	—	357
At 30th September, 2003 (Unaudited)	<u>7,500</u>	<u>2,353</u>	<u>42,836</u>	<u>3,801</u>	<u>174</u>	<u>(5)</u>	<u>56,659</u>
At 1st April, 2004 (Audited)	7,500	(4,904)	42,836	3,801	174	(5)	49,402
Loss for the three months ended 30th June, 2004	—	(2,684)	—	—	—	—	(2,684)
At 30th June, 2004 (Unaudited)	7,500	(7,588)	42,836	3,801	174	(5)	46,718
Loss for the three months ended 30th September, 2004	—	(790)	—	—	—	—	(790)
At 30th September, 2004 (Unaudited)	<u>7,500</u>	<u>(8,378)</u>	<u>42,836</u>	<u>3,801</u>	<u>174</u>	<u>(5)</u>	<u>45,928</u>

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 Institute of Certified Public 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 mainly 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:

	For the six months ended	
	30th September,	
		<i>Restated</i>
	2004	2003
	HK\$'000	HK\$'000
Provision of information solutions		
System development and integration	13,602	14,290
Maintenance and enhancement income	2,491	2,671
Sales of application software	7,371	8,892
	<hr/>	<hr/>
	23,464	25,853
	<hr/> <hr/>	<hr/> <hr/>

3. (Loss)/profit before income tax

(Loss)/profit before income tax is arrived at after charging:

	For the six months ended 30th September,	
	2004	2003
	HK\$'000	HK\$'000
Amortisation of development costs	1,116	252
Amortisation of goodwill	521	521
Amortisation of software	220	485
Amortisation of trade mark	3	2
Depreciation	356	321
Less: Amounts capitalised as development costs	37	54
	319	267
Interest on bank loans and overdrafts and other loans wholly repayable within five years	324	182

4. Income tax expense

Income tax expense in the unaudited consolidated income statement represents:

	For the six months ended 30th September,	
	2004	Restated 2003
	HK\$'000	HK\$'000
Current tax		
Provision for Hong Kong profits tax at 17.5% on the estimated assessable profits for the period	7	314
Deferred tax	149	122
Income tax expense	156	436

5. (Loss)/earnings per share

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

No diluted loss per share for current period 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 previous period is based on the Group's profit attributable to shareholders and the assumption that 755,142,857 shares had been in issue during the period. The number of shares used in the calculation comprised 750,000,000 ordinary shares in issue, 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.

6. Debtors, deposits and prepayments

Debtors, deposits and prepayments comprise:

	At 30th September, 2004 HK\$'000	At 31st March, 2004 HK\$'000
Trade debtors	16,638	12,054
Less: General provision for bad debts	<u>341</u>	<u>263</u>
	16,297	11,791
Rental and utility deposits	389	376
Prepayments	492	443
Other debtors	<u>847</u>	<u>784</u>
	<u>18,025</u>	<u>13,394</u>

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:

	At 30th September, 2004 HK\$'000	At 31st March, 2004 HK\$'000
0 - 30 days	10,690	9,483
31 - 60 days	3,490	585
61 - 90 days	244	154
91 - 180 days	519	715
181 - 365 days	1,012	591
> 1 year	<u>683</u>	<u>526</u>
	<u>16,638</u>	<u>12,054</u>

7. Creditors, accruals and deposits received

Creditors, accruals and deposits received comprise:

	At 30th September, 2004 HK\$'000	At 31st March, 2004 HK\$'000
Trade creditors	1,227	1,144
Deferred enhancement and maintenance income - <i>Note</i>	1,363	1,540
Deposits received	35	38
Accruals and provisions	2,941	3,973
Other creditors	1,136	298
	<u>6,702</u>	<u>6,993</u>

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:

	At 30th September, 2004 HK\$'000	At 31st March, 2004 HK\$'000
0 - 30 days	500	601
31 - 60 days	65	69
61 - 90 days	83	8
91 - 180 days	33	240
> 180 days	546	226
	<u>1,227</u>	<u>1,144</u>

8. Segment reporting

(a) An analysis of the Group's turnover and segment results for the period by geographical segments is as follows:

	Hong Kong		Mainland China		Inter-segment		Consolidated	
	For the		For the		For the		For the	
	six months ended		six months ended		six months ended		six months ended	
	30th September,		30th September,		30th September,		30th September,	
	<i>Restated</i>		<i>Restated</i>		<i>Restated</i>		<i>Restated</i>	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	17,507	18,535	5,957	7,328	—	(10)	23,464	25,853
Cost of sales and services rendered	(7,922)	(8,660)	(1,467)	(2,751)	—	10	(9,389)	(11,401)
Gross profit	9,585	9,875	4,490	4,577	—	—	14,075	14,452
Other income	541	265	2	170	(327)	(120)	216	315
Net realised and unrealised (losses)/gains on other investments	(75)	192	—	—	—	—	(75)	192
Operating expenses	(10,617)	(9,711)	(6,776)	(4,415)	170	120	(17,223)	(14,006)
Operating (loss)/profit	(566)	621	(2,284)	332	(157)	—	(3,007)	953
Finance costs	(379)	(244)	(179)	(5)	157	—	(401)	(249)
(Loss)/profit before income tax	(945)	377	(2,463)	327	—	—	(3,408)	704
Income tax expense	(124)	(282)	(32)	(154)	—	—	(156)	(436)
(Loss)/profit after income tax	(1,069)	95	(2,495)	173	—	—	(3,564)	268
Minority interests	—	(75)	90	(35)	—	—	90	(110)
(Loss)/profit attributable to shareholders	(1,069)	20	(2,405)	138	—	—	(3,474)	158
Depreciation and amortisation	1,826	854	353	673	—	—	2,179	1,527
Capital expenditure incurred during the period	1,999	2,493	803	2,128	—	—	2,802	4,621
Segment assets and total assets	71,712	86,806	13,344	11,929	(15,998)	(14,645)	69,058	84,090
Segment liabilities and total liabilities	(19,487)	(23,218)	(21,565)	(15,666)	17,944	12,240	(23,108)	(26,644)
Minority interests	—	675	22	112	—	—	22	787

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

HK Operation

For the six months ended 30th September, 2004 turnover generated from Hong Kong operation amounted to approximately HK\$17.5 million, representing a decrease of approximately 6% from the approximately HK\$18.5 million recorded for the corresponding period last year. The decrease in turnover was mainly caused by the disposal of a subsidiary in March 2004.

During the past quarter, after the completion of the project definition/study stage, the Group was invited by a major international IT firm to participate in the development and implementation of a large project for a renowned air-transportation company.

The Group was also awarded a contract by a container terminal operator to install a gasoline management system for their gas station to prevent unauthorized oil consumption. This is a pilot project and it is expected that if the first installation produces satisfactory results, there will be opportunities to install more similar systems for other locations.

The Group was in the final negotiation stage with a major US bank to develop a customized deal ticket database system to consolidate and centralize their local deal booking, scorecard and front office position recording which are currently being handled manually.

The Group was in the final negotiation stage with the largest publicly listed Chinese fast food restaurant group to develop a tenancy agreement system to manage all their tenancy matters.

The Group has entered into verbal agreement with a leading international IT corporation to provide resources in the PRC to support its global IT activities. The successful conclusion of this collaboration evidenced international corporation's endorsement of the Group's capability to deliver top quality services.

The Group has also successfully concluded contracts to implement its proprietary Enterprise Resources Planning (“ERP”) software system — Armitage Industrial Management System (“AIMS”) for customers in electrical appliances, electronics and trading industries. Revenue generated in this respect had increased by approximately 14% as compared to the corresponding period last year. It is expected that revenue generated from this line of business will have significant improvement in the coming quarters.

PRC Operation

For the six months ended 30th September, 2004, turnover derived from the PRC operation had decreased by approximately 19% to approximately HK\$6.0 million (2003: approximately HK\$7.3 million). Despite the stringent measures implemented by the PRC government to control the volatile economic development, sale of the Group’s flagship product, Pegasus Hotel Management Software (“Pegasus”) managed to increase by approximately 12% as compared to the same period last year.

ERP system implementation had no significant improvement in the second quarter. When compared to the same period last year, the Group’s revenue generated in this area had decreased significantly to approximately HK\$0.3 million (2003: approximately HK\$2.3 million). Delays in concluding new contracts were the main reason for the decrease in revenue generated from the implementation of ERP system.

The Group’s hotel guest room magazine, e²Smart is currently in the fourth issue. Up to September 2004, approximately 260 hotels were included in the distribution network. The Group is working towards improving the magazine’s quality and exposure and will exert its effort in sales and marketing aggressively in the coming quarters.

FUTURE PROSPECTS

The Group believes that the decrease in turnover recorded in the past half year was temporary, reflecting certain market adjustments and is optimistic that its performance could improve in the coming quarters.

In Hong Kong, following the successful contract conclusion with a number of prominent customers, the Group is confident that there are a lot of opportunities for cooperation with them in the future. Particularly, the Group believes that our initial cooperation with two leading international IT corporations, to which the Group had entered into agreements to provide IT resources, has created vast opportunities for the Group in further developing its outsourcing business.

For our proprietary ERP systems: *AIMS*, the Group has continued research and development with an aim of improving features and quality of the product. With this initiative, it is strongly believed that sale in this respect will significantly improve in the future.

In the PRC, the Group anticipates that with the alleviation of the PRC government's control in investments, sale of *Pegasus* could be further improved in the coming quarters. The Group had invested substantially in product research and development and opening up new operation centres in strategically important districts for selling of *Pegasus* in the past and is optimistic that good returns are forthcoming.

For the ERP implementation, even though results had been unsatisfactory, the Group believes that its technical team possesses profound ERP expertise that few of its competitors could match. The Group now needs to spend more efforts on sales and marketing to cultivate more business opportunities in this respect.

The Group shall constantly review its operating expenses and implement stringent cost control measures in order to stay competitive.

FINANCIAL REVIEW

Consolidated results of operations

For the six months ended 30th September, 2004, the Group recorded a turnover of approximately HK\$23.5 million, representing a decrease of approximately 9% compared to the approximately HK\$25.9 million recorded for the corresponding period last year. This was mainly attributable to the unsatisfactory performance in the ERP sector in respect of the PRC operation. In 2004, sales from the implementation of ERP system, IFS, amounted to approximately HK\$0.3 million, as compared to the approximately HK\$2.3 million in the same period last year.

In respect of the Hong Kong operation, turnover amounted to approximately HK\$17.5 million, a decrease of approximately HK\$1.0 million as compared to last period. The decrease was mainly due to the disposal of a subsidiary in March 2004.

Sale of the Group's flag ship products, *Pegasus* and *AIMS* had increased by approximately 12% and 14% respectively as compared to the corresponding period last year.

Gross profit

Gross profit margin had improved from approximately 56% in 2003 to the current approximately 60%. The improvement was mainly due to savings in direct staff costs associated with provision of customer services, employment of fewer outside consultants to support outsourcing business, and increase in *Pegasus* sales in proportion to third party ERP packages.

Operating expenses

Operating expenses were approximately HK\$17.2 million (2003: approximately HK\$14.0 million), representing an increase of approximately HK\$3.2 million. 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\$684,000); 2. amortization of development costs for product AIMS v3.02 of approximately HK\$864,000 (2003: nil); 3. additional expenditures of approximately HK\$1.0 million for the magazine publication and distribution business in the PRC; and 4. HK\$480,000 compensation paid to a previous executive director for loss of office.

As a result, the Group recorded a loss attributable to shareholders of approximately HK\$3.5 million (2003: profit of approximately HK\$0.2 million).

Financial resources and liquidity

As at 30th September, 2004, the shareholders' funds of the Group amounted to approximately HK\$45.9 million. Current assets amounted to approximately HK\$36.6 million of which approximately HK\$16.6 million were cash and bank deposits and approximately HK\$18.0 million were debtors, deposits and prepayments. The Group's current liabilities amounted to approximately HK\$23.1 million, including approximately HK\$16.4 million bank loans and overdrafts.

Current ratio was approximately 1.59 (at 31st March, 2004: approximately 1.68). Gearing ratio, expressed as a ratio of total bank borrowings to shareholders' funds, was approximately 0.36 (at 31st March, 2004: approximately 0.45). Fluctuation in the ratios was due to the settlement of bank loans and overdrafts in order to reduce interest payment.

Foreign exchange

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

Significant investments and acquisition

The Group had no material acquisitions and disposal of subsidiaries and affiliated companies during the six months ended 30th September, 2004.

Charges on the Group's assets

As at 30th September, 2004, the Group's time deposits of HK\$9.0 million (at 31st March, 2004: HK\$10.0 million) have been pledged to a bank to secure general banking facilities granted to the Group.

Capital commitments

The Group had no material capital commitments during the six months ended 30th September, 2004.

Contingent liabilities

As at 30th September, 2004, the Group had contingent liabilities in respect of performance bonds amounted to approximately HK\$602,000 (at 31st March, 2004: approximately HK\$151,000) issued by a bank in favour of a customer for the due performance of contract works undertaken by the Group.

During the reporting periods, 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 30th September, 2004, the Group had 298 employees in Hong Kong and the PRC (at 31st March, 2004: 299). 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 April, 2004 to 30th September, 2004 (the “Relevant Period”).

	Business Objectives for the Relevant Period as stated in the Prospectus	Actual Business Progress in the Relevant Period
Strategic development	Continue to expand aggressively into the ERP application software market and the hospitality industry in China by further enhancing its ERP application software, <i>AIMS</i> , and its hotel management application software, <i>Pegasus</i> .	The Group has continued to expand aggressively into the ERP application software market and the hospitality industry in China. It has placed significant resources to further enhance its ERP application software, <i>AIMS</i> , and its hotel management application software, <i>Pegasus</i> .
	Continue to seek strategic alliances with and, or acquire IT companies and, or application software developers.	The Group has continued to seek strategic alliances with IT solutions partners like Fujitsu, IFS, Datastream and Oracle.
Products and services development	<i>AIMS</i> — develop and modify <i>AIMS</i> to meet the needs of the manufacturers of textile and construction materials in China.	During the period under review, the Group has concentrated on the modification and enhancement for the current modules.
	<i>Pegasus</i> — intends to further enhance the functions of <i>Pegasus</i> .	Efforts have been taken to continue enhancing the reporting functions and upgrading of the food and beverage module and back-office modules.

	Business Objectives for the Relevant Period as stated in the Prospectus	Actual Business Progress in the Relevant Period
	<i>Adapter</i> — plans to continue to develop and launch new version of <i>Adapter</i> which is capable of handling the workflow management requirements of the Hong Kong government.	As reported in the annual report for 2003-2004, due to unsatisfactory result, the development of <i>Adapter</i> had been ceased.
	<i>e-Frame</i> — modify <i>e-Frame</i> for integration with other software tools.	The modification of <i>e-Frame</i> for integration with other software tools is still being planned.
	<i>e-Frame</i> — launch the first version of e-Frame which will be targeted at web application developers.	<i>e-Frame</i> had been applied in projects developed by the Group.
	Continue to develop an ASP platform for offering on-line hotel management services to mid-ranged hotels in China.	The Group has ceased the development of the ASP platform.
Sales and marketing	Continue to adopt aggressive marketing activities to market <i>Pegasus</i> and <i>AIMS</i> in China.	The Group has continued to adopt aggressive marketing activities to market <i>Pegasus</i> and <i>AIMS</i> in China by actively organizing press conferences, seminars and taking part in exhibitions in various major cities of China.
	Commence marketing activities for <i>e-Frame</i> in Hong Kong and China.	The Group has bundled <i>e-Frame</i> in quotation of projects development costs and considered that it is not necessary to market <i>e-Frame</i> as a product on its own.

	Business Objectives for the Relevant Period as stated in the Prospectus	Actual Business Progress in the Relevant Period
Geographical expansion	Upgrade its sales offices in Shanghai and Beijing in China to regional offices	The Group has upgraded its sales offices in Shanghai and Beijing in China to regional offices. Each regional office is equipped with its own customer services and support team.
Human resources	Recruit technical and marketing staff in tandem with any increase in its business activities.	The number of technical staff for information solutions and application software projects has increased by 12 to cope with the increase in business activities.

For the six months ended 30th September, 2004, the Group has incurred the following amounts to achieve the business objectives as set out in the Prospectus:

	As stated in the Prospectus	Actual
	<i>HK\$'000</i>	<i>HK\$'000</i>
Strategic development	3,000	3,000
Products and services development	1,500	1,500
Sales and marketing	1,500	459
Geographical expansion	400	400
Human resources	500	500
General working capital	1,000	3,377
	<u>7,900</u>	<u>9,236</u>

The Group considered that *e-Frame* is more suitable to be bundled in quotation of project development costs instead of being sold as a separate product, it is decided that *e-Frame* will not be marketed as a product on its own.

The amount spent as working capital during the period was approximately HK\$3,377,000, which was approximately HK\$2,377,000 more than amount stated in the Prospectus. Such additional amount was used to settle bank loan, in order to reduce interest expenses of the Group.

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

During the six months ended 30th September, 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 September, 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 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in the shares of the Company

Name	Type of interests	Number of shares	Approximate percentage of the issued share capital <i>(Note 3)</i>
Mr. Lee Shun	Personal	331,301,790	44.17%
Hon, Felix	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 September, 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:

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
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>10,480,000</u>

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

Save as disclosed herein, as at 30th September, 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 September, 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 5.46 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 September, 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	Approximate percentage of the issued share capital <i>(Note 4)</i>
Mr. Lee Shun	Personal	331,301,790	44.17%
Hon. Felix	Family	17,907,651 <i>(Note 1)</i>	2.39%
Kingspecial Investments Limited	Corporate	114,578,176 <i>(Note 2)</i>	15.28%
Mr. Lee Shun Kwong	Corporate	41,870,454 <i>(Note 3)</i>	5.58%

Notes:

1. These shares are held by 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 September, 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
				<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 September, 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 September, 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 comprises three independent non-executive directors, namely Mr. Anthony Francis Martin Conway, Professor Tsang Hin Pok, Herbert and Mr. Chan Hang.

Up to the date of approval of the Group's unaudited results for the six months ended 30th September, 2004, the audit committee has held two meetings and has reviewed the draft interim report and accounts for the six months ended 30th September, 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 six months ended 30th September, 2004.

On behalf of the Board
Lee Shun Hon, Felix
Chairman

Hong Kong, 11th November, 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 Mr. Anthony Francis Martin Conway, Professor Tsang Hin Pok, Herbert and Mr. Chan Hang.