Armitage Technologies Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Annual Report 2004-2005

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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.

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Lee Shun Hon, Felix
Mr. To Yung Yui, Steve
Mr. Chun Hon Ching*

NON-EXECUTIVE DIRECTOR

Dr. Liao, York

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anthony Francis Martin Conway
Professor Tsang Hin Pok, Herbert
Mr. Chan Hang

COMPANY SECRETARY

Ms. Wong Man Yee *CPA, FCCA*

QUALIFIED ACCOUNTANT

Ms. Wong Man Yee *CPA, FCCA*

COMPLIANCE OFFICER

Mr. Lee Shun Hon, Felix

AUDIT COMMITTEE

Mr. Anthony Francis Martin Conway
Professor Tsang Hin Pok, Herbert
Mr. Chan Hang

AUTHORIZED REPRESENTATIVES

Mr. Lee Shun Hon, Felix
Ms. Wong Man Yee *CPA, FCCA*

SPONSOR

(The sponsorship agreement expired on 31st March, 2005)

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Central, Hong Kong

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16-20, Chater Road, Hong Kong

AUDITORS

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Certified Public Accountants
26th Floor, Citicorp Centre
18 Whitfield Road
Causeway Bay, Hong Kong

PRINCIPAL BANKERS

Fubon Bank (Hong Kong) Limited
Nanyang Commercial Bank, Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Bank (Cayman) Ltd.
Butterfield House
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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183 Queen's Road East
Hong Kong

REGISTERED OFFICE

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Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPANY'S WEBSITE ADDRESS

www.armitage.com.hk
www.armitage.com.cn
www.szarmitage.com
www.e2smart.com

GEM STOCK CODE

8213

* Mr. Chun Hon Ching ceased to be an Executive Director on 30th March, 2005

Armitage Technologies Holding Limited is one of the leading information technology service providers and application software developers in Hong Kong and China. We have over 25 years of proven track record in delivering IT solutions to customers in manufacturing, transportation/logistics, hospitality, government and public sector.

Founded in 1980, our headquarters are located in Hong Kong with subsidiaries in Guangzhou and Shenzhen. Our subsidiary in Guangzhou has also established regional offices in various big cities in China such as Shanghai, Beijing and Wuhan.

Since the beginning of the year 2004, through our subsidiary, Eastern Express Solutions Limited, we have commenced the publication of a life style magazine, ***e²Smart***, distributing to approximately 300 reputable hotels in major cities of China.

Portfolio of our principal subsidiaries:

Armitage Technologies Limited

- Provision of IT solutions, including provision of outsourcing services to customers in Hong Kong
- Sale of proprietary ERP application software ***AIMS*** and ***Konto 21*** to customers in Hong Kong with manufacturing plants in the Pearl River Delta

Armitage Technologies (Shenzhen) Limited

- Research and development centre
- Technical resource centre for Hong Kong outsourcing and fixed-price projects
- Provision of IT solutions, including provision of outsourcing services to customers principally in the transportation and logistics sector in Shenzhen

Guangzhou Armitage Computer Software Limited

- Sale of proprietary hotel management software ***Pegasus*** to customers in various parts of China
- Sale and implementation of third party ERP application software ***IFS*** to customers in southern China

Eastern Express Solutions Limited

- Publication of life style magazine ***e²Smart*** for distribution to star-ranked hotels in major business cities in China.

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 financial year ended 31st March, 2005.

Financial year 2004/2005 was a year of strengthening and consolidation. On the whole, total turnover at approximately HK$50.6 million was recorded, representing an increase of approximately 5% when compared to the previous year (2004: approximately HK$48.2 million, excluding turnover of approximately HK$4.5 million generated from a subsidiary disposed of in March 2004). Turnover generated from our Hong Kong operations recorded an increase of approximately 12% to approximately HK$37.3 million (2004: approximately HK$33.2 million, excluding turnover of approximately HK$4.5 million generated from a subsidiary disposed of in March 2004) whilst turnover derived from our PRC operations was approximately HK$13.3 million, representing a decrease of approximately 11% from approximately HK$15.0 million recorded in the previous year.

The results recorded from Hong Kong operations are encouraging. Although economic conditions in general have improved, to date only a handful of business segments such as retail, hospitality, legal and finance/accounting sectors have benefited. IT spending has not yet fully recovered, however, we believe that the situation is improving and other sectors will recover gradually in the coming year. In the area of provision of IT solutions and outsourcing, we have embarked on business relationships with two of the world's largest IT corporations. This has marked the beginning of what we expect to be a long-term relationship that should contribute significantly to the Group's future revenues. On application systems, revenue generated from ***AIMS*** together with its previous version ***Konto 21*** increased by approximately 36%. With further input in product enrichment, the market position and gross margin of ***AIMS*** should be improved. We expect that sales from ***AIMS*** will be further increased in the next few years.

In China, there was an increase in the number of ***Pegasus*** licenses sold. However, due to keen competition, price concessions have been made during the year under review, resulting in a moderate decline of approximately 4% in total revenue. Prospects for ***Pegasus*** are good as there is a trend towards increasing investments in hotel development in China in the next few years. The delay in concluding certain contracts for ***IFS*** affected its performance. However, since the last quarter of the 2004/2005 financial year, we have successfully concluded ***IFS*** contracts with aggregate value of more than HK$5 million. This turnaround has increased our confidence and we believe that the future prospects of ***IFS*** are promising.

In December 2004, Armitage was selected as one of the "500 Fastest-growing Hi Tech Enterprises in Asia Pacific" by Deloitte Touche Tohmatsu. During the year, our proprietary product, ***AIMS*** was chosen by Shenzhen Polytechnic and Hong Kong Institute of Vocational Education (Haking Wong) as education and laboratory teaching materials. We are honored to receive these encouraging recognitions within the high technology industry.

Our initiative to diversify into magazine publication in China is progressing on the right track. Our subsidiary, Eastern Express Solutions Limited, commenced publication of the life style magazine, ***e²Smart*** in March 2004. We have chosen our well-acquainted hospitality industry as our distribution network. So far, approximately 300 reputable hotels in major business cities in China have placed complimentary copies of ***e²Smart*** in their rooms for their guests. We identified an elite group of frequent business travelers as our readers and established ***e²Smart*** as an ideal platform for promoting high-end and luxurious products and services. During the past year, the Group achieved improvement in content and quality of the magazine and we strengthened our distribution network. In the coming year, we will concentrate our efforts in improving advertisement sales. We firmly believe that there are huge development potentials in publishing industry in China and are optimistic that this diversification will play an important role in our future development.

Last year, I emphasized that research and development was essential in our business. I continue to believe that research and development is vital to a company with vision. We shall continue to invest sensibly in research and development for the betterment of our future growth. Further enhancements of our products ***AIMS*** & ***Pegasus*** shall continue to ensure their competitiveness and marketability. Our "team-across-border" strategy in Hong Kong and Shenzhen to reduce staff expenditure is working well. This subsidiary in Shenzhen is now mature enough to secure projects on its own, and have started to seek business opportunities in Shenzhen, mainly serving the transportation and logistics sector.

Looking ahead, IT companies in Hong Kong will face great challenges in the coming year, as the market is still volatile. However, through our management's persistence to strengthen and consolidate our business, namely in the transportation, manufacturing and hospitality sectors, we have established a very healthy pipeline with promising prospects. In the coming year, the major challenge for our management is to succeed in magazine publishing. We will constantly review the development strategy for this business venture to ensure that our objectives can be achieved.

Mr. Chun Hon Ching, who was an executive director of the Company, retired in March 2005. I would like to express my sincere appreciation for his contributions and dedicated services to the Group in the past 12 years. Mr. Chan Hang was appointed as an independent non-executive director of the Company in September 2004 and Mr. To Yung Yui, Steve was appointed as an executive director in December 2004. I would like to welcome them to the Board.

Finally, I would like to thank our Board of directors, management and staff for their efforts, dedication and valuable contributions throughout the year. I would also like to express my sincere appreciation to our shareholders, customers and business partners for their continuing support.

Lee Shun Hon, Felix
Chairman

Hong Kong, 22nd June, 2005

CORPORATE GOVERNANCE REPORT

The Group is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. Set out below are those principles of corporate governance as adopted by the Company during the reporting year.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the year, the Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all directors, the Company confirms that all of the Company's directors complied with such required standard of dealings and its code of conduct regarding directors' securities transactions.

THE BOARD

Board of Directors

The Board currently consists of 6 members including two executive directors (one of them being the Chairman of the Board and the Chief Executive Officer of the Group), one non-executive director and three independent non-executive directors. Generally, at every annual general meeting of the Company, one-third of the directors (other than the Chairman of the Board and the Chief Executive Officer of the Group) for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding, one-third, shall retire from office by rotation. A retiring director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The membership of the Board represents wide background and rich and diversified industry expertise.

All independent non-executive directors bring their wealth of experience to the Board and serve the important function of advising the management on strategy development to ensure that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks for safeguarding the interests of shareholders and the Company as a whole. Except as disclosed in this annual report, none of the independent non-executive directors has any business or financial interests with the Group and confirmed their independence to the Group pursuant to Rule 5.09 of the GEM Listing Rules.

THE BOARD (cont'd)

Meetings

The Board meets regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. During the year, the Board held 4 meetings for the discussion and approval of important matters such as the approval of quarterly results, interim results and annual results, dividends, the Group's annual budget, business and investments etc. In addition, the Group's management also met with certain non-executive directors to seek their views on certain business or operational matters. The attendance record of the Board meetings is as follows:

Number of Meetings	4	
Members of the Board	**Meetings Attended**	**Attendance Rate**
Chairman		
Lee Shun Hon, Felix	4	100%
Executive directors		
Chun Hon Ching (resigned on 30th March, 2005)	4	100%
To Yung Yui, Steve (appointed on 17th December, 2004)	1	100%
Au Yat-Gai (resigned on 14th May, 2004)	N/A	N/A
Non-executive director		
Dr. Liao, York	4	100%
Independent non-executive directors		
Professor Tsang Hin Pok, Herbert	4	100%
Anthony Francis Martin Conway	4	100%
Chan Hang (appointed on 16th September, 2004)	2	100%
Average Attendance Rate		100%

Chairman and Chief Executive Officer

Mr. Lee Shun Hon, Felix is the Chairman of the Board and the Chief Executive Officer of the Group, who is responsible for ensuring that all directors act in the best interest of shareholders. He is fully accountable to the shareholders and contributes to the Board and the Group on all top-level or strategic decisions.

THE BOARD (cont'd)

Executive directors

Executive directors are responsible for running the Group and executing the strategies adopted by the Board. They lead the Group's management team in accordance with the directions set by the Board and are responsible for ensuring that proper internal control system is in place and that the Group's business conforms to applicable laws and regulations.

Non-executive directors

Non-executive directors (including independent non-executive directors) serve the important function of advising the management on strategy development and ensure that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding interests of shareholders and the Company as a whole.

Each of the non-executive directors (including independent non-executive directors) of the Company signed a letter of appointment of one year with the Company. The term of each of these appointment letters shall be automatically renewed each year unless terminated by either side on three months' notice. The commencement dates of each of their appointments are as follows:

	Commencement Date
Non-executive director	
Dr. Liao, York	21st February, 2002
Independent non-executive directors	
Professor Tsang Hin Pok, Herbert	21st February, 2002
Anthony Francis Martin Conway	21st February, 2002
Chan Hang	16th September, 2004

AUDIT COMMITTEE

The Group had established an Audit Committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The Audit Committee comprises three independent non-executive directors. The Chairman of the Audit Committee is Professor Tsang Hin Pok, Herbert. Professor Tsang is a vice-president at Hong Kong Baptist University and he possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules.

A total of four Audit Committee meetings were held during the year to review and discuss the final, quarterly and interim results and annual financial statements respectively. Additional meetings may also be held by the Audit Committee from time to time to discuss special projects or other issues that the Audit Committee considers necessary. The external auditors of the Group may request a meeting if they consider necessary.

The authorities of the Audit Committee include (1) investigation of any activity within its term of reference; (2) seeking any information it requires from any employee; and (3) obtaining outside legal or other independent professional advice if it considers necessary.

The main duties of the Audit Committee are as follows:

- To consider the appointment of the external auditors, the audit fee, and any question of resignation or dismissal
- To discuss with the external auditors the nature and scope of the audit
- To review and monitor the external auditors, independence and objectivity and the effectiveness of the audit process in accordance with applicable standards
- To develop and implement policy on the engagement of external auditors to supply non-audit services
- To review the Group's quarterly, interim and annual financial statements before submission to the Board
- To discuss problems and reservations arising from the final audits and any matters that the external auditors may wish to discuss
- To review the Group's statement on internal control system prior to endorsement by the Board
- To consider the major findings of any internal investigation and the management's response
- To consider other topics, as defined by the Board

AUDIT COMMITTEE (cont'd)

The attendance record of the Audit Committee meetings is as follows:

Number of Meetings	4	
Members of the Audit Committee	**Meetings Attended**	**Attendance Rate**
Professor Tsang Hin Pok, Herbert	4	100%
Anthony Francis Martin Conway	4	100%
Chan Hang (appointed on 16th September, 2004)	2	100%
Average attendance rate		100%

Throughout the year under review, the Audit Committee discharged its responsibilities, reviewed and discussed the financial results and internal control system of the Group. As regards external auditors' remuneration, non-audit service was provided by the Group's external auditors during the year under review. The amount of external auditors' remuneration has been disclosed in the section of Financial Statements.

REMUNERATION OF DIRECTORS

The Company has not established a remuneration committee. The Board is mainly responsible for determining the Company's policy on remuneration of directors and the review and approval of all remuneration packages of directors. The Company currently does not have any plans to set up a remuneration committee considering the small size of the Board.

During the year under review, the Board determined the remuneration of an executive director and an independent non-executive director appointed during the year on the basis of the existing remuneration policy adopted by the Company, and approved their service contracts with the Company and reviewed the remuneration packages of all directors.

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of an individual to act as a director, and approving and terminating the appointment of a director. The Company has not established a nomination committee. The Company currently does not have any plans to set up a nomination committee considering the small size of the Board.

The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to each member of the Board for consideration and each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his qualifications, experiences and background. The decision of appointing a director must be approved unanimously by the members of the Board.

During the year under review, two candidates were recommended by the Chairman for appointment to the Board. Each member of the Board had reviewed the qualifications of these candidates and agreed to each of their appointments to the Board.

LOOKING FORWAD

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure compliance with the required practices and standards including the provisions of the Code on Corporate Governance Practices introduced by the Stock Exchange.

BUSINESS REVIEW

HONG KONG OPERATIONS

Information Solutions Projects

During the financial year ended 31st March, 2005, turnover from information solutions projects amounted to approximately HK$28.2 million, representing an increase of approximately 5% from the approximately HK$26.8 million (excluding the turnover of approximately HK$4.5 million generated by a subsidiary disposed of in March 2004) recorded last year. During the year, two leading international IT corporations commenced their partnership with the Group to develop their projects in Hong Kong. Up to now, the Group has concluded a long-term T&M outsourcing agreement for providing resources in Hong Kong and Shenzhen to jointly develop projects with one of the said international corporations. Other projects the Group participated in included the development and implementation of an end user computing system for a government department and a crew control system for one of the most prestigious airlines in the world. These achievements are important to the Group's development in Hong Kong, as they will contribute significantly to the Group's future revenue.

Income derived from maintenance and enhancements decreased by approximately 26%. This is mainly due to the fact that a number of old systems becoming obsolete and maintenance services therefore no longer being required. In this regard, the Group sees opportunities for new business development and is currently in discussion with prospective customers with proposals to develop new systems.

Our Shenzhen subsidiary, which is under the management in Hong Kong, was formerly a development and support centre for the Group's Hong Kong operations. From April last year, this subsidiary commenced to seek business opportunities on its own. Since then, it has completed contracts with a Shenzhen container terminal. The Group will continue to seek further business development opportunities for this subsidiary in Shenzhen, especially in the transportation sector.

Application Software

During the year, the Group had made its best efforts and has utilized its best resources available to improve the quality and customer services standard of its self-proprietary ERP software - Armitage Industrial Management System ("***AIMS***"). The Group is pleased that with product improvements and marketing activities in Hong Kong and the PRC, total sales of ***AIMS*** together with its previous version ***Konto 21*** (including software sales and maintenance and enhancements), increased by approximately 36% to approximately HK$7.5 million. During the year, the Group successfully concluded a number of ***AIMS*** contracts.

Marketing Activities

The Group actively organized and participated in seminars and activities with the press, electronic media, educational bodies and major hardware vendors to gain more public exposure with the aim of bringing the Group's products and services to the attention of its potential customers.

PRC OPERATIONS

Application Software

*Pegasus Hotel Management System ("**Pegasus**")*

The launch of ***Pegasus*** version v.7.0 in the last quarter of 2002 was a milestone for business development of the Group's self-proprietary hotel management software. Although we recorded a slight decrease in revenue in the financial year ended 31st March, 2005, the overall performance was steady. Due to keen competition, the Group has to allow concession in prices in order to win contracts, contributing mainly to the decrease in revenue. In order to offer more products and services to potential customers and make its solutions more attractive to hotel management, the Group has bundled Siemens PABX systems with ***Pegasus*** and this strategy has become well accepted by the market.

Commencing in the year 2004, the Group localized its customer services and maintenance support teams in its regional offices in the northern, eastern and western regions of the PRC. The initial establishment cost was rather significant but in the long run, this will give customers confidence on the Group's services and will save considerable travelling and related costs compared with sending staff to these sites from its headquarters.

The Group continued to place emphasis on research and development. The Group has a team of experts with extensive experience in hotel operations to give recommendations on how to enhance our products to suit hotel users' requirement. The Group expects that further improvement of the main product will make ***Pegasus*** more competitive within the hospitality industry and thus help to generate more business in the near future.

*Industrial and Finance Systems ("**IFS**")*

Revenue generated from implementation of the third party ERP application system - ***IFS*** has decreased by approximately 34% to approximately HK$2.5 million (2004: approximately HK$3.8 million). During the first three quarters of the financial year, all potential ***IFS*** contracts were delayed. In the fourth quarter, the Group successfully concluded a contract valued at approximately HK$4.4 million with a prominent paper manufacturer to implement ***IFS*** in its plants in China. A number of contracts with new and recurring customers are currently under negotiation.

The negotiation period for a large size ERP contract is usually lengthy and competition is keen. The successful implementation history by its team of high quality ERP experts has earned the Group a good reputation within this industry. The Group is often invited to provide consultation, enhancement and maintenance services on ***IFS*** previously implemented by our competitors. This is evidence of the recognition of the Group's technical capability. The Group is now in a good position to gain a prevailing market share on ***IFS*** related business in southern China.

Magazine Publication

Starting from November 2004, the Group decided to discontinue publication of Hotel Expert magazine and concentrated its efforts on the life style magazine ***e²Smart***. ***e²Smart*** is now published bi-monthly for free distribution to approximately 300 four to five star hotels in major China business cities including Beijing, Shanghai, Guangzhou and Shenzhen. This is a unique magazine distribution channel reaching out to affluent Chinese business travelers who possess high spending power. Although income generated in this respect is insignificant at present, the Group realizes that successful diversification to a new business requires an initial investment period. In magazine publication, it is generally understood that during the first two to three years, large amounts of resources need to be invested in establishing a competent editorial team, good distribution channels and an effective advertisement sales team. The magazine has now entered its second year of operation and it is expected that advertisement sales will greatly improve in the coming financial year.

FUTURE PROSPECTS

HONG KONG OPERATIONS

Outsourcing and Information Solutions

IT outsourcing has become an adopted business practice by large organizations. Many Hong Kong large companies are seeking the possibility to utilize the relatively inexpensive resources in China to support their IT activities. Besides having over 16 years of experience and a proven track record in this sector, the Group has the advantage of having long established set ups and rich experience in human resources management in Hong Kong and Shenzhen. The Group is fully equipped to meet the growing demand from large organizations in Hong Kong and has confidence to become a dominant player in this burgeoning outsourcing business.

Currently the Group is in discussion with a number of large transportation and logistics organizations on proposed cooperation plans. Some of them are expected to be concluded shortly.

The Group will make prudent sales and marketing efforts to open up business opportunities with major accounts in the area of outsourcing and information solutions on fixed price projects.

Application Software

Triggered by improving economic conditions and a rejuvenated business environment, prospects for small to medium enterprises ("SME") in Hong Kong are good, but competition amongst them is severe and they must better equip themselves to improve their operational efficiency in order to survive. One of the best ways to achieve this is to implement ERP solutions. In southern China, many SMEs have offices and plants both in Hong Kong and China and they need a solution that enables simultaneous operation and instant access to data and information from either office locations. We believe our proprietary ERP product ***AIMS*** is a good choice for these companies. Although the current version ***AIMS*** v3.02 is widely accepted by the market, enhancement and improvement effort must be ongoing. The Group considers that by further improving its product features and customer services quality, the marketing position of ***AIMS*** can be uplifted and gross profit margin could be increased.

The Group will make more aggressive sales and marketing efforts to increase its application software sales.

PRC OPERATIONS

Application Software

Pegasus

The prosperity and continuous economic growth in China, coupled with the anticipation of the 2008 Beijing Olympic Games, the 2010 Guangzhou Asian Games and 2010 Shanghai Expo have brought increasing investments in hotel projects. The number of new hotels to be built in major cities like Beijing, Shanghai and those in Guangdong province are anticipated to grow at a fast pace and many hotels will also undergo complete refurbishment to cope with increasing room demand. Our product ***Pegasus*** was first introduced to the market in 1995 and it has now been widely accepted and recognized within the hospitality industry. The Group will continue to adopt the strategy to speed up developing pace for regions with good potential and will reduce its activities and investments in regions with sluggish performance and low profit margin. With further refinement in the product, better strategic planning and more marketing and sales activities, the Group considers that ***Pegasus*** has very good development potential in China in the coming years.

IFS

Competition for ERP implementation remains keen in China. Nevertheless the Group is confident that the time has come for the Group to reap rewards from its previous efforts and resources invested in developing its team of ERP experts. With the experience accumulated from previous projects, our team of ERP experts now possess valuable technical knowledge that few competitors in southern China can match. With the anticipated strong demand for ERP packages due to increasing manufacturing and large-scale business activities in China, the Group anticipates that the performance in ***IFS*** license sales and implementation services will improve in the coming three years.

Magazine Publication

After more than one year's operation of the Group's magazine publication business, ***e²Smart*** has gained good exposure and greater recognition. During the past year, the Group has made significant efforts and achieved improvements in the magazine's content and quality and has established a strong distribution network. The Group is now faced with the challenge to increase advertisement sales. Greater efforts will be placed to strengthen the sales and marketing team and to formulate appropriate sales and marketing strategies to meet this challenge. It is estimated that China will become the world's number one country in the sale of high-end and luxurious products within the next decade. The unique hotel network established for distributing ***e²Smart*** is a most valuable asset to the Group as it reaches the nation's affluent class with high spending potential. The current unsatisfactory advertisement sales result is a process magazine publishers usually experience during the first two years of operation and the Group is confident that the future development potential of this magazine is large and is optimistic that this new business venture will contribute significantly to the Group's future development.

FINANCIAL REVIEW

CONSOLIDATED RESULTS OF OPERATIONS

For the year ended 31st March, 2005, consolidated turnover of the Group was recorded at approximately HK$50.6 million (2004: approximately HK$48.2 million after deducting approximately HK$4.5 million turnover generated from a subsidiary that the Group disposed of in March 2004), showing an increase of approximately HK$2.4 million or approximately 5% when compared to the previous year.

Turnover in Hong Kong increased by approximately 12% to approximately HK$37.3 million (2004: approximately HK$33.2 million, excluding the turnover generated by the subsidiary disposed of in March 2004). Revenue generated from information solutions projects achieved a growth of approximately 5% to approximately HK$28.2 million (2004: approximately HK$26.8 million, excluding the turnover generated by the subsidiary disposed of in March 2004). Sales of the Group's proprietary application software ***AIMS*** together with its previous version ***Konto 21*** recorded a turnover at approximately HK$7.5 million, a significant increase of approximately 36% when compared to approximately HK$5.5 million recorded last year.

Total turnover of PRC operations decreased by approximately 11% compared to last financial year. Sales of the Group's proprietary application software ***Pegasus*** remained stable at approximately HK$10.7 million. When compared to last year's approximately HK$11.1 million, there was a moderate decline of approximately 4%.

An overall turnover of approximately HK$2.5 million was recorded for ***IFS***. When compared to last year's approximately HK$3.8 million, there was a decrease of approximately HK$1.3 million, representing a drop of approximately 34%. Sales were sluggish during the first three quarters of the year, mainly due to prolonged negotiation with customers to conclude contracts.

The Group's core business is provision of IT services and sales of application software. The EBITDA (earnings before interest, income tax and minority interests, depreciation and amortisation) from its IT businesses, excluding one-off provisions, was approximately HK$2.7 million (2004: approximately HK$3.3 million).

The Group has incurred an impairment loss of development costs for the e-Frame for the Hong Kong Government and the ASP platform. This amounted to approximately HK$6.6 million (2004: approximately HK$5.3 million). An impairment of goodwill of approximately HK$345,000 was also made. These provisions are deemed to be one-off and non-recurring.

Additional amortization of development costs at approximately HK$1.2 million and the initial investment in magazine publication at approximately HK$3.1 million were recorded. Together with the provisions and write offs stated above, a net loss of approximately HK$11.8 million was recorded for the year.

Gross profit

The overall gross profit margin remained stable at approximately 55% during the year under review. There was no material fluctuation from the previous year.

Other income

During the year, the Group disposed of an investment property in Hong Kong. The net gain on disposal and related fixed assets written off amounted to approximately HK$131,000.

Expenses

Total operating expenses increased by approximately 7% to approximately HK$32.3 million (2004: approximately HK$30.3 million). The increase in expenses was mainly attributable to amortization of development costs for ***AIMS*** v3.02 of approximately HK$1.7 million (2004: approximately HK$576,000) and HK$480,000 compensation paid to a former executive director for loss of office.

Total staff costs (excluding directors' remuneration) amounted to approximately HK$31.6 million (2004: approximately HK$31.2 million), representing a slight increase of approximately HK$0.4 million or approximately 1% compared to the previous year.

Financial resources and liquidity

The Group generally relies on internally generated funds and facilities granted by its principal bankers to finance its operation. In March 2005, the Group successfully concluded a new bank credit line of HK$8.0 million.

As at 31st March, 2005, current assets amounted to approximately HK$39.5 million of which approximately HK$17.4 million was cash and bank deposits and approximately HK$20.1 million was debtors, deposits and prepayments. The Group's current liabilities amounted to approximately HK$24.9 million, including bank loans and overdrafts in the amount of approximately HK$16.2 million and creditors, accruals and deposits received in the amount of approximately HK$8.7 million.

Current ratio as at 31st March, 2005 was approximately 1.58 (2004: approximately 1.68). Gearing ratio, expressed as a ratio of total bank borrowings to shareholders' funds, was approximately 0.49 (2004: approximately 0.45). No material fluctuation in the ratios was found.

Foreign exchange

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

Significant investments and acquisition

In August 2003, with a view to extending the Group's business scope to high-end application consulting, the Group formed Armitage Business Consulting Group Limited ("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. There was no material financial impact to the Group.

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, 2005, the Group's time deposits of HK$9.0 million (2004: approximately HK$10.0 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, 2005, the Group had contingent liabilities in respect of performance bonds amounting to approximately HK$49,000 (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.

(b) The Group has contingent liabilities in respect of possible future long service payments to employees under the Employment Ordinance in Hong Kong, with a maximum possible amount of approximately HK$1,112,000 at 31st March, 2005 (2004: approximately HK$1,276,000).

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 2005, the Group had 307 employees in Hong Kong and the PRC (2004: 299). Remuneration is determined by reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward of their contributions. Other fringe benefits such as medical subsidy, medical insurance, education/training subsidies and pension fund plans are offered to most employees. Share options are granted at discretion of the Board under the terms and conditions of the Employees Share Option Scheme.

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, 2004 to 31st March, 2005 (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 application software market in China through continued enhancement of the existing products, research and development of new products and acquisition of IT companies and/or application software developers.	The Group has continued to enhance its proprietary products ***AIMS*** and ***Pegasus*** to suit customers' requirements. For ***AIMS***, a new Human Resources Module was developed and put to the market. For ***Pegasus***, a new Back Office Module was developed. The Group has also bundled sale of ***Pegasus*** with Siemens PABX system.
Products and services development	
Plan to expand its product line to offer a wider range of application software.	New product lines are in the planning stage.
Continue to develop the ASP platform to provide on-line hotel management services to mid-ranged hotels in the PRC.	The Group has discontinued the development of the ASP platform as the Group anticipates that the demand for on-line hotel management services will substantially decrease.
Sales and marketing	
Continue to promote ***Pegasus*** and ***AIMS*** as well as other new products in China.	The Group has continued to promote ***Pegasus*** and ***AIMS*** through aggressive sales and marketing programs and has organized press conferences and seminars and taken part in exhibitions. To strengthen the sales and marketing team in Shenzhen, an assistant general manager from Hong Kong was specially assigned to lead the team.
Geographical expansion	
Plan to open new sales offices in other regions such as Changsha and Xiamen in China.	New sales offices were opened in Changsha and Xiamen.
Human resources	
Recruit technical and marketing staff in tandem with any increase in its business activities.	The Group had recruited 9 additional staff to cope with the increase in customer service activities.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

As at 31st March, 2005, the Group incurred the following amounts to achieve the business objectives as set out in the Prospectus:

	As stated in the Prospectus *HK$'000*	Actual amount incurred *HK$'000*
Strategic development	2,800	2,167
Products and services development	3,000	55
Sales and marketing	1,000	1,000
Geographical expansion	300	300
Human resources	300	300
General working capital	1,000	1,000
	8,400	4,822

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

Less expense was incurred in strategic development, as the Group did not identify any appropriate target for acquisition during the Relevant Period.

As the development of the ASP platform has ceased from 1st April, 2004, less expense was used in products and services development.

As at 31st March, 2005, the Group had 307 employees who were engaged in the following functions:

	Hong Kong	PRC
Management	11	7
Information solutions and application software projects	32	84
Sales and marketing	7	41
Research and development	5	29
Customer services	11	51
Human resources and administration	6	19
Others	0	4
Total	72	235

EXECUTIVE DIRECTORS

Mr. Lee Shun Hon, Felix, aged 64, is the Chairman of the Board of directors, the Chief Executive Officer and founder of the Group. Mr. Lee is responsible for 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.

Mr. To Yung Yui, Steve, aged 54, 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, he founded Beijing Amlife Biotechnology Limited, a joint venture with a company owned by the Beijing Feng Shan District Government. Prior to that, he was General Manager of Apple Computer in Hong Kong and China and 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 the University of Houston in the United States.

Note: Mr. To was appointed as an executive director on 17th December, 2004.

Mr. Chun Hon Ching, Henry, aged 59, is the Senior Vice President of the Group. Mr. Chun is responsible for managing the Group's Hong Kong operation in projects, outsourcing, customer service and research and development. He has over 30 years of experience in the IT industry and in particular the ERP sector. Mr. Chun holds a bachelor of arts degree in economics from the University of Hong Kong.

Note: Mr. Chun ceased to be an executive director on 30th March, 2005.

NON-EXECUTIVE DIRECTOR

Dr. Liao, York, aged 59, was appointed as a non-executive director in 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 Accreditation, a non-executive director of the Securities and Futures Commission, a 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 bachelor of science degree from California Institute of Technology and a doctor of philosophy degree in applied physics from Harvard University.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anthony Francis Martin Conway , aged 65, was appointed as an independent non-executive director in February 2002. He is a fellow of The Hong Kong Institute of Directors, The Hong Kong Management Association and the Hong Kong Institution of Engineers. Mr. Conway has more than 40 years of experience in information technology and general management. He is currently an independent non-executive director of PME Group Limited, Polytec Asset Holdings Limited and Wing On Company International Limited, the shares of all of which are listed on the Stock Exchange. He is also active in public service, being a Council Member of The Hong Kong Institute of Directors and The Hong Kong Management Association. He serves on a number of Hong Kong Institute of Certified Public Accountants committees and is a member of the Inland Revenue Board of Review.

Professor Tsang Hin Pok, Herbert, aged 62, was appointed as an independent non-executive director in February 2002. Professor Tsang is Academic Vice-President at Hong Kong Baptist University, responsible for strategic planning, academic development plan, academic quality assurance, and 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.

Mr. Chan Hang, Henry, aged 55, was appointed as an independent non-executive director in September 2004. He is currently the managing director of Asian Pacific Technology Limited. He is also an adjunct assistant professor at the Department of Information and Systems Management of the Hong Kong University of Science and Technology. Mr. Chan has over 20 years of experience in the information technology profession. Prior to joining Asian Pacific Technology Limited, Mr. Chan had held various senior management positions at Prime Computer (HK) Limited, Oracle Systems Hong Kong Limited, Stratus Computer (HK) Limited, PowerSoft Corporation, Cadence Design systems Asia Limited. Mr. Chan holds a bachelor's (hon.) degree in mathematics (computer science) from the University of Waterloo in Canada.

Note: Mr. Chan was appointed as an independent non-executive director on 16th September, 2004.

SENIOR MANAGEMENT

Mr. Li Tung On, Thomas, aged 54, first joined the Group in 1981 and re-joined the Group in 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 a subsidiary of the Group, Armitage Technologies (Shenzhen) Limited. Mr. Li holds a bachelor of science degree in computer science from Washington State University in the United States.

Ms. Jim Sui Fun, Cecilia, aged 46, joined the Group in 1994. Ms. Jim is the Vice President of Operations of Guangzhou Eastern Express Solutions Limited. Guangzhou Eastern Express Solutions Limited is the publisher of the life style magazine, ***e²Smart***, which is distributed to hotels in China. Ms. Jim is responsible for the management and direction of the editorial team and the development and maintenance of the magazine distribution channel. She also monitors the advertisement sales and marketing activities.

Mr. Wong Ping Kuen, Ambrose, aged 43, joined the Group in 1996. Mr. Wong is the Vice President of the Group responsible for fixed-price information solutions projects. He leads the research and development team and also acts as the Group's principal technical adviser. Mr. Wong holds a bachelor of science degree in computer science from the University of Wales (Swansea College) in the United Kingdom.

Mr. Yeung Chun Lam, Cedric, aged 38, joined the Group in 1996. Mr. Yeung is the Vce Pesident for sales and marketing. He is responsible for the sales and marketing activities targetted towards pursuit of information solutions projects from the commercial sector in Hong Kong. He is also responsible for sourcing and liaising with appropriate project partners. Mr. Yeung holds a bachelor of science degree in physics from Baptist University in Hong Kong and a master of business administration degree from Strathclyde University of Scotland.

Mr. Lau Che Kin, Stephen, aged 43, joined the Group in 1996. Mr. Lau is the Vice President of customer services for the Group's operation in Hong Kong. He leads the customer services team in Hong Kong and Shenzhen for providing after-sales technical support and implementation, enhancement and modifications on client's existing systems. Mr. Lau holds a bachelor of science degree from City University of British Columbia in Canada.

Ms. Wong Man Yee, Vivian, aged 32, joined the Group in 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 Institute of Certified Public Accountants. She has over ten years of audit and accounting experience. Ms. Wong holds a bachelor of arts degree in accountancy from City University of Hong Kong.

Mr. William Tang, aged 35, joined the Group in 1998. Mr. Tang is a Vice President of the industry sector of Guangzhou Armitage Computer Software Limited, responsible for managing and implementing ERP solutions for customers in Southern China. Mr. Tang holds a master of science degree in computer science from Zhongshan University in China.

Mr. Z.M. Dong, aged 38, joined the Group in 1999. Mr. Dong is the Director of research and development of Guangzhou Armitage Computer Software Limited, leading the research and development team for ***Pegasus***. 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. Samuel Cai, aged 30, joined the Group in 1998. Mr. Cai is an Assistant General Manager of the Group's subsidiary, Armitage Technologies (Shenzhen) Limited, responsible for providing outsourcing and fixed-price IT services to customers in Hong Kong and Shenzhen. He is also in charge of recruitment and allocation of technical resources and general administration of the subsidiary. Mr. Cai holds a bachelor of science degree in mechanics from Zhongzhan University in China.

Mr. Lee Wai Yip, Alvin, aged 26, joined the Group in 2001. Mr. Lee is the Assistant General Manager of the Group's subsidiary, Armitage Technologies (Shenzhen) Limited. He is in charge of the sales and marketing activities leading the subsidiary to pursue information solutions projects. He is also responsible for managing the customer service and quality assurance team. Mr. Lee holds a bachelor of business administration degree in management from California Sate University, San Jose, in the United States.

Mr. Wong Ka Yin, Issac, aged 33, joined the Group in 2005. Mr. Wong is the Advertisement Sales Manager of Eastern Express Solutions Limited, responsible for sales activities of ***e²Smart*** magazine. He leads the Hong Kong and Guangzhou sales teams and is a member of a team for formulating sales and marketing strategies. Prior to joining the Group, he worked for Service 1 Marketing Co., Ltd. for over 8 years where his last position was sales manager. Mr. Wong also has broad experience in media and publishing industry. Mr. Wong holds a bachelor of business and administration degree from Open University in Hong Kong.

DIRECTORS' REPORT

The directors are pleased to present to the shareholders their annual report together with the audited financial statements for the year ended 31st March, 2005.

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, 2005 are set out in the consolidated income statement on page 36.

The directors do not recommend the payment of any dividend in respect of the year ended 31st March, 2005.

FINANCIAL SUMMARY

The summary of the results of the Group for each of the five years ended 31st March, 2005 and the assets and liabilities of the Group as at 31st March, 2001, 2002, 2003, 2004 and 2005 are set out on page 72.

FIXED ASSETS

The Group purchased and disposed of fixed assets in the amount of approximately HK$887,000 and approximately HK$1,729,000 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 26 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 41 and note 24 to the financial statements respectively.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the transactions disclosed in note 31 to the financial statements, no other 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.

CONNECTED TRANSACTIONS

The details of connected transactions during the year under the GEM Listing Rules are set out in note 31 to the financial statements. These connected transactions fall under the definition of "connected transaction" in Chapter 20 of the GEM Listing Rules and the Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

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. To Yung Yui, Steve	(appointed as an executive director on 17th December, 2004)
Mr. Chun Hon Ching	(ceased to be an executive director on 30th March, 2005)
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	
Mr. Chan Hang	(appointed as an independent non-executive director on 16th September, 2004)

In accordance with Articles 86(3) and 87(1) of the Company's Articles of Association, Mr. To Yung Yui, Steve, Mr. Anthony Francis Martin Conway and Mr. Chan Hang shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The term of non-executive and independent non-executive directorships of Dr. Liao, York, Mr. Anthony Francis Martin Conway and Professor Tsang Hin Pok, Herbert 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. The term of independent non-executive directorship of Mr. Chan Hang under the letter of appointment is 1 year from 16th September, 2004 to 15th September, 2005 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, Mr. Lee Shun Hon, Felix, Mr. Chun Hon Ching and Mr. Au Yat-Gai 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. The executive director, Mr. To Yung Yui, Steve, has entered into a service contract for an initial term of 1 year commencing from 17th December, 2004 and the service contract may be terminated by either party at any time by giving to the other of not less than 2 months' written notice or 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, 2005 and for the year ended 31st March, 2005 and the Company still considers the independent non-executive directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 21 to 23 of this Annual Report.

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 authorized 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.

SHARE OPTIONS (cont'd)

(A) Share Option Scheme (cont'd)

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 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, 2005, no option under the Scheme has been granted or agreed to be granted.

(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 would not exercise the Pre-IPO Option, whether in whole or in part, until 18 months after the Listing Date.

SHARE OPTIONS (cont'd)

(B) Pre-IPO Share Option Plan (cont'd)

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, 2005, Pre-IPO Options to subscribe for an aggregate of 32,644,000 shares (representing approximately 4.2% of the enlarged issued share capital of the Company) have been granted to a total of 56 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 :

			Number of underlying shares			
Grantees	Exercisable period	Exercise Price	As at 1.4.2004	Re-classification	Lapsed during the year	As at 31.3.2005
Executive directors	18th September, 2004 to 17th March, 2007	HK$0.35	1,460,000	(326,667)	(366,666)	**766,667**
Executive directors	18th September, 2005 to 17th March, 2007	HK$0.35	1,460,000	(326,667)	(366,667)	**766,666**
Executive directors	18th September, 2006 to 17th March, 2007	HK$0.35	1,460,000	(326,666)	(366,667)	**766,667**
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	1,627,333	326,667	(366,666)	**1,587,334**
Senior management	18th September, 2005 to 17th March, 2007	HK$0.35	1,627,333	326,667	(366,667)	**1,587,333**
Senior management	18th September, 2006 to 17th March, 2007	HK$0.35	1,627,334	326,666	(366,667)	**1,587,333**
Other employees	18th September, 2004 to 17th March, 2007	HK$0.35	6,650,666	—	(523,333)	**6,127,333**
Other employees	18th September, 2005 to 17th March, 2007	HK$0.35	6,650,667	—	(523,333)	**6,127,334**
Other employees	18th September, 2006 to 17th March, 2007	HK$0.35	6,650,667	—	(523,334)	**6,127,333**
			36,414,000	—	(3,770,000)	**32,644,000**

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SECURITIES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31st March, 2005, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 under the Laws of Hong Kong), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

Name	Type of interests	Number of shares		Approximate percentage of the issued share capital *(Note 3)*
Directors				
Mr. Lee Shun Hon, Felix	Personal	332,801,790		44.37%
	Family	17,907,651	*(Note 1)*	2.39%
Dr. Liao, York	Corporate	29,988,007	*(Note 2)*	4.00%
Chief executive				
Mr. Chun Hon Ching	Personal	7,503,399		1.00%

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 these shares in which Ms. Leung Mee Chun, Stella is interested.

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 these shares in which Winbridge is interested.

3. Based on 750,000,000 shares of the Company in issue as at 31st March, 2005.

DIRECTORS' AND CHIEF EXECUTIVE'S 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. To Yung Yui, Steve	Personal	18th September, 2004 to 17th March, 2007	HK$0.35	273,334
		18th September, 2005 to 17th March, 2007	HK$0.35	273,333
		18th September, 2006 to 17th March, 2007	HK$0.35	273,333
				820,000
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
				9,500,000

Save as disclosed herein, as at 31st March, 2005, none of the directors and chief executive had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 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 SHAREHOLDERS

So far as is known to the directors and chief executive of the Company, as at 31st March, 2005, other than the directors and the chief executive as disclosed above, 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:

Long positions in the ordinary shares of the Company

Name	Type of interests	Number of shares		Approximate percentage of the issued share capital *(Note 3)*
Kingspecial Investments Limited	Corporate	114,578,176	*(Note 1)*	15.28%
Mr. Lee Shun Kwong	Corporate	41,870,454	*(Note 2)*	5.58%

Notes:

1. 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.

2. 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.).

3. Based on 750,000,000 shares of the Company in issue as at 31st March, 2005.

Save as disclosed herein, so far as is known to the directors and chief executive of the Company, as at 31st March, 2005, 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.

MANAGEMENT SHAREHOLDERS' INTERESTS

Save as disclosed under the sections headed "Directors' and chief executive's 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 shareholders" above, as at 31st March, 2005, 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.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 52% of the total sales for the year and sales to the largest customer included therein amounted to approximately 39%. 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, 2005, 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 fees for acting as the Company's continuing sponsor for the period from the Listing Date to 31st March, 2005.

DIRECTORS' REPORT

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's draft annual, interim and quarterly financial reports and accounts and to provide advice and comments thereon to the Board. The audit committee is also 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 on which the financial statements for the financial year ended 31st March, 2005 have been approved, 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.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the code of best practice as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the financial year ended 31st March, 2005.

AUDITORS

A resolution to re-appoint the retiring auditors, Messrs. PKF, is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lee Shun Hon, Felix
Chairman

Hong Kong, 22nd June, 2005

梁學濂會計師事務所

PKF

Accountants &
business advisers

TO THE SHAREHOLDERS OF
ARMITAGE TECHNOLOGIES HOLDING LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 36 to 71 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 Institute of Certified Public 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, 2005 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, 22nd June, 2005

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2005

	Note	2005 HK$'000	Restated 2004 HK$'000
Turnover	3	**50,594**	52,733
Cost of sales and services rendered		**(22,848)**	(23,588)
Gross profit		**27,746**	29,145
Other income	4	**457**	1,052
Bad debts		**(479)**	(1,206)
Impairment loss of development costs		**(6,587)**	(5,344)
Operating expenses		**(32,299)**	(30,306)
Operating loss		**(11,162)**	(6,659)
Impairment of goodwill		**(345)**	—
Finance costs		**(815)**	(478)
Loss before income tax	5	**(12,322)**	(7,137)
Income tax credit	7(a)	**362**	15
Loss after income tax		**(11,960)**	(7,122)
Minority interests		**112**	23
Loss attributable to shareholders	8	**(11,848)**	(7,099)
Dividend	9	**—**	—
Loss per share (HK cents)			
- Basic	10	**(1.58)**	(0.95)
- Diluted	10	**N/A**	N/A

As at 31st March, 2005

		Group		Company	
		2005	2004	**2005**	2004
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
NON-CURRENT ASSETS					
Fixed assets	11	**4,112**	5,395	**—**	—
Software	12	**770**	1,210	**—**	—
Trade mark	13	**100**	106	**—**	—
Interests in subsidiaries	14	**—**	—	**56,418**	58,686
Goodwill on consolidation	15	**1,584**	2,840	**—**	—
Development costs	16	**16,405**	20,427	**—**	—
Club debenture, at cost		**200**	200	**—**	—
Loan receivable	17	**727**	1,480	**—**	—
Deferred tax	18	**1,116**	788	**—**	—
		25,014	32,446	**56,418**	58,686
CURRENT ASSETS					
Other investments	19	**570**	617	**—**	—
Debtors, deposits and prepayments	20	**20,056**	13,394	**140**	138
Income tax recoverable		**732**	727	**—**	—
Loan receivable	17	**753**	520	**—**	—
Pledged time deposits	28	**9,000**	10,000	**—**	—
Time deposits with a bank		**—**	3,500	**—**	—
Cash and bank balances	21	**8,390**	17,673	**2**	86
		39,501	46,431	**142**	224
DEDUCT:					
CURRENT LIABILITIES					
Bank overdrafts, secured	28	**12,289**	16,336	**—**	—
Bank loans, secured	25 & 28	**3,968**	4,286	**—**	—
Creditors, accruals and deposits received	22	**8,672**	6,993	**677**	760
		24,929	27,615	**677**	760
NET CURRENT ASSETS/(LIABILITIES)		**14,572**	18,816	**(535)**	(536)
		39,586	51,262	**55,883**	58,150

BALANCE SHEETS

As at 31st March, 2005

		Group		Company	
		2005	2004	**2005**	2004
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
REPRESENTING:					
SHARE CAPITAL	23	**7,500**	7,500	**7,500**	7,500
RESERVES	24	**30,054**	41,902	**48,383**	50,650
SHAREHOLDERS' FUNDS		**37,554**	49,402	**55,883**	58,150
MINORITY INTERESTS		**—**	112	**—**	—
NON-CURRENT LIABILITIES					
Bank loans, secured	25	**2,032**	1,714	**—**	—
Deferred tax	18	**—**	34	**—**	—
		2,032	1,748	**—**	—
		39,586	51,262	**55,883**	58,150

Approved and authorised for issue by the Board of directors on 22nd June, 2005

Lee Shun Hon, Felix
Director

To Yung Yui, Steve
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2005

	2005 HK$'000	2004 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(12,322)**	(7,137)
Adjustments for:		
Dividend income	**(11)**	(9)
Interest income	**(169)**	(200)
Gain on disposal of a subsidiary	**—**	(86)
Interest expenses	**704**	322
Depreciation of fixed assets	**606**	580
Amortisation of software	**440**	837
Amortisation of goodwill	**911**	1,040
Amortisation of development costs	**2,286**	1,081
Amortisation of trade mark	**6**	4
Impairment loss of development costs	**6,587**	5,344
Impairment of goodwill	**345**	—
Surplus on revaluation of investment properties	**—**	(250)
Unrealised losses/(gains) on other investments	**47**	(266)
(Gain)/loss on disposal of fixed assets	**(108)**	46
Operating (loss)/profit before working capital changes	**(678)**	1,306
Increase in debtors, deposits and prepayments	**(6,662)**	(7,594)
Decrease in pledged time deposits	**1,000**	500
Increase in creditors, accruals and deposits received	**1,679**	69
Cash used in operations	**(4,661)**	(5,719)
Dividend received	**11**	9
Interest received	**169**	200
Interest paid	**(704)**	(322)
Income tax paid	**(5)**	(830)
NET CASH USED IN OPERATING ACTIVITIES	**(5,190)**	(6,662)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2005

	2005 HK$'000	2004 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	**(887)**	(1,353)
Sales proceeds of fixed assets	**1,567**	5
Increase in trade mark	**—**	(29)
Increase in development costs	**(4,746)**	(7,826)
Cash outflow from disposal of a subsidiary	**—**	(267)
Decrease/(increase) in loan receivable	**520**	(1,100)
NET CASH USED IN INVESTING ACTIVITIES	**(3,546)**	(10,570)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in bank loans	**—**	3,000
Recovery of share placing expenses	**—**	2,343
Contribution from minority shareholders	**—**	600
NET CASH FROM FINANCING ACTIVITIES	**—**	5,943
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(8,736)**	(11,289)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**4,837**	16,126
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**(3,899)**	4,837
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Time deposits	**—**	3,500
Cash and bank balances	**8,390**	17,673
Bank overdrafts	**(12,289)**	(16,336)
	(3,899)	4,837

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2005

	Share capital HK$'000	Retained profits/ (accumulated losses) HK$'000	Share premium HK$'000	Special reserve HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Total HK$'000
At 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
At 31.3.2004 and 1.4.2004	7,500	(4,904)	42,836	3,801	174	(5)	49,402
Loss for the year	—	(11,848)	—	—	—	—	(11,848)
At 31.3.2005	**7,500**	**(16,752)**	**42,836**	**3,801**	**174**	**(5)**	**37,554**

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 Institute of Certified Public Accountants ("HKICPA") and are prepared under the historical cost convention as modified by revaluation of investment properties and other investments.

(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.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(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.

(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.

(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.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(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.

(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 fixed assets and other intangible 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.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group 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.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(m) Revenue recognition

Revenue from provision of system development services is recognised 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.

Advertising income is recognised when the advertisements are published in the magazine.

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.

(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.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(ii) Pension obligations

Obligations for contributions to defined contribution retirement plan under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the PRC stated-sponsored retirement plan, are recognised as an expense in the income statement as incurred.

(iii) Long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance (the "Employment Ordinance") in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of probable future long service payments based on the best estimate of the probable future outflow of resources which has been earned by the employees from their service to the Group to the balance sheet date.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

(iv) Termination benefits

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.

(v) Equity compensation benefits

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.

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.

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 into known amounts of cash and which are subject to an insignificant risk of changes in value.

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 assets consist primarily of fixed assets, receivables and operating cash and mainly exclude income tax recoverable and deferred tax assets. Segment liabilities comprise operating liabilities and mainly exclude items such as income tax payable and deferred tax liabilities.

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.

(u) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. TURNOVER

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

	2005 HK$'000	Restated 2004 HK$'000
Provision of information solutions		
System development and integration	**26,929**	29,552
Maintenance and enhancement income	**1,266**	1,701
Sales of application software packages and related maintenance income	**22,202**	21,287
Advertising income	**197**	193
	50,594	52,733

4. OTHER INCOME

	2005 HK$'000	Restated 2004 HK$'000
Dividend income	**11**	9
Interest income	**169**	200
Management fee income	**24**	24
Rental income	**124**	180
Gain on disposal of fixed assets	**108**	—
Miscellaneous items	**21**	37
Gain on disposal of a subsidiary	**—**	86
Net realised and unrealised gains on other investments	**—**	266
Surplus on revaluation of investment properties	**—**	250
	457	1,052

5. LOSS BEFORE INCOME TAX

	2005 HK$'000	2004 HK$'000
Loss before income tax is arrived at after charging/(crediting):		
Amortisation of development costs	**2,286**	1,081
Amortisation of goodwill	**911**	1,040
Amortisation of software	**440**	837
Amortisation of trade mark	**6**	4
Depreciation	**711**	681
Less: Amounts capitalised as development costs	**105**	101
	606	580
Auditors' remuneration	**310**	308
Interest on bank loans and overdrafts and other loans wholly repayable within five years	**704**	322
Operating lease rentals for properties	**2,012**	2,010
Less: Amounts capitalised as development costs	**248**	299
	1,764	1,711
Directors' remuneration - *Note 6(a)*	**3,587**	3,442
Less: Amounts capitalised as development costs	**290**	428
	3,297	3,014
Other staff salaries and benefits	**34,342**	36,677
Retirement benefit costs	**1,137**	1,055
	35,479	37,732
Less: Amount capitalised as development costs	**3,918**	6,568
Other staff costs	**31,561**	31,164
Net sales proceeds	**(1,567)**	(5)
Less: Net book value	**1,459**	51
(Gain)/loss on disposal of fixed assets	**(108)**	46
Net realised and unrealised losses/(gains) on other investments	**47**	(266)
Dividend income from listed investments	**(11)**	(9)
Rental income	**(124)**	(180)
Less: Outgoings	**32**	41
	(92)	(139)
Exchange loss/(gain)	**3**	(20)

6. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

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

	2005	2004
	HK$'000	HK$'000
Fees		
- Executive directors	**—**	—
- Non-executive director	**60**	50
- Independent non-executive directors	**153**	100
Other emoluments of executive directors		
- Basic salaries, allowances and benefits in kind	**2,865**	3,256
- Pension scheme contributions	**29**	36
- Compensation for loss of office	**480**	—
	3,587	3,442

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

	2005	2004
HK$Nil - HK$1,000,000	**7**	5
HK$1,500,001 - HK$2,000,000	**1**	1
	8	6

Four executive directors received individual emoluments of approximately HK$1,631,000, HK$264,000, HK$866,000 and HK$613,000 (2004: Three executive directors received individual emoluments of approximately HK$1,608,000, HK$857,000 and HK$827,000) and one non-executive director and three independent non-executive directors received individual emoluments of approximately HK$60,000, HK$60,000, HK$60,000 and HK$33,000 (2004: one non-executive director and two independent non-executive directors received individual emoluments of HK$50,000 each) during the year ended 31st March, 2005.

No directors waived any emoluments during the year.

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:

	2005	2004
	HK$'000	HK$'000
Basic salaries, allowances and benefits in kind	**1,872**	1,442
Pension scheme contributions	**33**	24
	1,905	1,466

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

	2005	2004
HK$Nil - HK$1,000,000	**3**	2

(c) Except for the amount of approximately HK$480,000 paid to a director as compensation of loss of office, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office during the year.

7. INCOME TAX CREDIT

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

	2005	2004
	HK$'000	HK$'000
Current tax		
Provision for Hong Kong profits tax at 17.5% on the estimated assessable profits for the year	**—**	9
Under-provision in respect of previous year	**—**	1
	—	10
Deferred tax - *Note 18*		
Current year	**(362)**	(51)
Attributable to increase in tax rate	**—**	26
	(362)	(25)
Income tax credit	**(362)**	(15)

The income tax credit for the year can be reconciled to the loss per income statement as follows:

	2005	2004
	HK$'000	HK$'000
Loss before income tax	**(12,322)**	(7,137)
Tax effect at the profits tax rate of 17.5%	**(2,156)**	(1,249)
Hong Kong and PRC tax rates differential	**140**	(9)
Tax effect of income that is not taxable	**(278)**	(821)
Tax effect of expenses that are not deductible	**1,463**	1,694
Increase in net opening deferred tax liability resulting from increase in Hong Kong profits tax rate	**—**	26
Effect of tax loss and decelerated depreciation allowances not recognised	**469**	343
Under-provision in respect of previous year	**—**	1
Income tax credit	**(362)**	(15)

7. INCOME TAX CREDIT (cont'd)

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

	2005	2004
	HK$'000	HK$'000
Deductible temporary differences *(Note 7(b)(i))*		
Unutilised tax losses *(Note 7(b)(ii))*	**8,805**	6,139
Decelerated depreciation allowances	**85**	150
	8,890	6,289

(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$5,854,000 (2004: approximately HK$5,111,000) 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$2,951,000 (2004: approximately HK$1,028,000) can be carried forward indefinitely.

8. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Loss attributable to shareholders includes a loss of approximately HK$2,267,000 (2004: approximately HK$1,688,000) 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.

10. LOSS PER SHARE

The calculation of basic loss per share for each of the two years ended 31st March, 2005 is based on the Group's loss attributable to shareholders and 750,000,000 ordinary shares in issue during the year.

No diluted loss per share for each of the two years ended 31st March, 2005 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.

11. FIXED ASSETS

	Investment properties held in Hong Kong on medium term leases	Furniture, fixtures and equipment	Motor vehicle	Total
Cost or valuation:	HK$'000	HK$'000	HK$000	HK$'000
At 1.4.2004	1,400	9,069	220	10,689
Additions	—	887	—	887
Disposals	(1,400)	(329)	—	(1,729)
At 31.3.2005	**—**	**9,627**	**220**	**9,847**
Aggregate depreciation:				
At 1.4.2004	—	5,148	146	5,294
Charge for the year	—	699	12	711
Written back on disposals	—	(270)	—	(270)
At 31.3.2005	**—**	**5,577**	**158**	**5,735**
Net book value:				
At 31.3.2005	**—**	**4,050**	**62**	**4,112**
At 31.3.2004	1,400	3,921	74	5,395

12. SOFTWARE

	HK$'000
Cost:	
At 1.4.2004 and 31.3.2005	**3,785**
Aggregate amortisation:	
At 1.4.2004	2,575
Charge for the year	440
At 31.3.2005	**3,015**
Net book value:	
At 31.3.2005	**770**
At 31.3.2004	1,210

13. TRADE MARK

	HK$'000
Cost:	
At 1.4.2004 and 31.3.2005	**110**
Aggregate amortisation:	
At 1.4.2004	4
Charge for the year	6
At 31.3.2005	**10**
Net book value :	
At 31.3.2005	**100**
At 31.3.2004	106

14. INTERESTS IN SUBSIDIARIES

	2005	2004
	HK$'000	HK$'000
Unlisted shares	11,006	11,006
Amounts due from subsidiaries - *Note 14(b)*	45,925	47,684
Amount due to a subsidiary - *Note 14(b)*	(4)	(4)
	56,927	58,686
Less: Provision for amount due from a subsidiary	509	—
	56,418	58,686

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.

14. INTERESTS IN SUBSIDIARIES (cont'd)

(a) Details of the subsidiaries are as follows:

Name of company	Place of incorporation/ establishment	Attributable equity interest % Direct	Attributable equity interest % Indirect	Issued/ registered capital	Principal activities
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
Armitage Technologies Limited	Hong Kong	—	100	HK$996,000	Provision of information solutions and sales of application software and investment holding
Armitage Technologies (Shenzhen) Limited	PRC	—	100	RMB5,000,000	Research and development of IT solutions and provision of information solutions
Guangzhou Armitage Computer Software Limited	PRC	—	90	RMB6,800,000	Design, development and sales of application software and provision of information solutions
Eastern Express Solutions Limited	Hong Kong	—	100	HK$100	Investment holding and provision of advertising services
Guangzhou Eastern Express Solutions Limited (formerly known as Guangzhou Eastern Express Hotel Management Limited)	PRC	—	100	RMB3,000,000	Publication of hotel magazine and investment holding

14. INTERESTS IN SUBSIDIARIES (cont'd)

Name of company	Place of incorporation/ establishment	Attributable equity interest % Direct	Indirect	Issued/ registered capital	Principal activities
廣州市東驛廣告有限公司	PRC	—	100	RMB1,000,000	Provision of advertising services
Mentor Systems Limited	Hong Kong	—	100	HK$156,000	Property investment
Armitage Consulting (BVI) Limited	British Virgin Islands	—	100	US$1	Dormant
Armitage Computer Systems (China) Limited	Hong Kong	—	100	HK$2,875,000	Dormant
Armitech Computer Services Limited	Hong Kong	—	100	HK$1,000	Dormant

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

15. GOODWILL ON CONSOLIDATION

	HK$'000
Cost:	
At 1.4.2004 and 31.3.2005	**5,204**
Aggregate amortisation:	
At 1.4.2004	2,364
Charge for the year	911
At 31.3.2005	**3,275**
Impairment:	
Charge for the year and at 31.3.2005	**345**
Net book value:	
At 31.3.2005	**1,584**
At 31.3.2004	2,840

16. DEVELOPMENT COSTS

	HK$'000
Cost:	
At 1.4.2004	27,020
Additions	4,851
At 31.3.2005	**31,871**
Aggregate amortisation:	
At 1.4.2004	1,249
Charge for the year	2,286
At 31.3.2005	**3,535**
Impairment loss:	
At 1.4.2004	5,344
Charge for the year	6,587
At 31.3.2005	**11,931**
Net book value:	
At 31.3.2005	**16,405**
At 31.3.2004	20,427

17. LOAN RECEIVABLE

	2005	2004
	HK$'000	HK$'000
Amounts receivable		
- within one year	**753**	520
- after one year but within five years	**727**	1,480
	1,480	2,000
Less: Amounts receivable within twelve months (shown under current assets)	**753**	520
Non-current portion of loan receivable	**727**	1,480

18. DEFERRED TAX

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

	Properties in Hong Kong HK$'000	Tax losses HK$'000	Accelerated depreciation allowances HK$'000	Provision for bad debts HK$'000	Total HK$'000
At 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)
At 31.3.2004 and 1.4.2004	34	(1,042)	341	(87)	(754)
Charge/(credit) to the income statement for the year - *Note 7(a)*	(34)	(272)	31	(87)	(362)
At 31.3.2005	**—**	**(1,314)**	**372**	**(174)**	**(1,116)**

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:

	2005 HK$'000	2004 HK$'000
Deferred tax assets	**(1,116)**	(788)
Deferred tax liabilities	**—**	34
	(1,116)	(754)

19. OTHER INVESTMENTS

	2005 HK$'000	2004 HK$'000
Listed shares in Hong Kong, at market value	**570**	617

20. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise:

	2005 HK$'000	2004 HK$'000
Trade debtors	**18,880**	12,054
Less: General provision for bad debts	**527**	263
	18,353	11,791
Rental and utility deposits	**399**	376
Prepayments	**549**	443
Other debtors	**755**	784
	20,056	13,394

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:

	2005 HK$'000	2004 HK$'000
0 - 30 days	**12,976**	9,483
31 - 60 days	**2,035**	585
61 - 90 days	**446**	154
91 - 180 days	**1,228**	715
181 - 365 days	**1,141**	591
> 1 year	**1,054**	526
	18,880	12,054

21. CASH AND BANK BALANCES

At 31st March, 2005, the cash and bank balances of the Group denominated in Renminbi amounted to approximately HK$2,509,000 (2004: approximately HK$1,960,000). 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:

	2005	2004
	HK$'000	HK$'000
Trade creditors	**2,956**	1,144
Deferred enhancement and maintenance income - *Note*	**1,544**	1,540
Deposits received	**10**	38
Accruals and provisions	**3,869**	3,973
Other creditors	**293**	298
	8,672	6,993

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:

	2005	2004
	HK$'000	HK$'000
0 - 30 days	**1,817**	601
31 - 60 days	**48**	69
61 - 90 days	**293**	8
91 - 180 days	**303**	240
> 180 days	**495**	226
	2,956	1,144

23. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 1.4.2004 and 31.3.2005	**2,000,000,000**	**20,000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1.4.2004 and 31.3.2005	**750,000,000**	**7,500**

24. RESERVES

The Company	**Share premium**	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000
At 1.4.2003	50,479	(484)	49,995
Loss for the year	—	(1,688)	(1,688)
Recovery of share placing expenses	2,343	—	2,343
At 31.3.2004 and 1.4.2004	52,822	(2,172)	50,650
Loss for the year	—	(2,267)	(2,267)
At 31.3.2005	**52,822**	**(4,439)**	**48,383**

(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, 2005, in the opinion of the directors, the reserves of the Company available for distribution to the shareholders amounted to approximately HK$48,383,000 (2004: approximately HK$50,650,000), subject to the restrictions stated in note 24(a) above.

25. BANK LOANS - SECURED

	2005	2004
	HK$'000	HK$'000
Amounts repayable		
- within one year	**3,968**	4,286
- one year to two years	**1,000**	1,714
- two years to five years	**1,032**	—
	6,000	6,000
Less: Amounts repayable within twelve months (shown under current liabilities)	**3,968**	4,286
Non-current portion of bank loans	**2,032**	1,714

26. 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.

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).

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

As at 31st March, 2005, no option under the Share Option Scheme has been granted or agreed to be granted.

26. SHARE OPTIONS (cont'd)

As at 31st March, 2005, details of share options granted to eligible employees of the Group under the Pre-IPO Share Option Plan are as follows:

			Number of shares under option		
				Lapsed	
		Exercise	As at	during	As at
Grantees	**Date of grant**	**Price**	**1.4.2004**	**the year**	**31.3.2005**
Directors, senior management and other employees	26th February, 2003	HK$0.35	29,214,000	(3,770,000)	25,444,000
A non-executive director	26th February, 2003	HK$0.10	7,200,000	—	7,200,000
			36,414,000	(3,770,000)	32,644,000

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%

27. CONTINGENT LIABILITIES

(a) As at 31st March, 2005, the Group had contingent liabilities in respect of performance bonds amounting to approximately HK$49,000 (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.

(b) Under the Employment Ordinance, the Group is obliged to make lump sum payments upon cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

The Group has contingent liabilities in respect of possible future long service payments to employees under the Employment Ordinance, with a maximum possible amount of approximately HK$1,112,000 at 31st March, 2005 (2004: approximately HK$1,276,000). The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. No provision has been recognised for employees in respect of such possible payments, as it is not considered probable that the situation will result in material future outflow of resources from the Group.

28. BANKING FACILITIES

As at 31st March, 2005, the Group had banking facilities to the extent of HK$25,033,000 (2004: HK$30,033,000) which were secured by the Group's time deposits of HK$9,000,000 (2004: approximately HK$10,000,000), properties of Supercom Investments Limited ("Supercom") in which a director, Mr. Lee Shun Hon, Felix has controlling interest and corporate guarantees executed by the Company.

Included in the above, the Group obtained a trade accounts receivable factoring facility of HK$4,000,000 (2004: HK$7,000,000). 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$4,000,000 (2004: HK$7,000,000) (less service and monthly discounting charges). The Group had not utilised the factoring facility at 31st March, 2005 (2004: approximately HK$1,593,000).

29. OPERATING LEASE ARRANGEMENTS

As at 31st March, 2005, the Group had outstanding commitments for future minimum leases payments under non-cancellable operating leases, which fall due as follows:

	2005	2004
	HK$'000	HK$'000
Within one year	**1,194**	1,344
After one year but within five years	**2**	241
	1,196	1,585

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.

30. CAPITAL COMMITMENTS

As at 31st March, 2005, the Group and the Company had no material capital commitments.

31. RELATED PARTY AND CONNECTED TRANSACTIONS

The Group had the following related party and connected transactions under the GEM Listing Rules during the year:

		Note	**2005** **HK$'000**	2004 HK$'000
(i)	Rentals paid to Supercom	(a)	**424**	420

(ii) Pledge of properties of Supercom to secure banking facilities of the Group as detailed in note 28 to the financial statements.

Note:

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

The directors have reviewed the above related party and connected transactions and are of the opinion that these transactions were effected on normal commercial terms (or better to the Group) and in the ordinary course of the business of the Group.

32. RETIREMENT BENEFIT COSTS

Two Hong Kong operating subsidiaries 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 had 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.

33. SEGMENT REPORTING

Segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by geographical segment; and (b) on a secondary segment reporting basis, by business segment.

(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 consolidated income statement and assets included in the consolidated balance sheet can be reasonably allocated to each geographical segment.

	Hong Kong		PRC		Inter-segment		Consolidated	
				Restated				Restated
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	**37,257**	37,687	**13,337**	15,046	**—**	—	**50,594**	52,733
Cost of sales and services rendered	**(18,207)**	(18,780)	**(4,641)**	(4,808)	**—**	—	**(22,848)**	(23,588)
Gross profit	**19,050**	18,907	**8,696**	10,238	**—**	—	**27,746**	29,145
Other income	**450**	1,039	**7**	13	**—**	—	**457**	1,052
Bad debts	**—**	(889)	**(479)**	(317)	**—**	—	**(479)**	(1,206)
Impairment loss of development costs	**(5,872)**	(3,481)	**(715)**	(1,863)	**—**	—	**(6,587)**	(5,344)
Operating expenses	**(20,958)**	(20,286)	**(11,341)**	(10,020)	**—**	—	**(32,299)**	(30,306)

33. 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	
				Restated				Restated
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Operating loss	**(7,330)**	(4,710)	**(3,832)**	(1,949)	**—**	—	**(11,162)**	(6,659)
Impairment of goodwill	**(345)**	—	**—**	—	**—**	—	**(345)**	—
Finance costs	**(745)**	(461)	**(70)**	(17)	**—**	—	**(815)**	(478)
Loss before income tax	**(8,420)**	(5,171)	**(3,902)**	(1,966)	**—**	—	**(12,322)**	(7,137)
Income tax credit/ (expense)	**660**	337	**(298)**	(322)	**—**	—	**362**	15
Loss after income tax	**(7,760)**	(4,834)	**(4,200)**	(2,288)	**—**	—	**(11,960)**	(7,122)
Minority interests	**—**	57	**112**	(34)	**—**	—	**112**	23
Loss attributable to shareholders	**(7,760)**	(4,777)	**(4,088)**	(2,322)	**—**	—	**(11,848)**	(7,099)
Depreciation and amortisation	**3,567**	2,428	**682**	1,114	**—**	—	**4,249**	3,542
Capital expenditure incurred during the year	**4,394**	6,838	**1,344**	2,471	**—**	—	**5,738**	9,309
Segment assets and total assets	**80,358**	110,792	**12,505**	17,200	**(30,196)**	(50,630)	**62,667**	77,362
Segment liabilities and total liabilities	**(23,295)**	(29,042)	**(24,929)**	(19,024)	**21,263**	18,737	**(26,961)**	(29,329)
Minority interests	**—**	—	**—**	(112)	**—**	—	**—**	(112)

33. SEGMENT REPORTING (cont'd)

(b) Business segments

The Group principally operates in two business segments, (i) provision of information solutions and design, development and sales of application software and (ii) magazine publication.

	Provision of information solutions and design, development and sales of application software		Magazine publication		Unallocated		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**50,397**	52,540	**197**	193	**—**	—	**50,594**	52,733
Segment assets	**60,296**	72,177	**722**	1,475	**1,649**	3,710	**62,667**	77,362
Capital expenditure incurred during the year	**5,673**	8,488	**65**	821	**—**	—	**5,738**	9,309

Unallocated assets consist of assets of the Company and certain non-operating subsidiaries.

34. COMPARATIVE FIGURES

During the year, the following comparative figures have been re-classified to conform to the current year's presentation:

(a) Maintenance income of approximately HK$3,643,000 has been re-classified from the turnover category "Maintenance and enhancement income of provision of information solutions" to another turnover category "Sales of application software packages and related maintenance income" (notes 3); and

(b) Advertisement income and related direct costs of approximately HK$193,000 and HK$169,000, previously net-off and disclosed as miscellaneous items in other income (note 4), has been re-classified to turnover (note 3) and cost of sales and services rendered respectively.

RESULTS

	Years ended 31st March,				
				Restated	
	2001	2002	2003	2004	**2005**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$000**
Turnover	28,553	35,605	42,306	52,733	**50,594**
(Loss)/profit for the year	(961)	(11,524)	554	(7,099)	**(11,848)**

ASSETS AND LIABILITIES

	At 31st March,				
	2001	2002	2003	2004	**2005**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
NON-CURRENT ASSETS	18,235	18,696	30,671	32,446	**25,014**
CURRENT ASSETS	20,789	48,926	51,467	46,431	**39,501**
DEDUCT:					
CURRENT LIABILITIES	13,893	4,561	27,617	27,615	**24,929**
NET CURRENT ASSETS	6,896	44,365	23,850	18,816	**14,572**
MINORITY INTERESTS	(793)	(33)	(78)	(112)	**—**
NON-CURRENT LIABILITIES	(6,684)	(20)	(285)	(1,748)	**(2,032)**
NET ASSETS	17,654	63,008	54,158	49,402	**37,554**