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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8213)

FIRST QUARTERLY REPORT
FOR THE PERIOD ENDED 30TH JUNE, 2005

* *For identification purpose only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

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

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

FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED 30TH JUNE, 2005

- Significant improvement in all aspects was achieved - increase in turnover, reduction in operating expenses and narrowing down of net loss.
- Total turnover (inclusive of hardware sales of approximately HK$1.44 million) at approximately HK$14.68 million was recorded for the period under review. Excluding hardware sales, turnover increased by approximately 20% compared to approximately HK$11.01 million recorded for the corresponding period last year.
- Turnover from Hong Kong and China posted an approximately 20% and approximately 75% increase respectively over the corresponding period last year.
- Operating expenses were reduced by approximately 12%.
- Amortization of development and software costs amounted to approximately HK$721,000. Provision of IT solutions operated at a profit.
- Initial investment in magazine publication amounted to approximately HK$696,000.
- Overall loss attributable to shareholders was narrowed to approximately HK$542,000 (improvement of approximately 82% from the approximately HK$3.04 million for the same period of last year).

RESULTS

The board of directors (the "Board") of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the period ended 30th June, 2005, together with the comparative unaudited consolidated figures for the corresponding period, as follows:

		For the three months ended 30th June,	
			Restated
		2005	2004
	Note	***HK$'000***	*HK$'000*
Turnover	2	**14,676**	11,007
Cost of sales and services rendered		**(7,051)**	(4,742)
Gross profit		**7,625**	6,265
Other income		**90**	113
Employee share option benefits	1	**(91)**	(356)
Operating expenses		**(7,905)**	(8,957)
Operating loss		**(281)**	(2,935)
Finance costs		**(222)**	(215)
Loss before income tax		**(503)**	(3,150)
Income tax (expense)/credit	3	**(39)**	44
Loss after income tax		**(542)**	(3,106)
Minority interests		**—**	66
Loss attributable to shareholders		**(542)**	(3,040)
Dividend		**—**	—
Loss per share (HK cents)			
- Basic	4	**(0.07)**	(0.41)
- Diluted	4	**N/A**	N/A

Notes:

1. Basis of preparation

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. They are also prepared under the historical cost convention as modified by revaluation of financial instruments.

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

For the three months ended 30th June, 2005, the adoption of these HKFRSs has no material impact on the Group's results of operations and financial position except the following:

- HKFRS 2 "Share-based payment"

  In accordance with HKFRS 2, the share options granted by the Company after 7th November, 2002 are measured at fair value at the date of grant and recognised as expenses over the vesting period with the corresponding credit to an employee share-based compensation reserve under equity.

  With the adoption of HKFRS 2 retrospectively from 1st April, 2005, the accumulated losses for each of the two years as at 1st April, 2005 and 2004 have been adjusted upward by approximately HK$2.7 million and HK$1.6 million respectively. The loss attributable to shareholders has been increased by approximately HK$91,000 and HK$356,000 for the two periods ended 30th June, 2005 and 2004 respectively.

- HKFRS 3 "Business combination"

  In prior years, positive goodwill was recognized as an asset which was amortised on a straight line basis over its estimated useful life of not more than twenty years.

  Following the adoption of HKFRS 3, the Group ceased annual amortisation of positive goodwill, which arose from investment in a PRC subsidiary, with indefinite life. As there is no foreseeable limit to the contractual period over which the investment is expected to generate net cash inflow to the Group, the useful life of the positive goodwill is considered to be indefinite. However, the positive goodwill should be tested for impairment annually. No retrospective adjustment has been made in respect of previously amortised positive goodwill.

  The adoption of HKFRS 3 has decreased the Group's loss for the three months ended 30th June, 2005 by approximately HK$228,000 as positive goodwill is no longer amortised.

Certain comparative figures of turnover and other income have been re-classified to conform to the current period's presentation.

2. 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 period. An analysis of the turnover recorded for the period is set out below:

	For the three months ended 30th June,	
		Restated
	2005	2004
	HK$'000	*HK$'000*
Provision of information solutions		
System development and integration	**7,508**	6,388
Maintenance and enhancement income	**251**	371
Sales of application software packages and related maintenance income	**6,846**	4,174
Advertising income	**71**	74
	14,676	11,007

3. Income tax expense/(credit)

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

	For the three months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
Current tax		
Provision for Hong Kong profits tax at 17.5% on the estimated assessable profits for the period	**—**	3
Deferred tax	**39**	(47)
Income tax expense/(credit)	**39**	(44)

4. Loss per share

The calculation of basic loss per share for each of the two periods ended 30th June, 2005 is based on the Group's loss attributable to shareholders and 750,000,000 ordinary shares in issue during the period.

No diluted loss per share for each of the two periods ended 30th June, 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.

5. Reserves

Movements in reserves for the three months ended 30th June, 2005 and 2004 were as follows:

	Accumulated losses	Share premium	Special reserve	Capital reserve	Exchange reserve	Employee share-based compensation reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2004 (Audited)	(4,904)	42,836	3,801	174	(5)	–	41,902
Adjustment on adoption of HKFRS 2	(1,625)	–	–	–	–	1,625	–
At 1st April, 2004 (Restated)	(6,529)	42,836	3,801	174	(5)	1,625	41,902
Loss for the period	(3,040)	–	–	–	–	–	(3,040)
At 30th June, 2004 (Unaudited)	(9,569)	42,836	3,801	174	(5)	1,625	38,862
At 1st April, 2005 (Audited)	(16,752)	42,836	3,801	174	(5)	–	30,054
Adjustment on adoption of HKFRS 2	(2,704)	–	–	–	–	2,704	–
At 1st April, 2005 (Restated)	(19,456)	42,836	3,801	174	(5)	2,704	30,054
Loss for the period	(542)	–	–	–	–	–	(542)
At 30th June, 2005 (Unaudited)	(19,998)	42,836	3,801	174	(5)	2,704	29,512

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the period ended 30th June, 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is pleased to announce that after last year's consolidation, overall performance in the first quarter of financial year 2005-2006 has improved significantly. Consolidated turnover increased by approximately 33% to approximately HK$14.68 million (2004: approximately HK$11.01 million). Exclusive of hardware sales of approximately HK$1.44 million, turnover has increased by approximately 20%. Operating expenses were lowered by approximately 12% compared to the corresponding period last year. The encouraging results were achieved through a persistent effort to carry out the team-across-border strategy, product improvement, strengthening of our core business and constant effort in cost control. As a result, the Group was able to narrow down its net loss by approximately 82% to approximately HK$542,000. (2004: approximately HK$3.04 million).

Hong Kong Operations

Outsourcing and Information Solutions

The primary source of income from our Hong Kong operation is from provision of information solutions including outsourcing and fixed price projects. A turnover of approximately HK$7.76 million in this respect was recorded, representing an increase of approximately 15% over the approximately HK$6.76 million recorded from the corresponding period last year. Two recently established major accounts contributed approximately HK$2.21 million to the Group's revenue in this quarter. The Group anticipates long term, stable and significant revenue will be generated from these major accounts.

The Group's efforts to develop our Shenzhen subsidiary's business in the transportation and logistic sector has achieved fruitful results. Recently, the Group concluded a contract to develop a Commercial Information System (CIS) for a container terminal operator in Shenzhen. The Group is now in the negotiation stage with another major container terminal operator in Shenzhen for two substantial contracts. The Group is also in preliminary contact with yet another container terminal operator on the provision of IT services and application solutions. The Group expects more promising growth in this area to be forthcoming.

Application Software

The enhancement in product quality and improvement of customer services of the Group's application software brought about an increase in revenue. Turnover generated from the Group's proprietary ERP application software Armitage Industrial Management System ("***AIMS***"), together with its previous version ***Konto 21***, was approximately HK$1.74 million (2004: approximately HK$1.38 million), representing an increase of approximately 26%. During the period, a number of ***AIMS*** contracts were concluded with companies in the trading, toy and lighting manufacturing industries. With the release of ***AIMS*** version 3.30, we expect sales will continue to grow considerably in the coming quarters.

PRC Operations

Application Software

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

Turnover generated from the Group's proprietary hotel management system ***Pegasus*** had a slight downward adjustment during the period under review. Approximately HK$2.57 million in turnover was recorded, an approximately 3% decline when compared to the corresponding period last year. The Group constantly reviews its business strategy for ***Pegasus*** in terms of product positioning, pricing and direction for regional development.

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

During the first half of 2005, the Group successfully concluded IFS contracts with an aggregate value of more than HK$5.0 million. During the first quarter, total revenue generated from IFS contracts amounted to approximately HK$1.96 million, including approximately HK$0.98 million from hardware sales. This clearly out-performed the approximately HK$60,000 revenue generated from the corresponding period last year. The rapid economic growth in China brings good opportunities for IFS's further growth in southern China. The Group will work hard to increase its share in the high-end ERP market.

Magazine Publication

The hotel guest room magazine **e²Smart** published by the Group has entered its second year of operation. Revenue generated from advertisement sales was approximately HK$71,000. The insignificant return is within the Group's expectation. Since our magazine is relatively new, time and effort are required to establish its reputation and build up a strong advertising sales pipeline. The Group is convinced that it has made the right move in this diversity. Although competition is keen on life style magazines, we believe the unique distribution channel we established in high rank hotels in major Chinese cities has given us an advantageous edge over our competitors. Huge opportunities exist in the Chinese media industry and we believe this new business will bring a significant return to the Group in the not too distant future.

FUTURE PROSPECTS

Hong Kong Operations

On the IT solutions side, most of our business contacts established during the previous financial year are promising and these may generate substantial revenue to the Group in the near and long term. During the reporting quarter, the Group successfully initiated its cooperation with the largest air terminal operator in Hong Kong. The Group was commissioned to assist in the compilation of a Request For Proposals for a large project. The contract amount is small. However, the Group believes that this customer offers good opportunities to generate steady and substantial future revenue. Based on our solid experience in the transportation and logistic sector, the Group is constantly seeking business cooperation with container operators in the vicinity of Shenzhen and we believe we are in a very good position to increase our customer base in this business sector.

On application software, version 3.30 of ***AIMS***, which is more powerful and has many enriched features, was released in July 2005. Version 3.30 was enhanced with new functions and improvements to suit customers' need. The Group expects this new version 3.30 will help to increase its market share in the ERP market, targeting small to medium enterprises with operations in Hong Kong and the Pearl River Delta.

PRC Operations

Application Software

After a detailed and careful review of the business environment in the regions which the Group has set up offices to market ***Pegasus***, we found that in some regions, profit margin is thin. The Group will now consider reducing the operation size in these particular regions. Forthcoming prominent events to be carried out in the PRC, such as the 2008 Beijing Olympic Games, the 2010 Shanghai Expo and the 2010 Guangzhou Asian Games are expected to initiate a strong demand for hotel management systems. In order to benefit from this positive environment and to grow ***Pegasus***'s sales, an appropriate strategy is under consideration. We deem it essential that we exercise a flexible and versatile approach to ensure the sustainability and profitability of ***Pegasus***.

The ***IFS*** encouraging results achieved in the past two quarters have given the Group confidence on its future development in the coming three years. The Group will continue to strengthen its team of ERP experts in order to cope with the anticipated strong business growth in Southern China.

Magazine Publication

Sales improvement remains the Group's focus for our **e^{2}Smart** magazine. Strengthening of the sales and marketing team and the formulation of appropriate sales strategies are crucial and are now under review. The Group is working towards promoting greater awareness of the magazine amongst business travelers and advertisers and we believe that increased exposure will greatly help to generate advertisement sales.

FINANCIAL REVIEW

For the three months ended 30th June, 2005, the Group has achieved significant improvement in its results. Turnover in Hong Kong was recorded at approximately HK$9.95 million, an increase of approximately 20%. Turnover in China was recorded at approximately HK$4.73 million, an increase of approximately 75%.

To cope with special requirements from certain customers, the Group has implemented some changes in its product mix. Hardware was bundled with software and offered as total solutions to some existing customers. Revenue generated from hardware sales amounted to approximately HK$1.44 million (2004: approximately HK$36,000). Since gross profit margin of hardware sales was only approximately 5%, this led to the overall gross profit margin being reduced to approximately 52% for the reporting period. Excluding hardware sales, the gross profit margin remained stable at approximately 57%.

Although there is a substantial increase in total turnover, the Group managed to reduce its operating expenses by approximately 12% to approximately HK$7.91 million (2004: approximately HK$8.96 million). As a result of the Group's conscientious effort to cut down overheads, decrease in various expenses in general was achieved which reflected effective cost control systems within the Group.

Loss attributable to shareholders was narrowed down to approximately HK$542,000 (2004: approximately HK$3.04 million).

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

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 30th June, 2005, the interests or short positions of the directors and the 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 30th June, 2005.

(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 30th June, 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 any directors and chief executive of the Company, as at 30th June, 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 30th June, 2005.

Save as disclosed herein, so far as is known to the directors and chief executive of the Company, as at 30th June, 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.

SHARE OPTIONS

Pursuant to the written resolutions passed by all the shareholders of the Company on 26th February, 2003, the Company had adopted two share option schemes, namely Share Option Scheme and Pre-IPO Share Option Plan.

As at 30th June, 2005, no options under the Share Option Scheme has been granted or agreed to be granted.

As at 30th June, 2005, options under Pre-IPO Share Option Plan to subscribe for an aggregate of 32,202,000 shares have been granted to a total of 54 directors and employees of the Group, details as follows:

Grantees	Date of grant	Exercise Price	Number of shares under option As at 1st April, 2005	 Lapsed during the period	 As at 30th June, 2005
Directors, senior management and other employees	26th February, 2003	HK$0.35	25,444,000	(442,000)	25,002,000
A non-executive director	26th February, 2003	HK$0.10	7,200,000	–	7,200,000
			32,644,000	(442,000)	32,202,000

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%

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.

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 of approval of the Group's unaudited results for the three months ended 30th June, 2005, the audit committee has held one meeting and has reviewed the draft quarterly report and accounts for the three months ended 30th June, 2005 prior to recommending such report 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 three months ended 30th June, 2005.

On behalf of the Board
Lee Shun Hon, Felix
Chairman

Hong Kong, 9th August, 2005