



**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 30 JUNE 2006**

*\* 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 30 JUNE 2006**

- Consolidated turnover (inclusive of hardware sales of HK\$374,000) at HK\$11.3 million was recorded for the period under review. Excluding hardware sales, turnover decreased by 18% compared to HK\$13.3 million recorded for the corresponding period last year. The main reason was a temporary suspension of our service to one major customer.
- Turnover from Hong Kong and PRC, exclusive of hardware sales, decreased by 7% and 42% respectively over the corresponding period last year.
- Amortisation of development costs and software amounted to HK\$1.2 million.
- Operating expenses rose by 5%, mainly attributable to the increase in amortisation of development costs which amounted to HK\$472,000.
- Continuing with our strategy in magazine publishing, HK\$468,000 was invested in this area during the period under review.
- Income from magazine publication was HK\$238,000, representing an increase of 235% over the corresponding period last year.
- Overall loss attributable to equity holders of the Company was HK\$2.9 million.

## 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 30 June 2006, together with the comparative unaudited consolidated figures for the corresponding period, as follows:

		<b>For the three months ended 30 June</b>	
		<b>2006</b>	2005
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	2	<b>11,296</b>	14,676
Cost of sales and services rendered		<b>(6,046)</b>	(7,051)
Gross profit		<b>5,250</b>	7,625
Other income		234	90
Employee share options benefits		(70)	(91)
Operating expenses		<b>(8,286)</b>	(7,905)
Operating loss		<b>(2,872)</b>	(281)
Finance costs		<b>(304)</b>	(222)
Loss before income tax		<b>(3,176)</b>	(503)
Income tax credit/(expense)	3	224	(39)
Loss for the period		<b>(2,952)</b>	(542)
Attributable to:			
Equity holders of the Company		<b>(2,948)</b>	(542)
Minority interests		<b>(4)</b>	—
Loss for the period		<b>(2,952)</b>	(542)
Dividend		—	—
Loss per share (HK cents)			
- Basic	4	<b>(0.39)</b>	(0.07)
- Diluted	4	<b>N/A</b>	N/A

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2006

Attributable to equity holders of the Company

	Share Capital	Accumulated losses	Share premium	Special reserve	Capital reserve	Exchange reserve	Employee share-based compensation reserve	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005 (Audited)	7,500	(16,752)	42,836	3,801	174	(5)	–	–	37,554
Adjustment on adoption of HKFRS 2	–	(2,704)	–	–	–	–	2,704	–	–
At 1 April 2005 (Restated)	7,500	(19,456)	42,836	3,801	174	(5)	2,704	–	37,554
Loss for the period	–	(542)	–	–	–	–	–	–	(542)
At 30 June 2005 (Unaudited)	7,500	(19,998)	42,836	3,801	174	(5)	2,704	–	37,012
At 1 April 2006 (Audited)	7,500	(22,865)	42,836	3,801	–	204	3,068	–	34,546
Exchange reserve arising from translation of financial statements of the PRC subsidiaries	–	–	–	–	–	132	–	4	136
Employee share options benefits	–	–	–	–	–	–	67	–	67
Loss for the period	–	(2,948)	–	–	–	–	–	(4)	(2,952)
At 30 June 2006 (Unaudited)	7,500	(25,811)	42,836	3,801	–	336	3,135	–	31,797

Notes:

### 1. Basis of preparation

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and are prepared under the historical cost convention as modified by revaluation of financial assets at fair value through profit or loss.

All figures are approximate.

### 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 30 June	
	2006	2005
	HK\$'000	HK\$'000
Provision of information solutions		
System development and integration	5,221	7,508
Maintenance and enhancement income	1,058	251
Sales of application software packages and related maintenance income	4,779	6,846
Advertising income	238	71
	<u>11,296</u>	<u>14,676</u>

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

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

	For the three months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Current tax		
Provision for Hong Kong profits tax at 17.5% on the estimated assessable profits for the period	—	—
Deferred tax	224	(39)
	<u>224</u>	<u>(39)</u>

#### **4. Loss per share**

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

No diluted loss per share for both periods has been presented as the potential ordinary shares to be issued upon exercise of the outstanding options under the Pre-IPO Share Option Plan are anti-dilutive.

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend in respect of the period ended 30 June 2006 (2005: Nil).

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **BUSINESS REVIEW**

The Group's unaudited total turnover for the three months ended 30 June 2006 amounted to HK\$11.3 million (2005: HK\$14.7 million). Excluding hardware sales of HK\$374,000 (2005: HK\$1.4 million), turnover decreased by 18% compared to the corresponding period last year. Net loss of HK\$2.9 million was recorded for the reporting period (2005: HK\$542,000).

#### **HONG KONG OPERATIONS**

##### *Outsourcing and Information Solutions*

Outsourcing and information solutions sector continues to be the primary source of income for our Hong Kong operation. It achieved a total turnover of HK\$6.3 million, representing a decrease of 19% compared to HK\$7.8 million recorded from the corresponding period last year. The main reason was a temporary suspension of our services to one major customer.

Revenue generated from the two major accounts in Hong Kong remained stable. The Group continues to explore more cooperation opportunities in various functional areas within these two accounts to strengthen our long established relationship. During the quarter, we developed and implemented a number of fixed price projects for two major container terminal operators. This included a Barge and Dashboard project. An upgrade to the existing Hong Kong Government Department of Health Laboratory Information System (LIS) was awarded during the period.

With the successful execution of past and on-going projects in Hong Kong and Shenzhen, the Group's position as a leading IT services provider in this region is well recognised, particularly in the transportation and logistic sector. Revenue generated from this area is expected to grow.

## *Application Software*

The sales performance of application software was encouraging with the addition of more industrial specific features and enhancement in product functions. Turnover generated from the Group's proprietary ERP application software Armitage Industrial Management System ("**AIMS**"), together with its previous version **Konto 21**, was HK\$1.8 million (2005: HK\$1.7 million), representing an increase of 6%.

We are enhancing our industry focus strategy by building Consumer Electronics industry specific requirements into our products. Some significant clients in this industry have chosen our **AIMS** for Consumer Electronics system, their feedback is positive and encouraging. With our industry focus strategy in Consumer Electronics, we have gained much knowledge in that industry both from the sales and implementation standpoint. In view of the increasing importance of RoHS (restriction of use of hazardous substances) in the consumer electronics industry, we held a joint seminar with a semi-government organisation to demonstrate our expertise.

## **PRC OPERATIONS**

### *Application Software*

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

Turnover generated from the Group's proprietary hotel management system **Pegasus** was HK\$2.8 million, an increase of 8% when compared to the corresponding period last year (2005: HK\$2.6 million). The Group has formulated strategies to improve performance of **Pegasus**. Direct measures such as the opening up of more channel sales in Nanchang of Jiangxi province are being implemented. We believe these measures could help to conclude more sales in the coming quarters. On the important subject of cost control, we are resolving by the minimising of customisation efforts and optimising our human resources. The resulting trim down of staff head count meant we achieved a reduction in operating expenses on a quarter-to-quarter comparison.

#### Industrial and Finance System ("**IFS**")

During the reporting period, turnover generated from **IFS** implementation amounted to HK\$71,000, a decrease of 97% when compared to the corresponding period last year (2005: HK\$2.0 million). Two projects were carrying on. The Group will be more aggressive in promoting **IFS**. Large scale ERP application contracts usually have a long selling cycle and we anticipate a number of contracts could be concluded by financial year end.



## *Magazine Publication*

The hotel guest room magazine **e<sup>2</sup>Smart** published by the Group has entered its third year of operation. Revenue generated from advertisement sales for the reporting period was HK\$238,000, an increase of 235% compared to HK\$71,000 recorded for the corresponding period last year. This notable improvement was the result of the first trial issuance of a BASEL supplement. This supplement exposes **e<sup>2</sup>Smart** to luxurious watch clients and enhanced the client base of existing clock & watch accounts. The achievement attained was encouraging to our editorial and sales team. The Group is confident of the direction being executed in the publication and distribution of **e<sup>2</sup>Smart**. The future revenues from magazine publication appear optimistic.

## **FUTURE PROSPECTS**

### **Hong Kong Operations**

#### *Outsourcing and Information Solutions*

The Group continues to seek new business opportunities with existing and potential customer in order to diversify our income sources. We are in the final stage of negotiation for a service agreement with a large Hong Kong air terminal operator; and on a project on Commercial Management Information System for a Shenzhen container terminal operator. Both contracts are expected to be concluded in the next quarter. The Group is making inroad into becoming a significant IT vendor of a major airline operator in Hong Kong. We expect this account will contribute substantial revenue to our Hong Kong operation.

#### *Application Software*

In the application software segment, the Group expects the advanced version 3.40 of **AIMS** with its industry-specific features for consumer electronics, will generate more revenue in coming quarters. The Group believes constant improvement in product quality and customer services are keys to success. We aim to intensify our sales and marketing efforts in order to meet the increasing severe market competition.

## PRC OPERATIONS

### *Application Software*

#### Pegasus Hotel Management System (“**Pegasus**”)

Continuing development and improvement in economic conditions in China brought about more investments in fixed assets such as hotels. This, coupled with forthcoming major events in the big cities resulted strong demands for hotel management systems. Leveraging on our 15 years’ experience and the well-known **Pegasus** brand in the hospitality industry, the Group has diversified its business into two streams to increase income sources. Besides continuing to improve its product quality to meet high demand from the medium to high-end market, the Group has also commenced development of a simplified version to cover the colossal lower-end market. This simplified version will help to increase our market share and generate considerable additional revenue within the last quarter of this financial year. On the other hand, to meet current market requirements, the Group has developed customised centralised booking systems for individual customers. We plan to package the centralised booking systems to meet the increasing market demand.

#### Industrial and Finance system (“**IFS**”)

Demands for large-scale ERP systems are strong, however, competition amongst competitors is very severe. The Group is confident that our expertise gives us competitive advantages. We are negotiating with a number of qualified potential customers and expect contracts to be concluded by financial year end.

### *Magazine Publication*

After the recent success of issuing a supplement on BASEL, the Group’s **e<sup>2</sup>Smart** magazine will issue another special supplement on fall/winter fashion in the next quarter. It aims at enhancing the variety of advertisers and strengthening the client base of fashion brands. This can further promote **e<sup>2</sup>Smart**’s content comprehensiveness and popularity amongst advertisers and readers. In the coming quarters, the Group will expand the advertisement sales team, especially in Shanghai. Shanghai retailers are amongst the most sophisticated in China and we aim to grow **e<sup>2</sup>Smart** revenue significantly through this medium.

## FINANCIAL REVIEW

For the three months ended 30 June 2006, the Group's unaudited consolidated turnover was HK\$11.3 million. Excluding hardware sales, turnover decreased by 18% compared to HK\$13.3 million recorded for the corresponding period last year. The main reason was a temporary suspension of our services to one major customer.

Turnover generated from Hong Kong operation was HK\$8.2 million (2005: HK\$9.9 million). Income from provision of information solutions amounted to HK\$6.3 million (2005: HK\$7.8 million), representing a decrease of 19% compared to the corresponding period last year. Income generated from sale of the Group's proprietary software, *AIMS* together with its previous version *Konto 21* was HK\$1.8 million (2005: HK\$1.7 million), representing an increase of 6% compared to the corresponding last year.

In the PRC, the sales of the Group's proprietary product, *Pegasus*, achieved a moderate growth of 6% from HK\$2.6 million to HK\$2.8 million for the period under review. Sale of the third party ERP system, IFS, were curtailed due to the strong competition and we are urgently addressing this.

The Group has achieved significant improvement in advertising income of HK\$238,000, representing an increase of 235% compared to HK\$71,000 recorded in the corresponding period last year.

In the first quarter of this financial year, loss attributable to equity holders of the Company was HK\$2.9 million (2005: HK\$542,000). However, we are optimistic that this will be much improved in the following quarters.

## 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' INTERESTS IN THE SECURITIES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 June 2006, the interests or short positions of the directors 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)
Mr. Lee Shun Hon, Felix	Personal	334,101,790	44.55%
	Family	17,907,651 (Note 1)	2.39%
Ms. Jim Sui Fun	Personal	3,034,786	0.40%
Dr. Liao, York	Corporate	29,988,007 (Note 2)	4.00%

#### Notes:

1. These shares are held by Mr. Lee Shun Hon, Felix's wife, Ms. Leung Mee Chun, Stella, and therefore Mr. Lee Shun Hon, Felix is deemed to have an interest in 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 30 June 2006.

(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 26 February 2003 is as follows:

<b>Name</b>	<b>Type of interests</b>	<b>Exercisable period</b>	<b>Exercise price</b>	<b>Number of underlying shares</b>
Mr. Lee Shun Hon, Felix	Personal	18 September 2004 to 17 March 2007	HK\$0.35	493,333
		18 September 2005 to 17 March 2007	HK\$0.35	493,333
		18 September 2006 to 17 March 2007	HK\$0.35	493,334
				1,480,000
Mr. To Yung Yui, Steve	Personal	18 September 2004 to 17 March 2007	HK\$0.35	273,334
		18 September 2005 to 17 March 2007	HK\$0.35	273,333
		18 September 2006 to 17 March 2007	HK\$0.35	273,333
				820,000
Ms. Jim Sui Fun	Personal	18 September 2004 to 17 March 2007	HK\$0.35	233,333
		18 September 2005 to 17 March 2007	HK\$0.35	233,334
		18 September 2006 to 17 March 2007	HK\$0.35	233,333
				700,000
Dr. Liao, York	Personal	18 September 2004 to 17 March 2007	HK\$0.10	2,400,000
		18 September 2005 to 17 March 2007	HK\$0.10	2,400,000
		18 September 2006 to 17 March 2007	HK\$0.10	2,400,000
				7,200,000
				<u>10,200,000</u>

Save as disclosed herein, as at 30 June 2006, none of the directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to 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 of the Company, as at 30 June 2006, other than the directors 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**

<b>Name</b>	<b>Type of interests</b>	<b>Number of shares</b>	<b>Approximate percentage of the issued share capital</b> <i>(Note 3)</i>
Kingspecial Investments Limited	Corporate	114,578,176 <i>(Note 1)</i>	15.28%
Mr. Lee Shun Kwong	Corporate	34,373,452 <i>(Note 2)</i>	4.58%
	Personal	14,994,000	2.00%

#### *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 Mrs. 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.
3. Based on 750,000,000 shares of the Company in issue as at 30 June 2006.

Save as disclosed herein, so far as is known to the directors of the Company, as at 30 June 2006, 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 26 February 2003, the Company had adopted two share option schemes, namely Share Option Scheme and Pre-IPO Share Option Plan.

As at 30 June 2006, no options under the Share Option Scheme has been granted or agreed to be granted.

As at 30 June 2006, options under Pre-IPO Share Option Plan to subscribe for an aggregate of 28,492,000 shares have been granted to a total of 46 directors and employees of the Group, details as follows:

Grantees	Date of grant	Exercise Price	Number of shares under option		
			As at 1 April 2006	Lapsed during the period	As at 30 June 2006
Directors, senior management and other employees	26 February 2003	HK\$0.35	21,554,000	(262,000)	21,292,000
A non-executive director	26 February 2003	HK\$0.10	7,200,000	—	7,200,000
			<u>28,754,000</u>	<u>(262,000)</u>	<u>28,492,000</u>

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

Exercisable period	Maximum percentage of shares under option exercisable
18 September 2004 to 17 March 2007	33 $\frac{1}{3}$ %
18 September 2005 to 17 March 2007	66 $\frac{2}{3}$ %
18 September 2006 to 17 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 Professor Tsang Hin Pok, Herbert, Mr. Anthony Francis Martin Conway, and Mr. Chan Hang.

Up to the date of approval of the Group's unaudited results for the three months ended 30 June 2006, the Audit Committee has held one meeting and has reviewed the draft quarterly report and accounts for the three months ended 30 June 2006 prior to recommending such report and accounts to the Board for approval.

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

Hong Kong, 4 August 2006