



# 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 RESULTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2007

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*This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

\* For identification purpose only

## **FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED 30 JUNE 2007**

- Consolidated turnover (inclusive of hardware sales of HK\$412,000) at HK\$13.0 million was recorded for the reporting period. Excluding hardware sales, turnover increased by 16% compared to HK\$10.9 million recorded in the corresponding period last year.
- Turnover from Hong Kong and PRC, exclusive of hardware sales, increased by 9% and 52% respectively over the corresponding period last year.
- Income from magazine publication was HK\$372,000, representing an increase of 56% over the corresponding period last year.
- Amortisation of development costs and software amounted to HK\$1.1 million.
- Operating expenses rose by 3%, mainly attributable to the increase in staff salaries, sales commission and the appreciation of Reminbi.
- Continuing with our strategy in magazine publishing, HK\$776,000 was invested in this area during the reporting period.
- EBITDA from the Group's IT business for the reporting period was HK\$249,000.
- Overall loss attributable to equity holders of the Company was narrowed to HK\$1.4 million (improvement of 52% from HK\$2.9 million for the corresponding period 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 30 June 2007, together with the comparative unaudited consolidated figures for the corresponding period, as follows:

		<b>For the three months ended 30 June</b>	
		<b>2007</b>	<b>2006</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	<b>13,015</b>	11,296
Cost of sales and services rendered		<b>(6,232)</b>	(6,046)
Gross profit		<b>6,783</b>	5,250
Other income		<b>752</b>	234
Employee share options benefits		<b>—</b>	(70)
Operating expenses		<b>(8,569)</b>	(8,286)
Operating loss		<b>(1,034)</b>	(2,872)
Finance costs		<b>(339)</b>	(304)
Loss before income tax		<b>(1,373)</b>	(3,176)
Income tax (expense)/credit	3	<b>(53)</b>	224
Loss for the period		<b>(1,426)</b>	(2,952)
Attributable to:			
Equity holders of the Company		<b>(1,426)</b>	(2,948)
Minority interests		<b>—</b>	(4)
Loss for the period		<b>(1,426)</b>	(2,952)
Dividend		<b>—</b>	—
Loss per share (HK cents)			
- Basic	4	<b>(0.19)</b>	(0.39)
- Diluted	4	<b>N/A</b>	N/A

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2007

	Attributable to equity holders of the Company							Total HK\$'000
	Share Capital HK\$'000	Accumulated losses HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Minority interests HK\$'000	
At 1 April 2006 (Audited)	7,500	(22,863)	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)
	<u>7,500</u>	<u>(25,811)</u>	<u>42,836</u>	<u>3,801</u>	<u>336</u>	<u>3,135</u>	<u>—</u>	<u>31,797</u>
At 30 June 2006 (Unaudited)								
At 1 April 2007 (Audited)	7,500	(24,538)	42,836	3,801	706	—	—	30,305
Exchange reserve arising from translation of financial statements of the PRC subsidiaries	—	—	—	—	206	—	66	272
Acquisition of minority interests	—	—	—	—	—	—	(66)	(66)
Loss for the period	—	(1,426)	—	—	—	—	—	(1,426)
	<u>7,500</u>	<u>(25,964)</u>	<u>42,836</u>	<u>3,801</u>	<u>912</u>	<u>—</u>	<u>—</u>	<u>29,085</u>
At 30 June 2007 (Unaudited)								

Notes:

## 1. Basis of preparation

The unaudited consolidated quarterly financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants and are prepared under the historical cost convention as modified by revaluation of financial assets at fair value through profit or loss and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The accounting policies and basis of preparation used in preparing the unaudited consolidated results are consistent with those used in the audited financial statements for the year ended 31 March 2007.

All figures are approximate.

## 2. Turnover

The Group is engaged in the provision of information solutions and design, development, sales of application software packages and magazine publication. Turnover represents revenue recognised in respect of the provision of information solutions and application software packages 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:

	<b>For the three months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Provision of information solutions		
System development and integration	<b>6,451</b>	5,221
Maintenance and enhancement income	<b>313</b>	1,058
Sales of application software packages and related maintenance income	<b>5,879</b>	4,779
Advertising income	<b>372</b>	238
	<b>13,015</b>	<b>11,296</b>

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

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

	For the three months ended 30 June	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current tax		
Provision for Hong Kong profits tax at 17.5% on the estimated assessable profits for the period	—	—
Deferred tax	<u>(53)</u>	<u>224</u>
Income tax (expense)/credit	<u><u>(53)</u></u>	<u><u>224</u></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 has been presented as no dilutive potential ordinary shares outstanding during the three months period ended 30 June 2007 and the potential ordinary shares to be issued upon exercise of the outstanding options under the Pre-IPO Share Option Plan are anti-dilutive for the three months ended 30 June 2006.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend in respect of the period ended 30 June 2007 (2006: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

The Group's unaudited total turnover for the three months ended 30 June 2007 amounted to HK\$13.0 million, representing an increase of 15% compared to HK\$11.3 million recorded for the corresponding period last year. Excluding hardware sales of HK\$412,000 (2006: HK\$374,000), turnover increased by 16% compared to the corresponding period last year. Net loss was significantly narrowed down to HK\$1.4 million from HK\$2.9 million, compared to the corresponding period last year.

## **HONG KONG OPERATIONS**

### **Outsourcing and Information Solutions**

The total turnover generated from the outsourcing and information solutions sector for the three months ended 30 June 2007 was HK\$6.8 million, representing an increase of 8% compared to HK\$6.3 million recorded for the corresponding period last year.

Revenue generated from insourcing contracts from the largest airline operator in Hong Kong and from the world's largest private container operator remained stable. The number of insourcing staff seconded to the above two clients has increased. During the reporting period, the Group completed implementation of Phase I of the Gasoline Management System (GMS) with a major terminal operator. The Group also provided customisation services of a Warehouse Management System and has commenced development work of an Enterprise Information Management System for two logistics companies, both in Shenzhen, the PRC.

With the successful execution of past and on-going projects in Hong Kong and Shenzhen, the Group is able to further consolidate its position in the transportation and logistics sector as a leading IT services provider in the region.

## **Application Software Packages**

The turnover generated from the Group's proprietary ERP application software package experienced adjustment. Sales revenue from our Armitage Industrial Management System ("**AIMS**") together with its previous version Konto 21, was HK\$1.4 million. This is a decrease of 22% when compared to the corresponding period last year (2006: HK\$1.8 million).

During the reporting period, the Group concluded a number of contracts, including a contract signed with a consumer electronic manufacturer and a packaging company. A number of industrial-specific features were added to our **AIMS** product to enable it to be more user-friendly. The Group is confident that the sales revenue of **AIMS** will be much improved in the next reporting quarter.

## **PRC OPERATIONS**

### **Application Software Packages**

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

Turnover generated from the Group's proprietary hotel management system, **Pegasus**, was HK\$3.0 million (exclusive of hardware sales of HK\$412,000), representing an increase of 20% when compared to the HK\$2.5 million (exclusive of hardware sales of HK\$265,000) recorded in the corresponding period last year. Southern Region achieved the best performance, whilst the performance of Northern Region did not meet our expectations. Direct sales measures, such as a flexible price structure, have helped us to open up more sales opportunities during the past quarter. The **Pegasus Express** version and the membership/bonus and sauna modules which were newly added to **Pegasus** have proved to be effective in increasing the revenue stream. The sales improvement was also attributable to the efforts made on continuously enhancing product functions, improving product quality and providing excellent after-sales and maintenance services.

During the reporting period, the Group concluded a major contract with a prominent hotel management company (targeted to have around 100 hotels under its management) by employing **Pegasus** and **Pegasus Express** as its hotel management system. The Group was also in a final stage of negotiation with a very large public-listed property development company as its hotel management systems provider in Southern China. This latter company plans to build over 100 hotels in the PRC in the coming 3-5 years. The Group will continue to capture such opportunities in cooperating with other hotel management groups and our related partners in the hospitality industry.



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

During the reporting period, turnover generated from *IFS* implementation amounted to HK\$827,000, a 10 times increase when compared to the HK\$71,000 recorded during the corresponding period last year. A number of implementation and maintenance contracts from existing customers were concluded. The sales team has been strengthened during the reporting period and now ready aggressively looking for new prospects for this highly regarded system.

## **Magazine Publication**

Revenue generated from advertisement sales of the Group’s hotel guest room magazine *e<sup>2</sup>Smart* was HK\$372,000, an increase of 56% compared to HK\$238,000 recorded in the corresponding period last year. During the reporting period, *e<sup>2</sup>Smart* entered into a contract with a world renowned Hifi brand firm. In addition, an international luxury goods brand company agreed to place its in-house designed booklet inside *e<sup>2</sup>Smart* throughout our hotel distribution network. This opens up new business opportunities and an additional source of revenue to the Group. Positive feedback from both existing and new clients has greatly encouraged the sales team to strive for better achievements.

## **FUTURE PROSPECTS**

### **HONG KONG OPERATIONS**

#### **Outsourcing and Information Solutions**

Widely recognised expertise in the transportation and logistics industry reinforced the Group’s confidence to further explore the business opportunities in this sector. Phase I of our Gasoline Management System (GMS) project was completed and the implementation of phase II is expected to commence during this financial year. Another large private container operator has expressed interest in this system. The Group also partnered with the world’s largest private container operator to develop an e-framework, ie a standard application development platform. This project will generate future global business opportunities. The Group will continue to engage in strong efforts in relationship building with our existing large conglomerate clients to explore further business potential.

## **Application Software Packages**

The Group believes constant improvement in product quality and customer services are keys to success. The Group will continue to develop and enhance industrial specific features of *AIMS* in order to satisfy the needs of particular market sectors. During the reporting period, the Group decided to penetrate the PRC private enterprise customers in the Pearl River Delta in order to broaden the market segments for *AIMS*. A local sales team has been established in the Group's Shenzhen subsidiary in order to explore this huge potential market.

Two large contracts with significant values are under final negotiation and we expect these contracts to be concluded by the end of July this year.

## **PRC OPERATIONS**

### **Application Software Packages**

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

The rapidly developing economic growth in the PRC (which had an 11.5% of GDP growth in the first half of the calendar year 2007) has generated numerous opportunities for hotel related businesses. There is high demand for hotel management systems for new and existing hotels. *Pegasus* and *Pegasus Express* have a complete product line from front office, back office and food & beverage to high-profile centralised solutions, capable of meeting almost all requirements from all sizes and standards of hotels.

The Group plans to release a major *Pegasus* enhancement in the third/fourth quarter of this financial year. This enhanced version not only has a more user-friendly modern design outlook and interfaces, but also incorporates many sophisticated functions, such as applying a SMS (short message system) function, high-end management concepts and additional operational functions. Marketing activities will be launched to promote this enhanced version of *Pegasus*. The Group believes that this upgraded version will generate more business opportunities in the high-end 5-star hotels market in the near future.

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

Since entering into the PRC market for over five years, *IFS* has recently reorganised its sales and service teams in the Asian Pacific (“AP”) region, including the PRC. These changes may affect the Group's future business direction. However, as we are one of *IFS*' first generation partners, *IFS* has committed to provide us with more support and to partner with us to explore business opportunities in the manufacturing industry in the AP region. *IFS* is a quality product with a renowned worldwide reputation for excellence. This, together with the Group's experienced and competent consultation and technical team has led to the Group being quite optimistic about its future success with IFS.

Currently, for *IFS*, the Group is in discussion with a number of potential customers in the electronics, antenna and pharmaceutical industries.

## **Magazine Publication**

Our valued clients view the Group's excellent hotel distribution network as very effective promotion platform, and the Group is now planning to further expand our distribution network to venue such as golf clubs and high class, top value restaurants in order to increase our exposure to our clients' target audiences. In order to widen our sources of revenue, the Group will also put more effort on the publishing side. The Group recently confirmed a strategic business promotion package with a top event organiser in Shanghai, to produce a pre-event publication for their event - Luxury Summit 2007. Besides the generation of additional revenue, *e<sup>2</sup>Smart* will also gain name brand exposure throughout the period of event. In addition, we are in the final stage of negotiation with a distributor of a famous automobile brand in Shanghai to produce a quality catalogue for their road show. In addition, this catalogue will be placed inside the Group's magazine as an insertion. This project is expected to commence in the third quarter of calendar year 2007. Future revenue from magazine advertisements and ancillary publications appear promising.

## **FINANCIAL REVIEW**

For the three months ended 30 June 2007, the Group recorded a total turnover at HK\$13.0 million (2006: HK\$11.3 million). Excluding revenue generated from hardware sales of HK\$412,000 (2006: HK\$374,000), turnover increased by 16% compared to the corresponding period last year.

Turnover generated from Hong Kong operations was HK\$8.8 million (2006: HK\$8.2 million). During the reporting period, no hardware sales was recorded (2006: HK\$109,000). Excluding the hardware sales, representing an increase of 9% compared to the corresponding period last year.

Turnover generated from PRC operations was HK\$4.2 million (2006: HK\$2.8 million). Exclusive of hardware sales of HK\$412,000 (2006: HK\$265,000), representing an increase of 52% compared to the corresponding period last year.

The realised and unrealised gains on financial assets at fair value through profit or loss at HK\$587,000 (2006: loss of HK\$125,000).

The Group's core business is provision of IT services and sales of application software packages. The EBITDA (earnings before interest, income tax, depreciation and amortisation) for the three months ended 30 June 2007 from its IT businesses was HK\$249,000 (2006: loss of HK\$1.0 million).

During the reporting period, the Group has acquired 10% minority interests in a subsidiary so that such subsidiary becomes the wholly-owned subsidiary of the Group. Goodwill of HK\$137,000 was resulted in this acquisition.

## **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 2007, the interests or short positions of the directors of the Company in the shares 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:

### **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>
Mr. Lee Shun Hon, Felix	Personal	205,478,740	27.40%
	Family	85,848,246 <i>(Note 1)</i>	11.45%
Ms. Jim Sui Fun	Personal	3,034,786	0.40%
Dr. Liao, York	Corporate	29,988,007 <i>(Note 2)</i>	4.00%

#### *Notes:*

1. These shares are held by Mr. Lee Shun Hon, Felix's wife, Ms. Leung Mee Chun, Stella, his son, Mr. Lee Wai Yip, Alvin and his daughter, Ms. Lee Sze Yee, Joyce and therefore Mr. Lee Shun Hon, Felix is deemed to have interests in these shares in which Ms. Leung Mee Chun, Stella, Mr. Lee Wai Yip, Alvin and Ms. Lee Sze Yee, Joyce are 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 2007.

Save as disclosed herein, as at 30 June 2007, none of the directors had any interests or short positions in the shares 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 2007, other than the directors as disclosed above, the persons or companies who had an interest or short position in the 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	22,212,000	2.96%

*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 2007.

Save as disclosed herein, so far as is known to the directors of the Company, as at 30 June 2007, no other persons or companies had interests or short positions in the shares of the Company which were required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO or were interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

## **COMPETING INTERESTS**

None of the directors, the substantial shareholders or the management shareholders (as defined in the GEM Listing Rules) had any interests in any business which competed with or might compete with the business of the Group.

## **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, Mr. Chan Hang and Mr. Li Pak Ki.

Up to the date of approval of the Group's unaudited results for the three months ended 30 June 2007, the Audit Committee has held one meeting and has reviewed the draft quarterly report and accounts for the three months ended 30 June 2007 prior to recommending such report and accounts to the Board for approval.

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

Hong Kong, 10 August 2007

*As at the date of this announcement, the executive directors of the Company are Mr. Lee Shun Hon, Felix and Ms. Jim Sui Fun, the non-executive director of the Company is Dr. Liao, York and the independent non-executive directors of the Company are Mr. Anthony Francis Martin Conway, Mr. Chan Hang and Mr. Li Pak Ki.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the day of its posting.*