Armitage Technologies Holding Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8213)

Annual Report 2005 - 2006

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.

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.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Lee Shun Hon, Felix
Mr. To Yung Yui, Steve
Ms. Jim Sui Fun *

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

Mr. Ho King Yee, CPA#

QUALIFIED ACCOUNTANT

Mr. Ho King Yee, CPA#

COMPLIANCE OFFICER

Mr. Lee Shun Hon, Felix

AUDIT COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Lee Shun Hon, Felix
Mr. Ho King Yee, CPA#

LEGAL ADVISERS

Hong Kong:
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20th Floor, Alexandra House
16-20, Chater Road, Hong Kong

AUDITORS

PKF
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) Limited
Butterfield House
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Grand Cayman
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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REGISTERED OFFICE

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George Town
Grand Cayman

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kowloon
Hong Kong

COMPANY'S WEBSITE ADDRESS

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

GEM STOCK CODE

8213

* Ms. Jim Sui Fun was appointed as an Executive Director on 27 January 2006

Mr. Ho King Yee was appointed as a Qualified Accountant, Company Secretary and Authorised Representative on 27 March 2006

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 26 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, Chengdu 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 Technologies Limited

- Sale of proprietary hotel management software ***Pegasus*** mainly to customers throughout 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 year ended 31 March 2006.

For the financial year 2005/2006, the Group recorded a total turnover at HK$57.4 million, representing an increase of 13% when compared to the previous year (2005: HK$50.6 million). Turnover generated from our Hong Kong operations recorded an increase of 9% to HK$40.5 million from HK$37.3 million recorded in last year whilst turnover derived from our PRC operations was HK$16.9 million, representing an increase of 27% from HK$13.3 million recorded in the previous year. Loss attributable to shareholders at HK$3.4 million was recorded, narrowing down of 74% as compared to the net loss of HK$12.9 million restated for the financial year 2004/2005.

The results recorded from Hong Kong operations are encouraging. The economic conditions in general have improved, but IT spending has not yet fully recovered. However, the situation was improving gradually in the second half of last year. Under such environment, we achieved turnover of HK$32.4 million in outsourcing and information solutions business unit, an increase of 15% from HK$28.2 million recorded last year. We have established solid relationships with two of the world's largest IT corporations. Although at the end of the last quarter, services provided to one of these accounts were temporarily suspended due to project restructuring, we believe a long-term relationship has already been secured. On application systems, revenue generated from ***AIMS*** together with its previous version ***Konto 21*** decreased by 15%. Uncertain economic situation brought about by increasing interest rates, high raw material costs and oil prices faltered buying decisions from many potential customers. We strived to improve ***AIMS***'s product quality and service standard, enrich product functions with industrial specific features and enhance sales and marketing activities to meet the upcoming challenges from the market. We are confident that a major improvement in sales revenue of this business unit is anticipated in the coming year.

The subsidiary in Shenzhen is now mature enough to secure projects on its own. During the year, it has completed a number of projects for customers in the transportation and logistic sector.

During the year, our proprietary product, ***AIMS*** was chosen by Shenzhen Polytechnic, Hong Kong Institute of Vocational Education (Haking Wong) and the School of Continuing and Professional Studies of the Chinese University of Hong Kong as education, workshop and laboratory teaching materials. We are honored to receive these encouraging recognitions within the high technology industry.

In China, there was a slight increase in the number of ***Pegasus*** licenses sold. Turnover derived from ***Pegasus*** increased by 12% from last year's HK$10.7 million to this year's HK$12.0 million. During the period, we have developed a web-based central room booking, membership recruitment and bonus point system for a local hotel group. There was strong demand on similar solutions as currently more hotels are centralised, either under a sole investor, chained group, or under a union formed by hotels willing to share customer base. China's rapid economy growth within the next decade will no doubt benefit the hospitality industry. We believe that ***Pegasus*** is in an excellent position to increase its share in hotel management software market considerably under the circumstances. Turnover generated from ***IFS*** implementation doubled that of last year to HK$5.0 million (2005: HK$2.5 million). A number of projects are ongoing at present. ***IFS*** Worldwide has promised to engage much more aggressive marketing plans to promote the ***IFS*** brand in China. With more market recognition of the ***IFS*** product, we are in a good position to increase our market share in the huge ERP market in southern China.

Our initiative to diversify into magazine publication in China has achieved positive result. The life style magazine ***e²Smart*** published by our subsidiary Eastern Express Solutions Limited since March 2004 received good recognition amongst business travelers and advertisers. Advertisement income was increased by 87% during the past year. We established a branch office in Shanghai to assist in generating more advertisements revenue and liaise closely with people in the media and advertising field in China to gain more exposure for the magazine. We believe that ***e²Smart*** has good development potentials and is optimistic that this diversification will play an important role in the future.

We always emphasise that research and development are vital to a company with vision. Research and development programmes are considered to be of prime importance within our organisation. Ongoing research by a dedicated team provides long-term benefits to customers and company alike. 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. Currently, we have formed a small team to study on mobile application for the hospitality industry.

Looking ahead, it is generally believed that market condition has become better and will continue to improve. Nevertheless, we shall be prudent in planning our future business. A new attempt to restructure Hong Kong operation into different business units shall be put to trial in the coming financial year. For our China operation, we shall constantly review our business strategy to cope with the fast changing market conditions and to ensure our objectives can be achieved.

I am privileged and honored to have the opportunity to lead such a versatile team over the past 22 years. Our team is vibrant and agile enough to meet the challenges of an ever-changing business landscape and to fulfill the differing demands of our clients. They reflect the experience and youth, the skills and strengths that Armitage brings to the forefront to make us what we are today. We always aim to be a long term player; to continue enhancing customer relationship; as well as forging new ones in an increasing competitive environment. I believe the Group's bright future are founded on these intrinsic values.

Ms. Jim Sui Fun was appointed as an executive director in January 2006. I would like to welcome her to the board.

In closing, we extend our sincere thanks to our board of directors, employees and our appreciation to our shareholders, customers and business partners for their continued support.

Lee Shun Hon, Felix
Chairman
Hong Kong, 22 June 2006

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.

The Stock Exchange amended the GEM Listing Rules in relation to the Code on Corporate Governance Practices (the "**Code**") and Rules on the Corporate Governance Report ("**GCR**") in December 2004. The Code sets out the principles of good corporate governance, and two levels of recommendations: (a) code provisions; and (b) recommended best practices. Issuers are expected to comply with, but may choose to deviate from, the code provisions. Issuers are encouraged to comply with the recommended best practices which are provided for guidance only. The Code and CGR became effective on 1 January 2005.

The Company has complied with the code provisions set out in the Code (the "**Code Provisions**") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") throughout the financial year ended 31 March 2006, except for the deviations from Code Provisions A.2.1, A.4.2 and B.1.1 of the Code. Details of the deviations are set out in the relevant sections below.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the financial year ended 31 March 2006, 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 have complied with such required standard of dealings and its code of conduct regarding directors' securities transactions throughout the financial year ended 31 March 2006.

THE BOARD

Board of Directors

The Board currently consists of seven members including three 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.

The Company complies at all times during the financial year ended 31 March 2006 with the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors. Professor Tsang Hin Pok, Herbert, one of the independent non-executive directors, 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. 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 in financial and other mandatory reporting as well as providing adequate checks for safeguarding the interests of the shareholders and the Company as a whole. Except as otherwise 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 as at 31 March 2006 in accordance with Rule 5.09 of the GEM Listing Rules.

THE BOARD (cont'd)

Board of Directors (cont'd)

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Pursuant to the Articles of Association of the Company, at every annual general meeting of the Company, one-third of the directors (for the time being, or, if their number is not a multiple of three, the number nearest to but not exceeding one-third) shall retire from office by rotation, provided that the chairman of the Board and/or the managing director of the Company shall not, while holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. As such, as at the date hereof, Mr. Lee Shun Hon, Felix, being the Chairman of the Company, is not subject to retirement by rotation. However, the management of the Company is of the view that the membership of the Board represents rich and diversified background and industry expertise and as such, the management considers that there is no imminent need to amend the relevant provisions of the Articles of Association of the Company.

Meetings

The Board met regularly throughout the financial year ended 31 March 2006 to discuss the overall strategy as well as the operation and financial performance of the Group. During the year, the Board held four 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, businesses and investments etc. In addition, during the financial year ended 31 March 2006, the Group's management also met with certain non-executive directors to seek their views on certain business and/or operational matters. The attendance record of each director during the year at Board meetings is as follows:

Number of Meetings	4	
Members of the Board	**Meetings Attended**	**Attendance Rate**
Executive directors		
Mr. Lee Shun Hon, Felix (Chairman)	4	100%
Mr. To Yung Yui, Steve	4	100%
Ms. Jim Sui Fun (appointed on 27 January 2006)	1	100%
Non-executive director		
Dr. Liao, York	4	100%
Independent non-executive directors		
Mr. Anthony Francis Martin Conway	3	75%
Professor Tsang Hin Pok, Herbert	3	75%
Mr. Chan Hang	4	100%
Average Attendance Rate		92%

THE BOARD (cont'd)

Chairman and Chief Executive Officer

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing.

Mr. Lee Shun Hon, Felix is the Chairman of the Board and the Chief Executive Officer of the Group. As such, such dual role constitutes a deviation from Code Provisions A.2.1. However, the Board is of the view that:

- the Company's size is relatively small and thus does not justify the separation of the roles of the Chairman and Chief Executive Officer;
- the Company has sufficient internal controls to provide checks and balances on the functions of the Chairman and Chief Executive Officer;
- Mr. Lee Shun Hon, Felix as the Chairman of the Board and the Chief Executive Officer of the Group is responsible for ensuring that all directors act in the best interests of the shareholders. He is fully accountable to the shareholders and contributes to the Board and the Group on all top-level and strategic decisions; and
- this structure will not impair the balance of power and authority between the Board and the management of the Company.

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 with 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 in financial and other mandatory reporting as well as provide adequate checks and balances for safeguarding the interests of the shareholders and the Company as a whole.

THE BOARD (cont'd)

Non-executive directors (cont'd)

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

	Commencement Date
Non-executive director	
Dr. Liao, York	21 February 2002
Independent non-executive directors	
Mr. Anthony Francis Martin Conway	21 February 2002
Professor Tsang Hin Pok, Herbert	21 February 2002
Mr. Chan Hang	16 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, namely Professor Tsang Hin Pok, Herbert, Mr. Anthony Francis Martin Conway and Mr. Chan Hang. The Chairman of the Audit Committee is Professor Tsang Hin Pok, Herbert. Professor Tsang is Academic 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 financial year ended 31 March 2006 to review and discuss the final, quarterly and interim results and annual financial statements of the Group respectively. The adequacy of the Company's policies and procedures regarding financial reporting and internal controls were also discussed. 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 with the Audit Committee 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.

AUDIT COMMITTEE (cont'd)

The main duties of the Audit Committee are as follows:

- To consider the selection, appointment of the external auditors, the audit fee, and any question concerning the resignation or dismissal of the external auditors
- To discuss with the external auditors the nature and scope of the audit
- To review and monitor the external auditors' independence and the 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 the submission of them 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 the endorsement of it 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

The attendance record of the Audit Committee meetings during the financial year ended 31 March 2006 is as follows:

Number of Meetings	4	
Members of the Audit Committee	**Meetings Attended**	**Attendance Rate**
Professor Tsang Hin Pok, Herbert	3	75%
Mr. Anthony Francis Martin Conway	3	75%
Mr. Chan Hang	4	100%
Average Attendance Rate		83%

Throughout the year under review, the Audit Committee discharged its responsibilities, reviewed and discussed the financial results and the internal control system of the Group. As regards external auditors' remuneration, audit service was provided by the Group's external auditors during the year under review.

AUDITORS' REMUNERATION

For the year ended 31 March 2006, the auditors' remuneration was approximately HK$334,000 which was for statutory audit services. There was no significant non-audit service assignment provided by the auditors during the year.

REMUNERATION OF DIRECTORS

Code Provision B.1.1 stipulates that the Company should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.

The Company has not established a remuneration committee as required by this Code Provision considering the small size of the Board, and as such, the Company currently does not have any plans to set up a remuneration committee. During the financial year ended 31 March 2006, the Board is mainly responsible for determining the Company's policy on the remuneration of the directors and the review and approval of all remuneration packages of directors.

During the year under review, the Board determined the remuneration of an 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. During the year under review, the Board had also reviewed the remuneration packages of all directors, based on the salaries paid by comparable companies, the time commitment and responsibilities of the directors.

NOMINATION OF DIRECTORS

Paragraph A.4.4 of the recommended best practices under Appendix 15 of the GEM Listing Rules provides that the Company should establish a nomination committee and the majority of the members of the nomination committee should be independent non-executive directors. The Company has not established a nomination committee considering the small size of the Board, and as such, the Company currently does not have any plans to set up a nomination committee.

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 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/her qualifications, experiences and background. The decision of appointing a director must be approved unanimously by the members of the Board. Any director so appointed by the Board will hold office only until the next following annual general meeting of the Company and will then be eligible for re-election.

During the year under review, one candidate, being Ms. Jim Sui Fun, was recommended by the Chairman for appointment to the Board at the board meeting held on 27 January 2006 at which all the then existing directors of the Company being Mr. Lee Shun Hon, Felix, Mr. To Yung Yui, Steve, Dr. Liao, York, Mr. Anthony Francis Martin Conway, Professor Tsang Hin Pok, Herbert and Mr. Chan Hang attended. Each member of the Board had reviewed the qualifications, experiences and background of Ms. Jim and agreed to her appointment to the Board.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

Statements of directors' responsibilities for preparing the financial statements and the external auditors' reporting responsibilities are set out in the Auditors' Report as contained in this Annual Report.

To the best of the knowledge of the directors, there is no material uncertainty relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL

The directors have reviewed and are satisfied with the effectiveness of the Group's internal control system, including, in particular, financial, operational and compliance controls and risk management functions.

LOOKING FORWARD

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.

BUSINESS REVIEW

The overall performance for the financial year 2005/2006 was encouraging. The Group's audited consolidated turnover for the year ended 31 March 2006 increased by 13% compared to last year, amounted to HK$57.4 million. This improvement was largely attributable to the successful and persistent implementation of the team-across-border strategy, enabling utilisation of resources in Shenzhen to support in-house product development and projects implementation for business partners in Hong Kong.

HONG KONG OPERATIONS

Outsourcing and Information Solutions

During the financial year ended 31 March 2006, turnover from outsourcing and information solutions amounted to HK$32.4 million, representing an increase of 15% from HK$28.2 million recorded last year. During the year, two major accounts were established, contributing substantial revenue to the Hong Kong operation. However, services provided to one of these major accounts, a leading international IT corporation, was temporarily suspended at the end of the last quarter due to their project restructuring.

The Group's Shenzhen subsidiary performed well during the year. Initially it was established as a development and support centre for Hong Kong operation. With efforts made to build up business connections in the transportation and logistic sectors in the past years, this subsidiary is now capable of doing business on its own. During the year, it has successfully completed a number of projects, including the development and implementation of a Commercial Information System (CIS); a Customer Information Management System (CIMS) and the Dashboard Project for two container terminal operators in Shenzhen. The successful execution of these projects helped to reinforce the position of our subsidiary in Shenzhen IT industry and further strengthened our position as a leading IT service provider in the transportation business sector.

Application Software

Turnover generated from the Group's proprietary ERP application software Armitage Industrial Management System ("***AIMS***") together with its previous version ***Konto 21*** was HK$6.4 million. Compared to HK$7.5 million recorded last year, a decrease of 15% was recorded.

The Group always made its best endeavors to improve our product quality and service standard in order to maintain its competitiveness. In July 2005, the Group launched ***AIMS*** version 3.30. This new version had incorporated new functions to interface with local accounting packages, with multi-companies support and tax features adopting PRC practices and also included a new Human Resources module. During the year, uncertain economic situation brought by the increasing interest rates and high raw material costs and oil prices faltered buying decisions from many of our target customers. However, the Group strived to turnaround the situation by increasing sales and marketing activities to promote the product. During the year, the Group had concluded a number of new ***AIMS*** contracts with companies in the trading, toy and consumer electronics industries.

PRC OPERATIONS

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

Turnover for the Group's sole proprietary product, Pegasus hotel management system, amounted to HK$12.0 million (inclusive of hardware sale: HK$858,000). Compared to HK$10.7 million recorded last year, an increase of 12% in turnover was achieved.

On the whole, demand for hotel management system continued to be strong. The forthcoming 2008 Beijing Olympics, 2010 Guangzhou Asian Games and 2010 Shanghai International Expo have brought about increased investments in new hotel development and upgrades. Significant improvement in results was achieved in our northern region where revenue generated from license and service sale amounted to HK$3.4 million during the year, more than doubled that of HK$1.6 million recorded last year. Performance of the southern region remained stable whereas the central and eastern regions have rooms for improvement.

During the year, there was strong demand on Food and Beverage (F&B) systems from high-end restaurants. To meet the demand of this market, we modified the F&B module, which used to be sold solely to hotel in-house restaurants, with functions to suit social restaurants. A number of F&B systems were sold separately to independent restaurants since then.

During the year, besides having sold 216 new licenses, the Group had implemented two special projects, which may have indicative meaning to the future development direction. The first project was the implementation of the multi-language version of ***Pegasus*** for two famous hotels in Singapore within the same group. This customer had indicated their intention to further cooperate with the Group in their future hotel developments. The project is meaningful not only as this was the first multi-language ***Pegasus*** system implementation, but also had enforced our belief that our product quality, features and implementation services could compete against international hospitality software packages.

The second project was the development of the portal www.kapokclub.com, a web-based central room booking, membership recruitment and bonus point system for the Hotel Canton Group. The www.kapokclub.com portal allowed customers to book rooms from hotels within the same union at special rate and to gain bonus points while they consumed at these hotels. There was strong demand on similar solutions as currently more hotels are centralised, either under a sole investor, chained group, or under a union formed by hotels willing to share customer base. Very often to facilitate management, besides centralised booking system, these hotel operators also required synchronisation of all operational functions through IT applications - reports on instantaneous room occupancy status, financial status and other back-office status reports. These new requirements are additional to the traditional front office, back-office and food and beverage systems. The Group considered this kind of projects offered add-on value to ***Pegasus*** products. Currently, the Group is in close negotiation with a number of customers on the development and implementation of central projects.

*Industrial and Financial System (“**IFS**”)*

Revenue generated from implementation of the third party ERP application system — ***IFS***, amounted to HK$5.0 million, including license and implementation at HK$4.0 million and hardware at HK$1.0 million. Compared to the HK$2.5 million recorded last year, an increase of 100% was recorded.

The Group is currently in negotiation with manufacturers of bicycle parts, metal shelves component and airport equipment on possible collaboration regarding ***IFS*** implementation.

Magazine Publication

As the Group believes that huge opportunities exist in the Chinese media industry targeting the affluent market, the Group further invested around HK$3.0 million in publication of the bi-monthly life style magazine ***e²Smart***. The efforts we exerted in building up an effective editorial team, unique distribution channel and aggressive advertisement sales team was rewarding and encouraging. Revenue generated from advertisement sales was HK$369,000, compared to HK$197,000 recorded last year; an increase of 87% was achieved.

Many name brands, trendy fashion companies and advertising agencies have moved their Asia Pacific Headquarters to Shanghai. Strategically we consider Shanghai a very important city to develop our advertising sales and have established a branch office there at the end of the second quarter. The Group is optimistic that after a further period of consolidation, this Shanghai branch could help to grow ***e²Smart***'s exposure in the media market and further help to generate more advertising income.

FUTURE PROSPECTS

HONG KONG OPERATIONS

Hong Kong operation was restructured to a new business unit organisation, effective on 1 April 2006. The operation was divided into three business units, named IT Services, Projects and Applications; and supported by two functions, Sales & Marketing and HR & Administration. The missions of this reform are to promote the core competency; to grow and develop the business and staff under each unit.

Outsourcing and Information Solutions

With severe market competition across different industries, it is vital for corporations to broaden their source of income and narrow down costs of operation. It has been an on-going trend for large corporations to outsource their IT projects to minimise their setting up cost and time spent on information system to attain optimal results. Other than outsourcing, the demand for insourcing is also growing. Leveraging on over 30 years experience in the market, the Group is confident that our position as a key player in this field shall continue to flourish.

Currently the Group is in preliminary discussion with a large Hong Kong air terminal operator on opportunities to support their IT development activities. In addition, a number of fixed price projects for two major container terminal operators in Shenzhen are expected to conclude shortly.

Application Software

The latest ***AIMS*** version 3.40 was launched in April 2006. The Group has included many special functions such as industrial specific features for consumer electronics, RoHS compliance and engineering change control, etc. in this version. Feedback from the market on these new features was very positive. The Group shall continue to improve the product, adding more industrial specific functions and features to suit market requirement. In the coming year, to give ourselves competitive edge in the market, we shall target on a number of special industry sectors, such as consumer electronics and toys. With industrial focus, we can consolidate our effort in areas that our expertise lies, better control our product development, and further ensure the success of project implementation. A more aggressive sales and marketing strategy will be adopted to boost sales of application software.

PRC OPERATIONS

Pegasus

The Group believes that there is enormous development potential on hotel related solutions. After reviewing the market changes, our product line, our own strength, brand awareness and the current operation, we consider a re-vamp in business strategy is necessary to bring in new vitality.

At present the Group has the following plans in mind:

1. Develop a trim-down simplified version of the front office system suitable for budget and small-scale hotels:

   Budget hotels and chained hotels have replaced the traditional stand-alone hotels to become the main stream. Many functions of our traditional front office system are considered excessive for budget hotels and the like. The Group has recently commenced development of a simplified trim-down version of the front office module to meet the demand from budget and smaller scale hotels. As the time and effort for implementation of this simplified version will be substantially reduced, cost effectiveness could be achieved.

2. Expedite the development of the web based centralised reservation system:

   To contribute more effort and expedite the development of the centralised reservation system. The market for traditional hotel management system suitable for stand-alone hotels in the first tier cities is now almost saturated. More demand are on centralised reservation system enabling the operator to monitor all hotel operations under the same group. The Group has established a team specialising in web-based development tools to develop projects based on users specific requirements. The Group has preliminary planning that after developing a number of customised projects, requirement on centralised reservation systems could be formulated and standard package could be developed accordingly.

3. Increase cooperation with partners and open up more sales channels:

   The Group has always relied on direct sales to market ***Pegasus***. After reviewing the situation, it is considered that for a big country like China, it is difficult to rely solely on direct sales. If we want to improve performance and increase sale of ***Pegasus*** standard package, sale through distribution channel must be considered. If we select partners properly with cautious and pay attention to manage and support them we believe this is the best way to generate more sales. Currently suitable partners were identified in Yunnan, Heilongjiang and Dalian. The Group will continue to seek partner alliance to enlarge our distribution network.

Throughout the past 14 years, ***Pegasus*** has evolved to be a stable and reliable product, and has gained a good reputation in the hospitality market. We have 13 direct sales offices throughout Mainland China. In order to achieve a breakthrough in performance and increase market share, the Group will consider opening up more sales channels; differentiate products to meet different market demand and to be flexible in price structure. To complement the above plans for future development, the Group will make considerable effort on ***Pegasus*** brand building.

IFS

During the past years, the Group has mostly concentrated at implementation on ***IFS*** manufacturing and financials modules to our existing customers and has accumulated profound experience in that area. In the future, besides continuing to apply our expertise in those business sectors, we shall participate to implement the asset management module, which was another field that ***IFS*** is strong in.

We were advised by ***IFS*** Company that they have aggressive plans to marketing asset management module as well as manufacturing and financing modules in China and to develop ***IFS*** business and that there would be large-scale marketing campaign to promote ***IFS***. We anticipate that this initiative by ***IFS*** would help to promote ***IFS*** brand and being their partner we shall be benefited.

Magazine Publication

The Group's ***e²Smart*** magazine has been published for more than two years. It is now well recognised amongst business travelers and advertisers with good exposure. The improvements made in the magazine content and quality of the sales team are conspicuous. With the correct direction in focusing on life style content and reinforcing our established unique hotel distribution channel, advertisement sales is expected to grow in a promising way. China is forecasted to become the world's number one country in the sale of high-end and luxurious products within the next decade. As ***e²Smart*** magazine's readership is targeted at the nation's most affluent class, the Group is confident that with more efforts exerted to improve the distribution channel quality and strengthen the advertisement sales team in major Chinese cities, ***e²Smart*** magazine has good development prospect in the Chinese media market.

FINANCIAL REVIEW

Consolidated results of operations

For the year ended 31 March 2006, the Group recorded a consolidated turnover at HK$57.4 million (2005: HK$50.6 million), representing an increase of HK$6.8 million or 13% when compared to the previous year.

Turnover in Hong Kong increased by 9% to HK$40.5 million (2005: HK$37.3 million). Revenue generated from information solutions projects achieved a growth of 15% to HK$32.4 million (2005: HK$28.2 million). Sales of the Group's proprietary application software ***AIMS*** together with its previous version ***Konto 21*** recorded a turnover at HK$6.4 million, a decrease of 15% when compared to HK$7.5 million recorded last year.

Turnover of PRC operations increased by 27% compared to last financial year. Sales of the Group's proprietary application software ***Pegasus*** amounted to HK$12.0 million. When compared to last year's HK$10.7 million, there was an increase of 12%.

An overall turnover of HK$5.0 million was recorded for ***IFS***. When compared to last year's HK$2.5 million, an 100% increment was achieved.

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 HK$3.2 million (2005 (restated): HK$1.6 million).

Net loss attributable to equity holders of the Company was reduced by 74% to HK$3.4 million (2005 (restated): HK$12.9 million). The loss from operation included additional amortisation of development costs of HK$1.3 million, further investment in magazine publication of HK$3.0 million and bad debts written off of HK$878,000.

Gross profit

The overall gross profit margin has slightly increased to 56% during the year under review compared with 55% recorded last year. There was no material fluctuation from the previous year.

Other income

During the year, the Group had made a net realised and unrealised gains on financial assets at fair value through profit or loss at HK$284,000.

Expenses

Total operating expenses increased by 2% to HK$34.2 million (2005: HK$33.4 million). The increase in expenses was mainly attributable to amortisation of development costs for ***AIMS*** version 3.30 of HK$689,000 (2005: Nil).

Total staff costs (excluding directors' remuneration) amounted to HK$31.4 million (2005 (restated): HK$31.9 million), representing a slight decrease of HK$500,000 or less than 2% 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.

As at 31 March 2006, current assets amounted to HK$32.1 million of which HK$12.2 million was cash and bank deposits and HK$18.4 million was debtors, deposits and prepayments. The Group's current liabilities amounted to HK$19.0 million, including bank loans and overdrafts in the amount of HK$11.8 million and creditors, accruals and deposits received in the amount of HK$7.2 million.

Current ratio as at 31 March 2006 was 1.69 (2005: 1.58). Gearing ratio, expressed as a ratio of total bank borrowings to shareholders' funds, was 0.37 (2005: 0.49). The decrease in gearing ratio was mainly resulted from fewer utilisation of bank overdrafts and repayment of bank loans.

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

Two subsidiaries, Armitage Computer Systems (China) Limited and Armitech Computer Services Limited were de-registered during the year. These subsidiaries have been dormant for many years and the Group considered the de-registration are to the benefit of the Group. A gain on disposal of subsidiaries of HK$174,000 was recorded.

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 31 March 2006, the Group's time deposits of HK$9.0 million (2005: HK$9.0 million), bank balance of HK$1,000 (2005: Nil) and accounts receivable of HK$2.8 million (2005: Nil) 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 31 March 2006, the Group had contingent liabilities in respect of performance bonds amounting to HK$1.8 million (2005: HK$49,000) 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 HK$1.3 million at 31 March 2006 (2005: HK$1.1 million).

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 31 March 2006, the Group had 301 employees in Hong Kong and the PRC (2005: 307). 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.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lee Shun Hon, Felix, aged 65, is the Chairman of the Board of directors, the Chief Executive Officer and the founder of the Group. With over 27 years of experience in the IT industry, Mr. Lee has established a strong business network and close relationships with customers. Mr. Lee is currently in assist of business development, business planning and policy making of the Group. Mr. Lee is also responsible for the management of the editorial team and the development and maintenance of the magazine distribution channel in Eastern Express Solutions Limited and Guangzhou Eastern Express Solutions Limited. Guangzhou Eastern Express Solutions Limited is the publisher of the life style magazine, ***e²Smart***, which is distributed to high-ranked hotels in China. He also monitors the advertisement sales and marketing activities. Mr. Lee holds a doctor of philosophy degree in physics from the University of California at Berkeley in the United States. He is the father of Mr. Lee Wai Yip, Alvin, the General Manager of the Group's subsidiary, Armitage Technologies (Shenzhen) Limited.

Mr. To Yung Yui, Steve, aged 55, joined the Group in December 2000. Currently, Mr. To is the Chief Executive Officer of Armitage Technologies Limited. Mr. To is responsible for business development strategies and operation of the Group's activities in Hong Kong and Shenzhen. 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.

Ms. Jim Sui Fun, aged 47, joined the Group in 1994. Ms. Jim currently is the Chief Executive Officer of Guangzhou Armitage Technologies Limited, which is the Company's headquarters in China. The appointment was effective from April 2006. Ms. Jim is responsible for business development strategies and operation of the Group's IT activities in China. During the past two years, Ms. Jim was the Vice President of Operations and General Manager of Guangzhou Eastern Express Solutions Limited, responsible for the management and direction of the editorial team and the development and maintenance of the magazine distribution channel. She also monitored the advertisement sales and marketing activities.

Note: Ms. Jim was appointed as an Executive Director on 27 January 2006.

NON-EXECUTIVE DIRECTOR

Dr. Liao, York, aged 60, 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. Dr. Liao was a co-founder of the public-listed Varitronix International Limited. He is a non-executive director of Hang Lung Group Limited, as well as a non-executive director of the Securities and Futures Commission. He was appointed by the Hong Kong Government for a number of public service positions, including the chairmanship of the Hong Kong Council for Academic Accreditation, a board member of the Applied Science and Technology Research Institute Company Limited and a member of the Steering Committee on Innovation and Technology. Dr. Liao holds a doctor of philosophy degree in applied physics from Harvard University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anthony Francis Martin Conway, aged 66, 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 63, 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, aged 56, 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.

SENIOR MANAGEMENT

Mr. Li Tung On, Thomas, aged 55, 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. Mr. Li holds a bachelor of science degree in computer science from Washington State University in the United States.

Mr. Wong Ping Kuen, Ambrose, aged 44, joined the Group in 1996. Mr. Wong is the Vice President of the Group responsible for fixed-price information solutions projects. He 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 39, joined the Group in 1996. Mr. Yeung is the Vce Pesident for sales and marketing. He is responsible for the sales and marketing activities targeted 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lau Che Kin, Stephen, aged 44, 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. He is also responsible for leading the research and development team of the Group. Mr. Lau holds a bachelor of science degree from City University of in Bellevue, Washington, United States.

Mr. Ho King Yee, aged 30, joined the Group in 2006 as Accounting Manager. He is the Qualified Accountant and Company Secretary of the Company. Mr. Ho is a member of the Hong Kong Institute of Certified Public Accountants. He has over seven years of audit and accounting experience. Mr. Ho holds a bachelor of arts degree in accountancy from Hong Kong Polytechnic University of Hong Kong.

Mr. Z.M. Dong, aged 39, joined the Group in 1999. Mr. Dong is the General Manager of research and development and customer services of Guangzhou Armitage Technologies Limited, leading the research and development and services team for ***Pegasus***. Mr. Dong holds a bachelor of science degree in computer science from Beijing University and a master of science degree in computer science from Zhongshan University in China.

Mr. Lee Wai Yip, Alvin, aged 28, joined the Group in 2001. Mr. Lee is the General Manager of the Group's subsidiary, Armitage Technologies (Shenzhen) Limited. Mr. Lee is responsible for the daily operation and the general administration of the subsidiary. He is also in charge of the sales and marketing activities leading the subsidiary to pursue information solutions projects. Mr. Lee holds a bachelor of business administration degree in management from California State University, San Jose, in the United States. Mr. Lee Wai Yip, Alvin is the son of Mr. Lee Shun Hon, Felix, the Chairman of the Board and the Chief Executive Officer of the Group.

Mr. Samuel Cai, aged 31, 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 of the subsidiary. Mr. Cai holds a bachelor of science degree in mechanics from Sun Yat-Sen University in China.

Mr. Wong Ka Yin, Issac, aged 34, 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, Shanghai 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 9 years where his last position was sales manager. Mr. Wong has broad experience in media and publishing industry. Mr. Wong holds a bachelor of business and administration degree from Open University in Hong Kong.

The directors are pleased to present to the shareholders their annual report together with the audited financial statements for the year ended 31 March 2006.

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 31 March 2006 are set out in the consolidated income statement on page 35.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2006.

FINANCIAL SUMMARY

The summary of the results of the Group for each of the five years ended 31 March 2006 and the assets and liabilities of the Group as at 31 March 2002, 2003, 2004, 2005 and 2006 are set out on page 80.

FIXED ASSETS

The Group purchased and disposed of fixed assets in the amount of approximately HK$328,000 and HK$143,000 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 28 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 38 and note 25 to the financial statements respectively.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the transactions disclosed in note 33 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 33 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 *(Chairman)*
Mr. To Yung Yui, Steve
Ms. Jim Sui Fun (appointed as an executive director on 27 January 2006)

Non-executive director:

Dr. Liao, York

Independent non-executive directors:

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

In accordance with Articles 86(3) and 87(1) of the Company's Articles of Association, Ms. Jim Sui Fun and Dr. Liao, York 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 1 April 2002 to 31 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 16 September 2004 to 15 September 2005 which shall be automatically renewed each year unless terminated by either party giving to the other not less than 3 months' notice.

The executive director, Mr. Lee Shun Hon, Felix has entered into a service contract for an initial term of 3 years commencing from 18 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.

The executive directors, Mr. To Yung Yui, Steve and Ms. Jim Sui Fun, have entered into a service contract for an initial term of 1 year commencing from 17 December 2004 and 27 January 2006 respectively. The respective 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.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (cont'd)

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 Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") (the "GEM Listing Rules") as at 31 March 2006 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 20 to 22 of the Annual Report.

SHARE OPTIONS

Pursuant to the written resolutions passed by all the shareholders of the Company on 26 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 authorised 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.

SHARE OPTIONS (cont'd)

(A) Share Option Scheme (cont'd)

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.

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 of Hong Kong Limited (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 31 March 2006, 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.

SHARE OPTIONS (cont'd)

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

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.

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 26 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.

As at 31 March 2006, Pre-IPO Options to subscribe for an aggregate of 28,754,000 shares (representing approximately 3.7% of the enlarged issued share capital of the Company) have been granted to a total of 47 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 26 February 2003 is as follows :

Grantees	Exercisable period	Exercise Price	Number of underlying shares As at 1.4.2005	Re-classification	Lapsed during the year	As at 31.3.2006
Executive directors	18 September 2004 to 17 March 2007	HK$0.35	766,667	233,333	—	**1,000,000**
Executive directors	18 September 2005 to 17 March 2007	HK$0.35	766,666	233,334	—	**1,000,000**
Executive directors	18 September 2006 to 17 March 2007	HK$0.35	766,667	233,333	—	**1,000,000**
Non-executive director	18 September 2004 to 17 March 2007	HK$0.10	2,400,000	—	—	**2,400,000**
Non-executive director	18 September 2005 to 17 March 2007	HK$0.10	2,400,000	—	—	**2,400,000**
Non-executive director	18 September 2006 to 17 March 2007	HK$0.10	2,400,000	—	—	**2,400,000**
Senior management	18 September 2004 to 17 March 2007	HK$0.35	1,587,334	(233,333)	(774,667)	**579,334**
Senior management	18 September 2005 to 17 March 2007	HK$0.35	1,587,333	(233,334)	(774,666)	**579,333**
Senior management	18 September 2006 to 17 March 2007	HK$0.35	1,587,333	(233,333)	(774,667)	**579,333**
Other employees	18 September 2004 to 17 March 2007	HK$0.35	6,127,333	—	(522,000)	**5,605,333**
Other employees	18 September 2005 to 17 March 2007	HK$0.35	6,127,334	—	(522,000)	**5,605,334**
Other employees	18 September 2006 to 17 March 2007	HK$0.35	6,127,333	—	(522,000)	**5,605,333**
			32,644,000	—	(3,890,000)	**28,754,000**

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

As at 31 March 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	333,971,790		44.53%
	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 31 March 2006.

DIRECTORS' 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 26 February 2003 is as follows:

Name	Type of interests	Exercisable period	Exercise Price	Number of underlying shares
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
				10,200,000

DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS (cont'd)

Save as disclosed herein, as at 31 March 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 the directors of the Company, as at 31 March 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

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	34,373,452	*(Note 2)*	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 31 March 2006.

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 (cont'd)

Long positions in the ordinary shares of the Company (cont'd)

Save as disclosed herein, so far as is known to the directors of the Company, as at 31 March 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.

MANAGEMENT SHAREHOLDERS' INTERESTS

Save as disclosed under the sections headed "Directors' 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 31 March 2006, 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 59% of the total sales for the year and sales to the largest customer included therein amounted to approximately 29%. 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.

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, 22 June 2006

AUDITORS' REPORT

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 35 to 79 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 Hong Kong Standards on Auditing 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 31 March 2006 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, 22 June 2006

For the year ended 31 March 2006

	Note	2006 HK$'000	Restated 2005 HK$'000
Turnover	3	**57,406**	50,594
Cost of sales and services rendered		**(25,534)**	(22,848)
Gross profit		**31,872**	27,746
Other income	4	**739**	457
Gain on disposal of subsidiaries	27	**174**	—
Bad debts		**(878)**	(479)
Impairment loss of development costs		**—**	(6,587)
Operating expenses		**(34,184)**	(33,378)
Operating loss		**(2,277)**	(12,241)
Impairment of goodwill		**—**	(345)
Finance costs		**(1,139)**	(815)
Loss before income tax	5	**(3,416)**	(13,401)
Income tax (expense)/credit	7(a)	**(11)**	362
Loss for the year		**(3,427)**	(13,039)
Attributable to:			
Equity holders of the Company	8	**(3,411)**	(12,925)
Minority interests		**(16)**	(114)
Loss for the year		**(3,427)**	(13,039)
Dividend	9	**—**	—
Loss per share (HK cents)			
– Basic	10	**(0.45)**	(1.72)
– Diluted	10	**N/A**	N/A

BALANCE SHEETS

As at 31 March 2006

		Group		Company	
		2006	2005	**2006**	2005
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
NON-CURRENT ASSETS					
Fixed assets	11	**3,716**	4,112	**—**	—
Software	12	**330**	770	**—**	—
Trade mark	13	**94**	100	**—**	—
Interests in subsidiaries	14	**—**	—	**55,320**	56,418
Goodwill on consolidation	15	**1,584**	1,584	**—**	—
Development costs	16	**15,460**	16,405	**—**	—
Club debenture, at cost		**200**	200	**—**	—
Loan receivable	17	**—**	727	**—**	—
Deferred tax	18	**1,113**	1,116	**—**	—
		22,497	25,014	**55,320**	56,418
CURRENT ASSETS					
Financial assets at fair value through profit or loss	19	**854**	—	**—**	—
Other investments	20	**—**	570	**—**	—
Debtors, deposits and prepayments	21	**18,375**	20,056	**127**	140
Income tax recoverable		**723**	732	**—**	—
Loan receivable	17	**—**	753	**—**	—
Pledged time deposits	30	**9,000**	9,000	**—**	—
Pledged bank balance	30	**1**	—	**—**	—
Cash and bank balances	22	**3,158**	8,390	**2**	2
		32,111	39,501	**129**	142

As at 31 March 2006

		Group		Company	
		2006	2005	**2006**	2005
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
DEDUCT:					
CURRENT LIABILITIES					
Bank overdrafts, secured	30	**8,214**	12,289	**—**	—
Bank loans, secured	26 & 30	**991**	3,968	**—**	—
Bank loan - factoring arrangement	30	**2,555**	—	**—**	—
Creditors, accruals and deposits received	23	**7,247**	8,672	**536**	677
		19,007	24,929	**536**	677
NET CURRENT ASSETS/(LIABILITIES)		**13,104**	14,572	**(407)**	(535)
TOTAL ASSETS LESS CURRENT LIABILITIES		**35,601**	39,586	**54,913**	55,883
NON-CURRENT LIABILITIES					
Bank loans, secured	26	**(1,055)**	(2,032)	**—**	—
NET ASSETS		**34,546**	37,554	**54,913**	55,883
REPRESENTING:					
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Share capital	24	**7,500**	7,500	**7,500**	7,500
Reserves	25	**27,046**	30,054	**47,413**	48,383
		34,546	37,554	**54,913**	55,883
MINORITY INTERESTS		**—**	—	**—**	—
TOTAL EQUITY		**34,546**	37,554	**54,913**	55,883

Approved and authorised for issue by the Board of directors on 22 June 2006

Lee Shun Hon, Felix
Director

To Yung Yui, Steve
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2006

	Attributable to equity holders of the Company								
	Share capital HK$'000	Accumulated losses HK$'000	Share premium HK$'000	Special reserve HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Employee share-based compensation reserve HK$'000	Minority interests HK$'000	Total HK$'000
At 1.4.2004	7,500	(4,904)	42,836	3,801	174	(5)	—	112	49,514
Adjustment on adoption of HKFRS 2 *(note 2(a)(iii))*	—	(1,623)	—	—	—	—	1,623	—	—
At 1.4.2004 (restated)	7,500	(6,527)	42,836	3,801	174	(5)	1,623	112	49,514
Employee share options benefits	—	—	—	—	—	—	1,077	2	1,079
Loss for the year	—	(12,925)	—	—	—	—	—	(114)	(13,039)
At 31.3.2005 and 1.4.2005	7,500	(19,452)	42,836	3,801	174	(5)	2,700	—	37,554
Exchange reserve arising from translation of financial statements of the PRC subsidiaries	—	—	—	—	—	209	—	15	224
Written back on disposal of subsidiaries *(note 27)*	—	—	—	—	(174)	—	—	—	(174)
Employee share options benefits	—	—	—	—	—	—	368	1	369
Loss for the year	—	(3,411)	—	—	—	—	—	(16)	(3,427)
At 31.3.2006	**7,500**	**(22,863)**	**42,836**	**3,801**	**—**	**204**	**3,068**	**—**	**34,546**

For the year ended 31 March 2006

	2006 HK$'000	Restated 2005 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(3,416)**	(13,401)
Adjustments for:		
Dividend income	**(10)**	(11)
Interest income	**(368)**	(169)
Interest expenses	**944**	704
Depreciation of fixed assets	**680**	606
Loss/(gain) on disposal of fixed assets	**14**	(108)
Amortisation of software	**440**	440
Amortisation of goodwill	**—**	911
Amortisation of development costs	**3,598**	2,286
Amortisation of trade mark	**6**	6
Gain on disposal of subsidiaries	**(174)**	—
Impairment loss of development costs	**—**	6,587
Impairment of goodwill	**—**	345
Employee share options benefits	**369**	1,079
Unrealised gains on financial assets at fair value through profit or loss	**(284)**	—
Unrealised losses on other investments	**—**	47
Operating profit/(loss) before working capital changes	**1,799**	(678)
Decrease/(increase) in debtors, deposits and prepayments	**1,786**	(6,662)
Decrease in pledged time deposits	**—**	1,000
Increase in pledged bank balance	**(1)**	—
(Decrease)/increase in creditors, accruals and deposits received	**(1,524)**	1,679
Cash generated from/(used in) operations	**2,060**	(4,661)
Dividend received	**10**	11
Interest received	**368**	169
Interest paid	**(944)**	(704)
Income tax refunded/(paid)	**9**	(5)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**1,503**	(5,190)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2006

	2006	Restated 2005
	HK$'000	HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(328)	(887)
Sales proceeds of fixed assets	2	1,567
Increase in development costs	(2,463)	(4,746)
Decrease in loan receivable	1,480	520
NET CASH USED IN INVESTING ACTIVITIES	(1,309)	(3,546)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in bank loans	(1,399)	—
NET CASH USED IN FINANCING ACTIVITIES	(1,399)	—
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,205)	(8,736)
CASH AND CASH EQUIVALENTS AS AT 1 APRIL	(3,899)	4,837
EFFECT OF EXCHANGE RATES CHANGES	48	—
CASH AND CASH EQUIVALENTS AS AT 31 MARCH	(5,056)	(3,899)
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,158	8,390
Bank overdrafts	(8,214)	(12,289)
	(5,056)	(3,899)

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 13 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. The principal place of its business is 22/F, Benson Tower, 74 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The Group is engaged in the provision of information solutions and design, development, sales of application software and magazine publication.

The Company was listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) 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 ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which also includes Hong Kong Accounting Standards ("HKAS") and Interpretations approved by the HKICPA, and are prepared under the historical cost convention as modified by revaluation of financial assets at fair value through profit or loss.

In the current year, the Group adopted the new HKFRS below, which are relevant to its operations.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings Per Share

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of the above new HKFRS has the following impact on the Group's accounting policies:

(i) HKAS 1, 24, 32 and 39 affect certain presentation and disclosure of the financial statements.

Following the adoption of the HKAS 32 and HKAS 39, the other investments at 31 March 2005 were re-designated as financial assets at fair value through profit or loss (note 2(f)).

(ii) Following the adoption of HKAS 27, minority interests are to be treated as a part of the equity and not as a deduction from net assets of the Group; and in the consolidated income statement, the total profit or loss for the year will be allocated between the minority interests and the equity holders of the Company instead of deducting minority interests' share from total profit or loss for presentation.

(iii) In accordance with HKFRS 2, the share options granted by the Company after 7 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 retrospective adoption of HKFRS 2 from 1 April 2005, the accumulated losses for each of the two years as at 1 April 2005 and 2004 have been adjusted upward by approximately HK$2.70 million and HK$1.62 million respectively. The loss attributable to equity holders of the Company has been increased by HK$0.37 million and HK$1.08 million for the two years ended 31 March 2006 and 2005 respectively.

(iv) In prior years, positive goodwill was recognised as an asset which was amortised on a straight line basis over its estimated useful life of no 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 inflows to the Group, the useful life of the positive goodwill is considered to be indefinite accordingly. However, the positive goodwill should be tested for impairment annually. No retrospective adjustment has been made in respect of previous amortised positive goodwill.

The adoption of HKFRS 3 reduced the Group's loss for the year ended 31 March 2006 by approximately HK$911,000 as positive goodwill is no longer amortised.

(v) HKAS 8, 10, 12, 14, 16, 17, 18, 21, 23, 33, 36 and 37 do not have any impact as the Group's accounting policies already comply with those standards.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 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 or negative goodwill arising on consolidation, represents the excess or 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.

The positive goodwill is stated in the consolidated balance sheet at carrying amount at 1 April 2005 less any impairment losses. No amortisation will be provided after 1 April 2005 since there is no foreseeable limit to the periods over which the investments in subsidiaries is expected to generate net cash inflows to the Group and their useful lives is considered to be indefinite accordingly. Any negative goodwill is recognised immediately in the income statement.

(d) Fixed assets and depreciation

Fixed assets are stated at historical cost less aggregate depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation is calculated to write off the cost 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%

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(e) 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.

(f) Investments

From 1 April 2004 to 31 March 2005:

The Group classified its investments in securities as other investments.

Other investments were 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 were 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, were recognised in the income statement as they arise.

From 1 April 2005 onwards:

The Group classifies its investments as financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(g) 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.

(h) 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.

(i) 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.

(j) Trade and other debtors

Trade and other debtors of short term maturity are stated at cost less provision for impairment (see note 2(k)).

(k) Impairment of assets

The carrying amounts of the Group's all 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.

(i) Calculation of recoverable amount

The recoverable amount of the Group's receivables with a short duration is not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(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.

(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) Borrowing costs

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds and are expensed as incurred.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(o) Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Payments under operating leases are charged to the income statement on a straight line basis over the terms of the relevant leases.

(p) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The financial statements are presented in Hong Kong dollars ("HK$"), which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) PRC subsidiaries

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 differences arising on such translation are dealt with in the exchange reserve.

(q) 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.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(q) Employee benefits (cont'd)

(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) Share-based compensation

The Group operates an equity-settled, share-based compensation plan (see note 28). The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in the assumption about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to the equity over the remaining vesting period.

The proceeds received net of any direct attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(r) 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. Related parties also include key management personnel of the company and their close family members.

(s) 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.

(t) 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)

(u) 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.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(v) Critical accounting estimates and judgements

The preparation financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below:

(i) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value of the cash-generating unit to which goodwill has been allocated. The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation, which uses cash flow projection based on the financial forecast approved by management covering a five-year period and a discount rate of 8.25%. Based on the calculation, management determined that there was no impairment of its goodwill for the year ended 31 March 2006.

(ii) Impairment of trade and other debtors

Management decides to determine that the impairment of trade and other debtors on a regular basis. This estimate is based on the credit history of its customers, age of the debts and current conditions. Management reassesses the impairment of trade and other debtors at the balance sheet date.

(w) Recently issued accounting standards

Up to the date of the authorisation of these financial statements, the following applicable HKFRS were in issue but not yet take effect:

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The Group has not early adopted the aforementioned HKFRS and has already commenced an assessment of their impact but is not yet in a position to state whether they will have a significant impact on its results of operations and financial position.

3. TURNOVER

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:

	2006	2005
	HK$'000	HK$'000
Provision of information solutions		
System development and integration	**31,464**	26,929
Maintenance and enhancement income	**969**	1,266
Sales of application software packages and related maintenance income	**24,604**	22,202
Advertising income	**369**	197
	57,406	50,594

4. OTHER INCOME

	2006	2005
	HK$'000	HK$'000
Dividend income	**10**	11
Interest income	**368**	169
Management fee income	**24**	24
Miscellaneous items	**53**	21
Net realised and unrealised gains on financial assets at fair value through profit or loss	**284**	—
Rental income	**—**	124
Gain on disposal of fixed assets	**—**	108
	739	457

5. LOSS BEFORE INCOME TAX

	2006 HK$'000	Restated 2005 HK$'000
Loss before income tax is arrived at after charging/(crediting):		
Amortisation of development costs	**3,598**	2,286
Amortisation of goodwill	**—**	911
Amortisation of software	**440**	440
Amortisation of trade mark	**6**	6
Depreciation	**730**	711
Less: Amounts capitalised as development costs	**50**	105
	680	606
Auditors' remuneration	**334**	310
Interest on bank loans and overdrafts and other loans wholly repayable within five years	**944**	704
Operating lease rentals for properties	**2,154**	2,012
Less: Amounts capitalised as development costs	**164**	248
	1,990	1,764
Directors' remuneration – *Note 6(a)*	**3,197**	4,287
Less: Amounts capitalised as development costs	**—**	290
	3,197	3,997
Other staff salaries and benefits	**32,049**	34,716
Retirement scheme contributions	**1,437**	1,137
	33,486	35,853
Less: Amount capitalised as development costs	**2,098**	3,918
Other staff costs	**31,388**	31,935
Net sales proceeds	**(2)**	(1,567)
Less: Net book value	**16**	1,459
Loss/(gain) on disposal of fixed assets	**14**	(108)
Net realised and unrealised losses on other investments	**—**	47
Dividend income from listed investments	**(10)**	(11)
Rental income	**—**	(124)
Less: Outgoings	**—**	32
	—	(92)
Exchange loss	**23**	3

6. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Details of emoluments paid by the Group to the directors during the year are as follow:

	Fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
2006				
Executive directors:				
Mr. Lee Shun Hon, Felix	—	1,645	12	1,657
Mr. To Yung Yui, Steve	—	905	—	905
Ms. Jim Sui Fun	—	94	2	96
	—	**2,644**	**14**	**2,658**
Non-executive director:				
Dr. Liao, York	60	299	—	359
	60	**299**	**—**	**359**
Independent non-executive directors:				
Mr. Anthony Francis Martin Conway	60	—	—	60
Professor Tsang Hin Pok, Herbert	60	—	—	60
Mr. Chan Hang	60	—	—	60
	180	**—**	**—**	**180**
	240	**2,943**	**14**	**3,197**

6. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (cont'd)

(a) Details of emoluments paid by the Group to the directors during the year are as follow: (cont'd)

	Fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
2005				
Executive directors:				
Mr. Lee Shun Hon, Felix	—	1,652	12	1,664
Mr. To Yung Yui, Steve	—	265	3	268
Mr. Chun Hon Ching	—	894	12	906
Mr. Au Yat-Gai	—	611	2	613
	—	3,422	29	3,451
Non-executive director:				
Dr. Liao, York	60	623	—	683
	60	623	—	683
Independent non-executive directors:				
Mr. Anthony Francis Martin Conway	60	—	—	60
Professor Tsang Hin Pok, Herbert	60	—	—	60
Mr. Chan Hang	33	—	—	33
	153	—	—	153
	213	4,045	29	4,287

No directors waived any emoluments during the year.

6. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (cont'd)

(b) Five highest paid individuals

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:

	2006	2005
	HK$'000	HK$'000
Basic salaries, allowances and benefits in kind	**1,824**	1,872
Retirement scheme contributions	**36**	33
	1,860	1,905

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

	2006	2005
Nil – HK$1,000,000	**3**	3

(c) Except for the amount of approximately HK$480,000 paid to a director, Mr. Au Yat-Gai as compensation of loss of office during the year during ended 31 March 2005, 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 EXPENSE/(CREDIT)

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

	2006	2005
	HK$'000	HK$'000
Current tax	**—**	—
Deferred tax – *Note 18*		
Current year	**11**	(362)
Income tax expense/(credit)	**11**	(362)

Provision for Hong Kong profits tax at 17.5% on the estimated assessable profits for the year.

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

		Restated
	2006	2005
	HK$'000	HK$'000
Loss before income tax	**(3,416)**	(13,401)
Tax effect at the profits tax rate of 17.5%	**(597)**	(2,345)
Hong Kong and PRC tax rates differential	**(75)**	140
Tax effect of income that is not taxable	**(541)**	(278)
Tax effect of expenses that are not deductible	**790**	1,652
Effect of tax loss and decelerated depreciation allowances not recognised	**434**	469
Income tax expense/(credit)	**11**	(362)

7. INCOME TAX EXPENSE/(CREDIT) (cont'd)

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

	2006	2005
	HK$'000	HK$'000
Deductible temporary differences *(Note 7(b)(i))*		
Unutilised tax losses *(Note 7(b)(ii))*	**10,358**	8,805
Decelerated depreciation allowances	**16**	85
	10,374	8,890

(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$6,556,000 (2005: approximately HK$5,854,000) 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$3,802,000 (2005: approximately HK$2,951,000) can be carried forward indefinitely.

8. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Loss attributable to equity holders of the Company includes a loss of approximately HK$1,269,000 (2005: approximately HK$2,890,000) 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 31 March 2006 is based on the Group's loss attributable to equity holders of the Company and 750,000,000 ordinary shares in issue during the year.

No diluted loss per share for each of the two years ended 31 March 2006 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 HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle HK$000	Total HK$'000
Cost or valuation:				
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
Cost:				
At 1.4.2005	—	9,627	220	9,847
Exchange adjustment	—	49	—	49
Additions	—	328	—	328
Disposals	—	(143)	—	(143)
At 31.3.2006	**—**	**9,861**	**220**	**10,081**
Aggregate depreciation:				
At 1.4.2005	—	5,577	158	5,735
Exchange adjustment	—	27	—	27
Charge for the year	—	718	12	730
Written back on disposals	—	(127)	—	(127)
At 31.3.2006	**—**	**6,195**	**170**	**6,365**
Net book value:				
At 31.3.2006	**—**	**3,666**	**50**	**3,716**

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
Cost:	
At 1.4.2005	3,785
Exchange adjustment	30
At 31.3.2006	**3,815**
Aggregate amortisation:	
At 1.4.2005	3,015
Exchange adjustment	30
Charge for the year	440
At 31.3.2006	**3,485**
Net book value:	
At 31.3.2006	**330**

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
Cost:	
At 1.4.2005 and 31.3.2006	**110**
Aggregate amortisation:	
At 1.4.2005	10
Charge for the year	6
At 31.3.2006	**16**
Net book value:	
At 31.3.2006	**94**

14. INTERESTS IN SUBSIDIARIES

	2006 **HK$'000**	2005 HK$'000
Unlisted shares	**11,006**	11,006
Amounts due from subsidiaries – *Note 14(b)*	**44,823**	45,925
Amount due to a subsidiary – *Note 14(b)*	**—**	(4)
	55,829	56,927
Less: Provision for amount due from a subsidiary	**509**	509
	55,320	56,418

14. INTERESTS IN SUBSIDIARIES (cont'd)

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 6 December 2001.

(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 customer services
Guangzhou Armitage Technologies Limited (formerly known as 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	PRC	—	100	RMB3,000,000	Publication of hotel magazine and investment holding
廣州市東驛廣告有限公司	PRC	—	100	RMB1,500,000	Provision of advertising services

14. INTERESTS IN SUBSIDIARIES (cont'd)

(b) The amounts are interest-free, unsecured and have no fixed repayment term. The directors consider that the carrying amounts of amounts due from/to subsidiaries approximate their fair values.

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
Aggregate impairment loss:	
Charge for the year and at 31.3.2005	345
Net book value:	
At 31.3.2005	1,584
Cost:	
At 1.4.2005	5,204
Opening adjustment to eliminate	
– aggregate amortisation	(3,275)
– aggregate impairment loss	(345)
At 31.3.2006	**1,584**
Aggregate amortisation:	
At 1.4.2005	3,275
Eliminated against cost at 1.4.2005	(3,275)
At 31.3.2006	**—**
Aggregate impairment loss:	
At 1.4.2005	345
Eliminated against cost at 1.4.2005	(345)
At 31.3.2006	**—**
Net book value:	
At 31.3.2006	**1,584**

15. GOODWILL ON CONSOLIDATION (cont'd)

Impairment test for goodwill

The recoverable amount has been determined based on a value in use calculation using cash flow projection which is based on financial budget approved by management covering a period of five years. The discounted rate applied to cash flow projection is 8.25%.

Based on the impairment testing of goodwill, in the opinion of the directors, no impairment provision is considered necessary for the Group's goodwill on consolidation.

Key assumptions used in value in use calculations

The followings describe each key assumption on which management has based its cash flow projection to undertake impairment testing of goodwill:

— Budgeted turnover

The basis used to determine the budgeted turnover is with reference to the expected growth rate of the market in which the assessed entity operates.

— Budgeted gross margins

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the first budgeted year, increased for expected efficiency improvements.

— Business environment

There will be no major changes in the existing political, legal and economic conditions in the PRC in which the assessed entity carries on its business.

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
Aggregate 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
Cost:	
At 1.4.2005	31,871
Exchange adjustment	219
Additions	2,513
At 31.3.2006	**34,603**
Aggregate amortisation:	
At 1.4.2005	3,535
Exchange adjustment	27
Charge for the year	3,598
At 31.3.2006	**7,160**
Aggregate impairment loss:	
At 1.4.2005	11,931
Exchange adjustment	52
At 31.3.2006	**11,983**
Net book value:	
At 31.3.2006	**15,460**

17. LOAN RECEIVABLE

	2006	2005
	HK$'000	HK$'000
Amounts receivable		
– within one year	**—**	753
– after one year but within five years	**—**	727
	—	1,480
Less: Amounts receivable within twelve months (shown under current assets)	**—**	753
Non-current portion of loan receivable	**—**	727

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	**Tax losses**	**Accelerated depreciation allowances**	**Provision for bad debts**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
At 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 and 1.4.2005	—	(1,314)	372	(174)	(1,116)
Exchange adjustment	—	(4)	—	(4)	(8)
Charge/(credit) to the income statement for the year – *Note 7(a)*	—	278	(44)	(223)	11
At 31.3.2006	**—**	**(1,040)**	**328**	**(401)**	**(1,113)**

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2006 HK$'000	2005 HK$'000
Listed shares in Hong Kong, at market value	854	—

20. OTHER INVESTMENTS

	2006 HK$'000	2005 HK$'000
Listed shares in Hong Kong, at market value	—	570

21. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise:

	2006 HK$'000	2005 HK$'000
Trade debtors	17,901	18,880
Less: Provision for bad debts	1,215	527
	16,686	18,353
Rental and utility deposits	442	399
Prepayments	507	549
Other debtors	740	755
	18,375	20,056

21. DEBTORS, DEPOSITS AND PREPAYMENTS (cont'd)

(a) The Group allows its customers credit period of 30 days to 60 days depending on their creditworthiness. The following is an aging analysis of trade debtors:

	2006	2005
	HK$'000	HK$'000
0 - 30 days	**13,162**	12,976
31 - 60 days	**1,819**	2,035
61 - 90 days	**238**	446
91 - 180 days	**115**	1,228
181 - 365 days	**705**	1,141
> 1 year	**1,862**	1,054
	17,901	18,880

(b) As at 31 March 2006, a sum of trade accounts receivables of approximately of HK$2,839,000 (2005: Nil) has been assigned to a bank with recourse as collateral under factoring arrangement (note 30).

22. CASH AND BANK BALANCES

At 31 March 2006, the cash and bank balances of the Group denominated in Renminbi amounted to approximately HK$2,094,000 (2005: approximately HK$2,509,000). 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.

23. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Creditors, accruals and deposits received comprise:

	2006	2005
	HK$'000	HK$'000
Trade creditors	**1,764**	2,956
Deferred enhancement and maintenance income – *Note*	**1,618**	1,544
Deposits received	**6**	10
Accruals and provisions	**3,291**	3,869
Other creditors	**568**	293
	7,247	8,672

23. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED (cont'd)

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:

	2006	2005
	HK$'000	HK$'000
0 - 30 days	**441**	1,817
31 - 60 days	**52**	48
61 - 90 days	**—**	293
91 - 180 days	**891**	303
> 180 days	**380**	495
	1,764	2,956

24. SHARE CAPITAL

	Number of shares	**HK$'000**
Authorised:		
Ordinary shares of HK$0.01 each at 1.4.2005 and 31.3.2006	**2,000,000,000**	**20,000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1.4.2005 and 31.3.2006	**750,000,000**	**7,500**

25. RESERVES

	Share premium HK$'000	Accumulated losses HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
The Company				
At 1.4.2004	52,822	(2,172)	—	50,650
Adjustment on adoption of HKFRS 2	—	(825)	825	—
At 1.4.2004 (restated)	52,822	(2,997)	825	50,650
Employee share options benefits	—	—	623	623
Loss for the year (restated)	—	(2,890)	—	(2,890)
At 31.3.2005 and 1.4.2005	52,822	(5,887)	1,448	48,383
Employee share options benefits	—	—	299	299
Loss for the year	—	(1,269)	—	(1,269)
At 31.3.2006	**52,822**	**(7,156)**	**1,747**	**47,413**

(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 31 March 2006, in the opinion of the directors, the reserves of the Company available for distribution to the shareholders amounted to approximately HK$45,666,000 (2005: approximately HK$46,935,000), subject to the restrictions stated in note 25(a) above.

26. BANK LOANS – SECURED

	2006 HK$'000	2005 HK$'000
Amounts repayable		
– within one year	**991**	3,968
– one year to two years	**1,055**	1,000
– two years to five years	**—**	1,032
	2,046	6,000
Less: Amounts repayable within twelve months (shown under current liabilities)	**991**	3,968
Non-current portion of bank loans	**1,055**	2,032

27. DISPOSAL OF SUBSIDIARIES

	HK$'000
Net liabilities disposed of	
Capital reserve	**(174)**
Gain on disposal of subsidiaries	**174**
Total consideration	**—**

28. SHARE OPTIONS

The Company operates two share option schemes, namely the Share Option Scheme and Pre-IPO Share Option Plan, adopted on 26 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 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 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 31 March 2006, no option under the Share Option Scheme has been granted or agreed to be granted.

As at 31 March 2006, 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		
Grantees	**Date of grant**	**Exercise Price**	**As at 1.4.2005**	**Lapsed during the year**	**As at 31.3.2006**
Directors, senior management and other employees	26 February 2003	HK$0.35	25,444,000	(3,890,000)	**21,554,000**
A non-executive director	26 February 2003	HK$0.10	7,200,000	—	**7,200,000**
			32,644,000	(3,890,000)	**28,754,000**

28. SHARE OPTIONS (cont'd)

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 1/3%
18 September 2005 to 17 March 2007	66 2/3%
18 September 2006 to 17 March 2007	100%

The fair value of options granted determined using the Block-Scholes valuation model. The significant inputs into the model were share price of HK$0.35 at the grant date, exercise price shown above, expected average life of options of 2.5 years, no expected dividend paid out, average annual risk-free interest rate of 1.94% and annualised volatility of 26.78%.

29. CONTINGENT LIABILITIES

(a) As at 31 March 2006, the Group had contingent liabilities in respect of performance bonds amounted to approximately HK$1,804,000 (2005: approximately HK$49,000) 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$1,303,000 at 31 March 2006 (2005: approximately HK$1,112,000). 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.

30. BANKING FACILITIES

As at 31 March 2006, the Group had banking facilities to the extent of HK$24,033,000 (2005: HK$25,033,000) which were secured by the Group's time deposits of HK$9,000,000 (2005: approximately HK$10,000,000), bank current account designated for the settlement of factored trade accounts receivables as mentioned below, 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$8,000,000 (2005: HK$4,000,000). Under the facility, the Group will receive with recourse from the bank advances representing 90% of the Group's trade accounts receivables due from selected customers within the factoring limit of HK$8,000,000 (2005: HK$4,000,000) (less service and monthly discounting charges). As at 31 March 2006, the Group utilised the factoring facility amounted to approximately HK$2,555,000 (2005: Nil).

31. OPERATING LEASE ARRANGEMENTS

As at 31st March, 2006, the Group had outstanding commitments for future minimum leases payments under non-cancellable operating leases, which fall due as follows:

	2006	2005
	HK$'000	HK$'000
Within one year	**1,374**	1,194
After one year but within five years	**1,369**	2
	2,743	1,196

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.

32. CAPITAL COMMITMENTS

As at 31 March 2006, the Group and the Company had no material capital commitments.

33. RELATED PARTY AND CONNECTED TRANSACTIONS

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

		Note	**2006** **HK$'000**	2005 HK$'000
(i)	Rentals paid to Supercom	(a)	**444**	424

(ii) Pledge of properties of Supercom to secure banking facilities of the Group as detailed in note 30 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.

Key management compensation

	2006 **HK$'000**	2005 HK$'000
Fees for key management personnel	**—**	—
Salaries, allowances and other benefits in kind	**6,392**	6,835
Retirement scheme contributions	**103**	103
	6,495	6,938

34. 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.

35. FINANCIAL INSTRUMENTS

Foreign exchange risk

The Group is exposed to foreign currency risk primarily through business transactions of the PRC subsidiaries that are denominated in currency other than the functional currency of the Group. The currency giving rise to this risk is primarily, Renminbi ("RMB"). The foreign exchange risk in the translation of RMB to HK$ is limited as RMB is practically linked with HK$ and its fluctuation is insignificant.

Interest rate risk

The Group is exposed to fair value interest-rate risk which is attributable to the Group's cash and cash equivalents held with financial institutions and bank loans. The risk is considered limited as the range of interest rates fluctuation is not significant and the impact is considered limited.

Credit risk

The Group's credit risk is primarily attributable to trade debtors, pledged time deposits and cash and cash equivalents. The credit risk on trade debtors, the Group has adopted credit policies, which include the analysis of the financial position of its clients and a regular review of their credit limits. The Group maintains an allowance for doubtful accounts and actual losses have been less than management's expectations and the Group has policies in place to ensure that sales are made to clients with an appropriate credit history. Also, the Group's pledged time deposits and cash and cash equivalents were held by major financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality. Accordingly the overall credit risk is considered limited.

Liquidity risk

The Group maintains sufficient cash and bank balances and the availability of funding through an adequate amount of committed credit facilities, thus the liquidity risk is considered minimal.

Fair value

The carrying amounts of the Group's financial instruments including debtors, deposits and prepayments, income tax recoverable, pledged time deposits, cash and cash equivalents and creditors, accruals and deposits received approximate their fair values due to the short maturity of these instruments.

The carrying amounts of bank loans also approximate their fair values because the applicable interest rates approximate current market rates.

36. 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		Restated		Restated
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	**40,474**	37,257	**16,932**	13,337	**—**	—	**57,406**	50,594
Cost of sales and services rendered	**(19,760)**	(18,207)	**(5,774)**	(4,641)	**—**	—	**(25,534)**	(22,848)
Gross profit	**20,714**	19,050	**11,158**	8,696	**—**	—	**31,872**	27,746
Other income	**713**	450	**26**	7	**—**	—	**739**	457
Gain on disposal of subsidiaries	**174**	—	**—**	—	**—**	—	**174**	—
Bad debts	**(137)**	—	**(741)**	(479)	**—**	—	**(878)**	(479)
Impairment loss of development costs	**—**	(5,872)	**—**	(715)	**—**	—	**—**	(6,587)
Operating expenses	**(21,940)**	(22,019)	**(12,244)**	(11,359)	**—**	—	**(34,184)**	(33,378)

36. 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		Restated		Restated
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Operating loss	**(476)**	(8,391)	**(1,801)**	(3,850)	**—**	—	**(2,277)**	(12,241)
Impairment of goodwill	**—**	(345)	**—**	—	**—**	—	**—**	(345)
Finance costs	**(1,108)**	(745)	**(31)**	(70)	**—**	—	**(1,139)**	(815)
Loss before income tax	**(1,584)**	(9,481)	**(1,832)**	(3,920)	**—**	—	**(3,416)**	(13,401)
Income tax (expense)/credit	**(171)**	660	**160**	(298)	**—**	—	**(11)**	362
Loss for the year	**(1,755)**	(8,821)	**(1,672)**	(4,218)	**—**	—	**(3,427)**	(13,039)
Attributable to:								
Equity holders of the Company	**(1,755)**	(8,821)	**(1,656)**	(4,104)	**—**	—	**(3,411)**	(12,925)
Minority interests	**—**	—	**(16)**	(114)	**—**	—	**(16)**	(114)
Loss for the year	**(1,755)**	(8,821)	**(1,672)**	(4,218)	**—**	—	**(3,427)**	(13,039)
Depreciation and amortisation	**3,590**	3,567	**1,134**	682	**—**	—	**4,724**	4,249
Capital expenditure incurred during the year	**1,761**	4,394	**1,080**	1,344	**—**	—	**2,841**	5,738
Segment assets and total assets	**55,529**	80,358	**13,372**	12,505	**(16,129)**	(30,196)	**52,772**	62,667
Segment liabilities and total liabilities	**(17,896)**	(23,295)	**(27,097)**	(24,929)	**24,931**	21,263	**(20,062)**	(26,961)
Minority interests	**—**	—	**—**	—	**—**	—	**—**	—

36. 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	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**57,037**	50,397	**369**	197	**—**	—	**57,406**	50,594
Segment assets	**52,203**	60,296	**434**	722	**135**	1,649	**52,772**	62,667
Capital expenditure incurred during the year	**1,761**	5,673	**1,080**	65	**—**	—	**2,841**	5,738

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

37. COMPARATIVE FIGURES

Certain comparative figures have been restated and additional disclosure of comparative figures have been made as a result of the adoption of new HKFRS as mentioned in note 2(a) above.

RESULTS

	Years ended 31 March				
	Restated	Restated	Restated	Restated	
	2002	2003	2004	2005	**2006**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$000**
Turnover	35,605	42,306	52,733	50,594	**57,406**
(Loss)/profit for the year	(11,967)	599	(8,745)	(13,039)	**(3,427)**

ASSETS AND LIABILITIES

	At 31 March				
	Restated	Restated	Restated	Restated	
	2002	2003	2004	2005	**2006**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$000**
NON-CURRENT ASSETS	18,696	30,671	32,446	25,014	**22,497**
CURRENT ASSETS	48,926	51,467	46,431	39,501	**32,111**
DEDUCT:					
CURRENT LIABILITIES	4,561	27,617	27,615	24,929	**19,007**
NET CURRENT ASSETS	44,365	23,850	18,816	14,572	**13,104**
TOTAL ASSETS LESS CURRENT LIABILITIES	63,061	54,521	51,262	39,586	**35,601**
NON-CURRENT LIABILITIES	(20)	(285)	(1,748)	(2,032)	**(1,055)**
NET ASSETS	63,041	54,236	49,514	37,554	**34,546**