A & K Educational Software Holdings Limited

A & K 教育軟件控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8053

ANNUAL REPORT

* For identification purposes only

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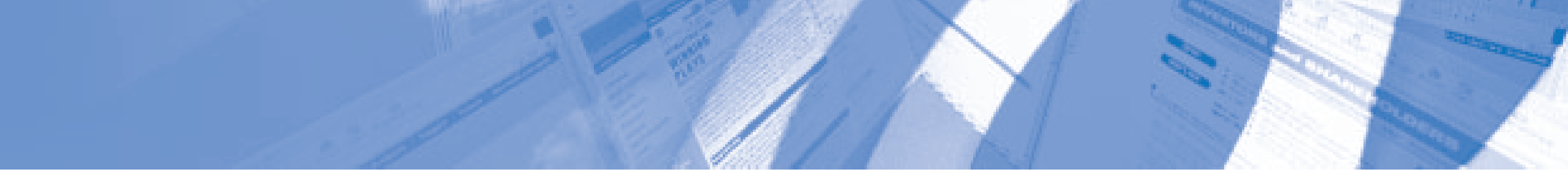
This report, for which the directors of A & K Educational Software Holdings Limited (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange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



CONTENTS

	Page
Corporate Information	2
Financial Summary	3
Chairman's Statement	4
Management Discussion and Analysis	6
Comparison of Business Objectives and Actual Business Progress	10
Corporate Governance Report	13
Directors and Senior Management Profile	16
Directors' Report	18
Independent Auditor's Report	24
Consolidated Income Statement	26
Consolidated Balance Sheet	27
Balance Sheet	28
Consolidated Statement of Changes in Equity	29
Consolidated Cash Flow Statement	30
Notes to the Financial Statements	31

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

PENG Gexiong *(Chairman)*
PENG Gang

INDEPENDENT NON-EXECUTIVE DIRECTORS

JIANG Minghe
LAW Chi Yuen
CHENG Yun Ming, Matthew (CPA, FCCA)

AUDIT COMMITTEE

JIANG Minghe
LAW Chi Yuen
CHENG Yun Ming, Matthew (CPA, FCCA)

REMUNERATION COMMITTEE

JIANG Minghe
LAW Chi Yuen
CHENG Yun Ming, Matthew (CPA, FCCA)

COMPANY SECRETARY

SHEN Tianwei (MAPAIS, CPA, CICPA)

COMPLIANCE OFFICER

PENG Gang

QUALIFIED ACCOUNTANT

SHEN Tianwei (MAPAIS, CPA, CICPA)

AUTHORISED REPRESENTATIVES

PENG Gexiong *(Chairman)*
SHEN Tianwei (MAPAIS, CPA, CICPA)

REGISTERED OFFICE

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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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San Yan Jing, Nanchang City
Jiangxi Province
PRC

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Causeway Bay
Hong Kong

COMPANY WEBSITE ADDRESS

www.aksoft.com.cn

COMPLIANCE ADVISER

Kingsway Capital Limited
5/F., Hutchison House
10 Harcourt Road
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INDEPENDENT AUDITOR

CCIF CPA Limited
Certified Public Accountants
20/F., Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
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George Town
Grand Cayman
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Room 1901-5, 19/F., Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKER

In Hong Kong

Citic Ka Wah Bank Limited
232 Des Voeux Road Central
Hong Kong

In the PRC

China Construction Bank
Nanchang Branch
369, Beijing Road West
Nanchang City
PRC

GEM LISTING CODE

8053

FINANCIAL SUMMARY

SUMMARY OF CONSOLIDATED RESULTS

	For the year ended 31 March				
	2007	2006	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**3,882**	10,448	15,704	15,006	6,292
Cost of sales	**(2,284)**	(2,470)	(1,607)	(1,276)	(1,603)
Gross profit	**1,598**	7,978	14,097	13,730	4,689
Other revenue	**2,254**	1,406	2,201	629	2,510
Distribution and selling expenses	**(1,515)**	(836)	(898)	(1,081)	(659)
Administrative expenses	**(7,814)**	(5,637)	(5,821)	(1,920)	(1,629)
	(5,477)	2,911	9,579	11,358	4,911
Share of (loss)/profit of associates	**(307)**	43	–	–	–
(Loss)/profit from ordinary activities before taxation	**(5,784)**	2,954	9,579	11,358	4,911
Taxation	**39**	(409)	(936)	(1,076)	(1,621)
(Loss)/profit from ordinary activities after taxation	**(5,745)**	2,545	8,643	10,282	3,290
Basic (loss)/earnings per share in RMB *(Note)*	**(0.023)**	0.010	0.038	0.057	0.018

SUMMARY OF CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				
	2007	2006	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total Assets	**62,195**	69,106	62,717	31,256	19,422
Total Liabilities	**(8,331)**	(8,661)	(4,427)	(3,042)	(1,496)
Shareholders' Funds	**53,864**	60,445	58,290	28,214	17,926

(Note)

The calculation of the basic earnings per share for the years ended 31 March 2003 and 2004 are based on the assumption that the 180,000,000 shares in issue as and issuable, comprising 1,000 shares in issue as at 30 July 2004 and 179,999,000 shares to be issued pursuant to the capitalisation issue passed by the shareholders of the Company on 13 May 2004. The calculation of the basic earnings per share for the year ended 31 March 2005 is based on the weighted average number of 228,904,110 ordinary shares in issue during the year.

The calculation of the basic (loss)/earnings per share for the year ended 31 March 2006 and 2007 is based on 255,000,000 ordinary shares in issue during the year.

Diluted earnings per share is not presented as there was no dilutive potential ordinary shares in existence in past years.

CHAIRMAN'S STATEMENT

I am pleased to present on behalf of A & K Educational Software Holdings Limited ("A & K Education" or the "Company") and its subsidiaries (the "Group") the audited annual results of the Group for the year ended 31 March 2007 for the shareholders' reference.

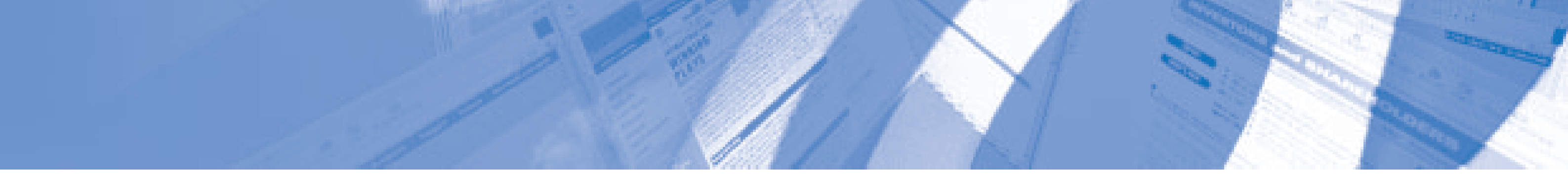
During the 2006-2007 financial year, after a forecast on the development prospect of the internet, the Group foresightedly adjusted the direction of its business development, and after a strategic reorganization, the focus of development was placed on the business of internet education. AK Education Online was thus established to provide educational information services to a large number of users. Although such change has affected the Company's main source of income, the new business has gradually achieved its expected effect.

During the reporting period, the turnover of the Group was approximately RMB3.9 million, representing a decrease of 62.8% as compared to the previous year. The audited loss attributable to shareholders was RMB5.7 million. The audited profit attributable to shareholders of previous year was RMB2.5 million. The reasons of the reporting period loss was that we focus on the development of business of internet education. Moreover, we gradually developing a sales system with a focus on agents. Although this would lead to a decrease income from major business in the short run, we believe that we made a correct choice.

During the reporting period, the Company was reputed one of Ten Outstanding Software Enterprises in Jiangxi(江西十大軟件企業). AK Education Online products were named one of the Ten Most Influential Educational Softwares in the PRC(中國教育軟件十大影響力品牌), Excellent Franchise Project(優秀加盟項目), 2006 Excellent Software Product in Jiangxi(2006江西優秀軟件產品). After a year of diligent work of the whole staff of the Company, the educational contents and services and the target users of AK Education Online were significantly expanded. The products became mature and were sold to about 30 provinces and cities in the PRC. AK Education Online is not merely an educational portal website, and neither the teaching of basic education nor the management of the products under application of a certain realm. It is an application platform meeting the needs of various users including kindergarten, basic and vocational education through the introduction of internet technology and the integration of various existing educational software products and educational resources. We believe that with the sturdy development of AK Education Online, the revenue will increase gradually.

During the reporting period, the Company positively adjusted our sales strategy and established an agent-focused sales mode. This provided the sales agents greater room for development and gave strong incentive to the salespersons. We believe that such mode of development will facilitate the concentration of our strength in product enhancement and will serve our customers better and expand sales channels.

In the future, the Company will continue to develop the business of internet education in order to strive to enhance our operational efficiency and reward the long-lasting patronage of our shareholders.



CHAIRMAN'S STATEMENT

Lastly, on behalf of the Board of the Company, I would like to thank all the staff of the Company for their diligence and great contributions to the Company. Also, I would like to express my sincere gratitude to the shareholders for their untiring care and support.

Peng Gexiong
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS 2006-2007

Business Review

In view of the current swift development of the internet application environment in the PRC, the Group considers that conventional LAN products will gradually be replaced by internet application products and services. Upon a strategic reorganization, we focus on the development of the business of internet education. Although this would lead to an decrease income from major businesses in the short run, we believe that we have made a correct choice. We actively extended the scope of services provided by AK Education Online. The original target users had been extended to various age groups ranging from children to adults to form a service system providing universal internet education. AK Education Online is a combination of educational resource web, middle and primary school web and vocational education web in one. In the aspect of contents, AK Education Online at the present has four major lines of education contents: provision of educational resources for the teachers, provision of synchronous tuition for the parents and students, provision of vocational education service for the adults, and provision of examination contents for examination education. In the side of services, AK Education Online is a fusion of educational resources, studying community, entertainment community and room for communication etc., forming a good interactive application mode for general users. In order to fully enhance the functions and contents of AK Education Online, we are also actively and cautiously seeking for cooperative partners and gradually developing a sales system with a focus on agents, in order to ensure that the Group can better concentrate on product research and development.

Prospect

After almost a year developing the business of internet education for, the Group has fully recognized the vast potential market of the business. According to the "Eighteenth Report on the Development of Internet Network in the PRC" issued by China Internet Network Information Center ("CNNIC") in July 2006, the number of broadbrand internet users in the PRC was 77 million, representing two thirds of all internet users. The proportion ranked only after the United States as the second in the world. At the present, among 36 million high school students in the PRC (including general high school, vocational high school and technical high school students), over 18 million of them are internet users. Among 60 million middle school students (including general middle school and vocational middle school students), over 10 million of them are internet users. The Group believes that internet education business has been gradually acknowledged by the general public. With the continuous adjustment and enrichment in the contents and services of AK Education Online, and the gradual enhancement of our sales system for establishing a streamlined and efficient sales channel, the business of the Company is set to enjoy a promising growing prospect.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

The Group achieved a consolidated turnover of approximately RMB3.9 million, a decrease of approximately 62.8% in compare to year ended 31 March 2006. The following table is the breakdowns of turnover for the year ended 31 March 2007:

	RMB'000	Approximately % attributable to the turnover of the Group
Sales of self-developed education software	16	0.4%
Sales of internet learning card	3,866	99.6%
	3,882	100%

During this financial year, the Group decided to carry out reforms on its principal businesses. The new sales of interest learning card has accounted for approximately 99.6% of the total turnover of the Group.

The reason for the current year turnover (RMB3.9 million) in this report comparatively smaller than the turnover (RMB4.5 million) for the nine months ended 31 December 2006 as stated in the third quarter results report are: (1) the group aimed at gradually developing a sales system with a focus on agents in the fourth quarter of current year, the turnover alleviated significantly, and the sales revenue in the fourth quarter only be recorded RMB35.6 thousands, (2) the Group deleted in the fourth quarter of current year a repeated sales revenue of RMB619 thousands which have been booked in last year sales revenue.

Cost of sales

The cost of sales for the year ended 31 March 2007 was approximately RMB2.3 million. It was approximately 7.5% decrease as compared to last year. The reasons were the decrease of the research and development expenses and the business tax.

Other revenue

The other revenue for the year ended 31 March 2007 consist of government grant of RMB1.5 million, bank interest income of approximately RMB375 thousand and the financial guarantees contracts issued of approximately RMB238 thousand. The Group received RMB1.5 million of government grants from the National Development and Reform Commission (國家發展及改革委員會) for the project "Internet-based secondary and primary teaching and management platform industrialization" conducted by our Group. This government grants was received in cash, unconditional and not repayable.

MANAGEMENT DISCUSSION AND ANALYSIS

Distribution and selling expenses

For the year ended 31 March 2007, the Group's distribution and selling expenses was approximately RMB1.5 milliion. Which was 81% increase from last year because most of the marketing plan for the internet business were beginning in March 2006, including recruit were marketing staff and promotion exhibitions.

Administrative Expenses

For the year ended 31 March 2007, the Group's administrative expenses was approximately RMB7.8 million. As compared with the year ended 31 March 2006, it was approximately 38.6% increase. The reason of increase was mainly due to the increase of impairment loss of trade receivables which amount to RMB4.2 million and financial guarantee contract issued expenses which amount to RMB951 thousand.

Basic (loss)/earnings per share

The loss per share was approximately RMB0.023 for the year ended 31 March 2007. The earnings per share of previous year was approximately RMB0.010. The reasons of change from profit to loss were mainly due to the strategic reorganization of the product and sales system, and the great increase of the impairment loss of trade receivables during the year ended 31 March 2007.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during the year under review. The capital of the Company comprises only ordinary shares. The Company and the Group has no borrowing and long-term debts.

SIGNIFICANT INVESTMENTS

As at 31 March 2007, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

There had been no material acquisitions and disposals during the year. At present, the Company and the Group have no plans for any material investments or capital assets.

GEARING RATIO

The Group did not have any borrowing or long-term debts and its gearing ratio is zero as at 31 March 2007.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2007, the shareholders' funds of the Group amounted to approximately RMB53.9 million. Current assets amounted to approximately RMB59.5 million of which approximately RMB50.2 million were cash and cash equivalents and approximately RMB9.3 million were trade receivables, prepayments, deposits and others receivables. The Group's current liabilities amounted to approximately RMB7.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE OF ASSETS

As at 31 March 2007, deposits of approximately HK$13,000,000 (2006: Nil) were pledged with a bank to secure a banking guarantee given to a third party.

Other than the above, the Group did not have any charge on its assets as at 31 March 2006 and 2007.

CAPITAL COMMITMENT

As at 31 March 2007, the Group did not have any material capital commitments.

FOREIGN EXCHANGE EXPOSURE AND HEDGING POLICY

Since most of the income and expenses as well as assets and liabilities of the Group are denominated in Renminbi, the Director consider that the Group has no material foreign exchange exposures and no hedging policy has been taken.

CONTINGENT LIABILITIES

As at 31 March 2007, the Group did not have any material contingent liabilities.

DIVIDEND

The Broad did not recommend any payment of final dividend for the year ended 31 March 2007 (2006: nil).

HUMAN RESOURCES

As at 31 March 2007, the Group had 47 full time employees in the PRC and Hong Kong. At the same time, there were 50 freelance teachers employed by the Group for providing and updating teaching materials for the Group's product. Staff remuneration packages are determined by reference to prevailing market rates. Staff benefits include mandatory provident fund, personal insurance and discretionary bonus which are based on their performance and contribution to the Group.

COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following is a summary of the actual business progress of the Group compared with the business objectives set out in the prospectus of the Company dated 30 July 2004 (the "Prospectus") for the year under review:

Business Objectives as set out in the Prospectus from 1 April 2006 to 31 March 2007	Actual business progress from the Listing Date to 31 March 2007
1. Expansion of the Group's research and development effort	
– Launch supplemental teaching and graphic software	– In view of the change in the Group business structure, such development ceased
– Upgrade the standard package education software	– In view of the change in the Group business structure, all the new content in the "PIONEER's" Series were uploaded to our internet database
– Upgrade teaching materials database for primary school, junior and senior secondary school courses	– The Group has continuously upgraded teaching materials database for primary school, junior and senior secondary school courses. All those material are now uploaded to our internet database
– Upgrade the online teaching	– In view of the change in the Group business structure, all the development of online teaching software was changed to internet platform
– Upgrade the internet Safety software for school network	– In view of the change in the Group business structure, such development ceased

COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

2. Expansion of the Group's sales and marketing network – Distribution	
– Expand the sales coverage to Shanxi Province, Shanghai, Tianjin, Chongqing and Shaanxi Province	– In order to operate in coordination with the strategic change in the Group business, the distribution plan had changed accordingly. The Group established an agent-focused sales mode
– Strengthen the sales force in Guizhou Province, Henan Province and other provinces and municipalities of the Group's existing network	– In order to operate in coordination with the strategic change in the Group business, the distribution plan had changed accordingly. The Group established an agent-focused sales mode
– Employ additional 43 sales and marketing staff	– In order to operate in coordination with the strategic change in the Group business, the distribution plan had changed accordingly. The Group established an agent-focused sales mode
3. Expansion of the Group's sales and marketing network – Promotion	
– Organise public relationship events for the Group's new products	– The Group has organised several public relationship events to promote our new internet web site and internet learning card
– Participate national and regional IT, software and education related exhibitions in Jiangxi Province and other major provinces and cities	– The Group has actively participated in major national and regional seminars and exhibitions
4. Establishment of a new testing centre and training facilities	
– Established new training rooms no. 5 and 6	– In order to operate in coordination with the strategic change in the Group business, the distribution plan had changed accordingly. The Group established an agent-focused sales mode

5. Upgrade of the Group's equipment and IT infrastructure

– Continue to upgrade the hardware equipment including servers, computers, routers, network equipment and broadband workstations	– The Group has acquired several high level servers, computers, routers, network equipment and broadband workstations in order to cope with the Group's strategy development

USE OF PROCEEDS

The Company was listed on GEM on 6 August 2004 (the "Listing Date"), as at 31 March 2007, the usages of the net proceeds received from the placing of the Company's shares is accordance with the Prospectus were as follows:

	As at 31st March 2007	
	Proposed	**Actual**
	RMB'000	RMB'000
Expansion of the Group's research and development effort	7,920	4,932
Expansion of the Group's sales and marketing network – Distribution	3,119	1,417
Expansion of the Group's sales and marketing network – Promotion	842	643
Establishment of a new testing centre and training facilities	2,970	1,211
Upgrade of the Group's equipment and IT infrastructure	2,970	1,683
Total	17,821	9,886

The remain unused proceeds are currently being placed on interest bearing deposit with a licensed bank in PRC.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance by established a formal and transparent procedure to protect the interests of the shareholders of the Company. The Company had complied with most of the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the year under review. This report describes the corporate governance standards and practices used by the Company to direct and manage it business affairs. It also explains the applications of the Code and deviations, if any.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with such code of conduct and required standard of dealings throughout the year ended 31 March 2007.

BOARD OF DIRECTORS

The Board collectively oversee the management and operation of the Group and will meet regularly during the year to discuss the operation strategy and financial performance of the Group.

The Board is presently composed of five members, comprising two executive directors, Mr. Peng Gexiong (Chairman) and Mr. Peng Gang, and three independent non-executive directors, Mr. Jiang Minghe; Mr. Law Chi Yuen and Mr. Cheng Yun Ming, Matthew.

According, to the Bye-Laws of the Company, at each annual general meeting, every directors (including the chairman and managing director) will be subject to retirement by rotation at least once every three years.

The Board held a board meeting for each quarter. Details of the attendance of the Board of Directors for the year ended 31 March 2007 are as follows:

Total number of meeting hold	4
Name of directors	No. of meeting attended
Executive directors	
Mr. Peng Gexiong *(Chairman)*	4/4
Mr. Peng Gang	4/4
Independent non-executive directors	
Mr. Jiang Minghe	4/4
Mr. Law Chi Yuen	4/4
Mr. Cheng Yun Ming, Matthew	4/4

BOARD OF DIRECTORS (Continued)

The Company has received, from each of the independent non-executive directors, an annual confirmation of their independence pursuant to Rules 5.09 of the GEM Listing Rules. The Company considers that all of the independent non-executive directors are independent.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The chairman and the chief executive officer of the Company are performed by the same individual, Mr Peng Gexiong ("Mr. Peng"). Mr. Peng has been both chairman and the chief executive officer of the Company since its incorporation. The management considered that there is no imminent need to change this arrangement and believe that this structure will enable the Group to make and implement decisions promptly and efficiently.

INDEPENDENT NON-EXECUTIVE DIRECTORS

All the independent non-executive directors have been appointed for a term of two years commencing from 13 May 2004 and renewed for another one to two years commencing from 13 May 2006. According to the Company's articles of association, all of them are subject to retirement by rotation and eligible for re-election during annual general meeting.

REMUNERATION OF DIRECTORS

A remuneration committee was formed with specific written terms of reference which deal clearly with its authority and duties with the requirements of the new Code of Corporate of Governance Practices in December 2005. The remuneration committee is responsible for reviewing and developing the remuneration polices of the Directors and senior management. The committee members consist of all the three independent non-executive directors of the Company.

During the year, the remuneration committee held one meeting. Details of the attendance of the remuneration committee for the year ended 31 March 2007 are as follows:

Total number of meeting hold	1
Name of members	**No. of meeting attended**
Mr. Jiang Minghe	1/1
Mr. Law Chi Yuen	1/1
Mr. Cheng Yun Ming, Matthew	1/1

The remuneration committee has considered and reviewed the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors. The remuneration committee considers that the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors are fair and reasonable.

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS

The Company does not establish a nomination committee at present. The appointment of new director(s) is therefore a matter for consideration and decision by the full Board. The Board considers that the new director(s) is expected to have professional experience and expertise in relevant area to make contribution to the Company and have sufficient time to participate in the decision making process of the Company.

There is no nomination of directors during the year.

AUDITOR'S REMUNERATION

For the year ended 31 March 2007, the remuneration in respect of audit services provided by the auditors, CCIF CPA Ltd., amounted to HK$218 thousand. There was no significant non-audit service assignment undertaken by the auditor during the year.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provision C.3.1 to C.3.6 of the Code. The primary duties of the audit committee are, among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee consists of the three independent non-executive Directors of the Company, namely Jiang Minghe, Law Chi Yuen and Cheng Yun Ming Matthew.

During the year, the audit committee held four meetings and performed duties including reviewing the Group's annual report, half-yearly report, quarterly reports and announcement.

Details of the attendance of the audit committee for the year ended 31 March 2007 are as follows:

Total number of meeting hold	4
Name of members	**No. of meeting attended**
Mr. Jiang Minghe	4/4
Mr. Law Chi Yuen	4/4
Mr. Cheng Yun Ming, Matthew	4/4

The audit committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 March 2007 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND AUDITORS

The Directors are responsible for the preparation of the financial statements, which give a true and fair view of the financial position of the Group. The Auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTOR

Mr. Peng Gexiong (彭格雄) (Chairman), aged 51, is the chairman of the Board. Mr. Peng is primarily responsible for the Group overall strategic planning, management and business development. Mr. Peng graduated from Jiangxi Finance College (江西財經學院) in 1982, majoring in finance. He joined the Group in January 2001. Prior to joining the Group, Mr. Peng had worked as a principle staff member of the general office of supervisory department of Jiangxi Province for more than 10 years. He had accumulated more than 7 years of management experience and 4 years of experience in education industry through working as the senior management of a real estate enterprise and a foreign department store and as the visiting professor of Jiangxi University of Finance & Economics (江西財經大學).

Mr. Peng Gang (彭剛), aged 44, is the executive Director of the Group. He is responsible for the overall business development planning of the Group. He graduated from Shanghai Jiao Tong University (上海交通大學) in 1984 and obtained a master degree from Nanjing Aviation College (南京航空學院), majoring in mechanical engineering in 1990. He joined the Group in June 1997 as the general manager and was responsible for software development of the Group for more than 7 years. In addition to his experience in the software industry, he had also accumulated more than 7 years of management experience through working as a director of the Group from 1999. Prior to joining the Group, he was the general manager of an import and export company in the PRC and was responsible for the market development of such company.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Mr. Jiang Minghe (蔣鳴和), aged 61, is the independent non-executive Director and member of the Audit Committee and Remuneration Committee of the Group. He is presently the laboratory officer and researcher of Shanghai Education Science Research Institution's modern education laboratory (上海市教育科學研究院現代教育實驗室). He is also the committee member of the State's Education Department, a doctorate degree tutor of East China Normal University (華東師範大學), the president of PRC Education Economic Research Institute (中國教育經濟學研究會). He joined the Group in November 2003.

Mr. Law Chi Yuen (羅志遠), aged 49, is the independent non-executive Director and member of the Audit Committee and Remuneration Committee of the Group. He is a solicitor practicing in Hong Kong. He obtained a bachelor degree in science and a master's degree in philosophy from the University of Hong Kong in 1978 and 1983 respectively. Mr. Law was admitted as a solicitor in Hong Kong (1983), United Kingdom (1987), Singapore (1991) and Australia (1991). He is also a member of The Chartered Institute of Arbitrators. He is the Chairman of the Appeal Board Panel under the Entertainment Special Effects Ordinance appointed by Secretary for Information Technology and Broadcasting. Apart from some social services, such as Free Legal Advice Scheme, he is also member of Solicitors Disciplinary Tribunal, Obscene Articles Tribunal, Appeal Panel (Estate Agents Ordnance), HK Film Development Fund and Market Misconduct Tribunal (Securities and Future Ordinance). He joined the Group in April 2004.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Cheng Yun Ming Matthew (CPA, FCCA) (鄭潤明), aged 37, is the independent non-executive Director and member of the Audit Committee and Remuneration Committee of the Group. He is a Certified Public Accountant, an associate of Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants. He obtained a bachelor degree in accountancy from the Hong Kong Polytechnic University in 1992. He joined the Group in April 2004.

SENIOR MANAGEMENT

Mr. Zeng Ruihong (曾瑞洪), aged 41, is the head of research and development department and the chief engineer of the Group. Mr. Zeng is responsible for the overall research and development of new technology and products. Mr. Zeng graduated from Nanjing Industrial College (南京工業學院) in 1987, majoring in computer science. He joined the Group in July 1997. Prior to joining the Group, he had accumulated 10 years of experience in IT industry through working in a technology company as a software engineer and was responsible for developing application software for that institution.

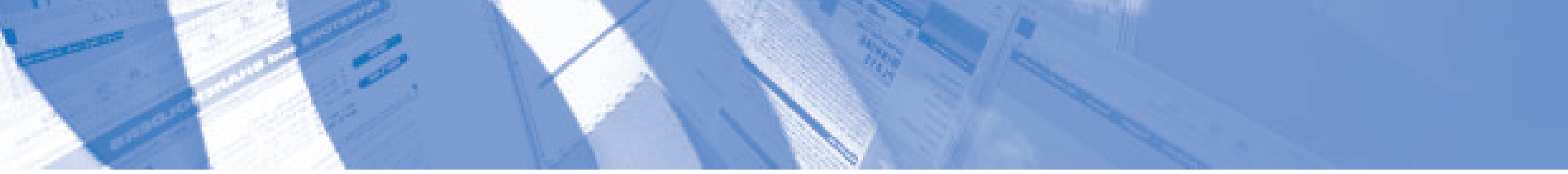
Mr. Yan Feng (晏峰), aged 36, is the vice-chief engineer of website department of the Group. He is responsible for the up-grading and development of the Company's website. He graduated from Jiangxi Industrial University (江西工業大學) in 1992, majoring in mechanical engineering. He joined the Group in January 2002. Prior to joining the Group, he had accumulated more than 10 years of experience in education industry through working as a teacher in an industrial school and was responsible for teaching computer engineering and software developments.

Ms. He Rong (何嶸), aged 39, is the head of sales department of the Group. She is responsible for the formulation, implementation, and control of the overall sales and marketing strategies. She graduated from East China University of Politics and Law (華東政法學院) in 1998, majoring in law. She joined the Group in 2004. Prior to joining the Group, she had accumulated more than 5 years of experience in sales and marketing and project management in sizable incorporations in Jiangxi.

Mr. Zhang Xuefeng (張雪峰), aged 45, is the chief representative of Beijing representative office. He is responsible for coordinate the sales and marketing activities with other provinces sales agents in Beijing. He graduated from Jiangix Agricultural University (江西農業大學) in 1983. He joined the Group in 2004. Prior to joining the Group. He had worked in Jiangxi Xin Yu Shi forestry bureau (江西省新余市林業局) for more than 15 years.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Ms. Shen Tianwei (MAPAIS, CPA, CICPA) (沈天蔚), aged 33, is the Financial Controller, Company Secretary and Authorized Representative of the Group. Prior to joining the Group in August 2006. She has over 12 years of auditing, accounting and financial management experience in Big 4 and others sizable corporations. She has a Master degree in Professional accounting and information system from City University of Hong Kong and is an associate member of both the Hong Kong Institute of Certified Public Accountants and Chinese Institute of Certified Public Accountants.



DIRECTORS' REPORT

The directors present herewith their annual report and the audited financial statements of the Company and the Group for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Group's subsidiaries are set out in note 14 to the financial statements.

An analysis of the Group's turnover and contribution to results by principal activities for the year ended 31 March 2007 are set out in note 5 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

As the Group gradually developed a sales system with a focus on agent starting from the year of 2007, thus the agent became the largest customer of the Group. Before that, the customers of the Group were all direct individual users:

	Percentage of the Group's total Sales
The largest customer	9%
Five largest customers in aggregate	10%

In current year, the Group did not have purchases of inventories. Therefore, there were no statistics on the purchaser from largest suppliers and the largest five suppliers.

None of the directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers and suppliers noted above.

FINANCIAL STATEMENTS AND DIVIDENDS

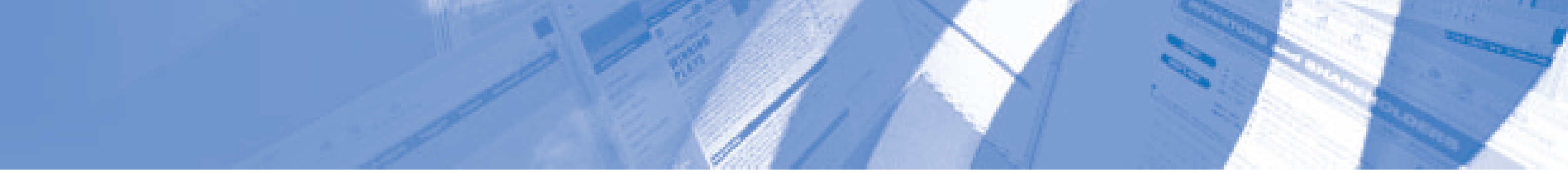
The results of the Group for the year are set out in the consolidated income statement on page 26.

The state of affairs of the Group and the Company as at 31 March 2007 are set out in the consolidated balance sheet on page 27 and the balance sheet on page 28, respectively.

The Board does not recommend the payment of any final dividend in respect of the year ended 31 March 2007 (2006: Nil).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past four financial years is set out on page 3.



DIRECTORS' REPORT

CHARITABLE DONATIONS

The Group does not made any charitable donations during the year (2006: Nil).

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in note 24 to the financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in note 25 to the financial statements.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Executive directors

Mr. Peng Gexiong, Chairman
Mr. Peng Gang

Independent non-executive directors

Mr. Jiang Minghe
Mr. Law Chi Yuen
Mr. Cheng Yun Ming, Matthew

In accordance with article 87 of the Company's Articles of Association, Mr. Peng Gexiong, Mr. Law Chi Yuen and Mr. Cheng Yun Ming, Matthew will retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2007 the interests or short positions of the Directors (the "Directors") and the chief executive of the Company in the shares and underlying shares (the "Shares") of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) 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 is taken or deemed to have under such provisions of the SFO), or which were required, to be entered in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(a) The Company – interests in Shares

Director	Nature of Interest		No. of Share	Percentage of shareholding
Mr. Peng Gexiong	Interest of a controlled corporation	*Note*	141,121,000	55.34%

Notes:

These Shares are registered in the name of and beneficially owned by Educators Investment Limited ("Educators Investment"). Educators Investment is legally and beneficially owned as to 97.7% by Mr. Peng Gexiong, as to 1.28% by Mr. Shu Fan, as to 0.61% by Mr. Zeng Ruihong and as to 0.41% by Mr. Su Wenbo. By virtue of his 97.7% direct interest in Educators Investment, Mr. Peng Gexiong is deemed or taken to be interested in the 141,120,000 Shares held by Educators Investment for the purposes of the SFO.

(b) Associated corporations – interests in Shares

Long positions in the shares of HK$0.10 each in the capital of Educators Investment (the "Educators Shares"), an associated corporation (within the meaning of the SFO) of the Company:

Name of Director	Type of interest	Number of Educators Share held	Approximately percentage holding of Educators Shares
Mr. Peng Gexiong	Beneficial	9,770	97.7%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

Save as disclosed above, as at 31 March 2007, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of, the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be 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 such provisions which they are taken or deemed to have 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 otherwise required, pursuant to the minimum standards of dealing by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS AND PERSONS WITH DISCLOSEABLE INTEREST AND SHORT POSITION IN SHARES UNDER SFO

So far as is known to any Director or chief executive of the Company, as at 31 March 2007, the following persons (other than the Directors or chief executive of the Company as disclosed above) had an interest or short position in the Shares as recorded in the register required to be kept under section 336 of the SFO, and were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of this Group:

Long positions in shares

Name	Nature of Interest	Number of Shares	Percentage of shareholding
Educators Investment	Beneficial owner	141,120,000	55.34%
Ms. Li Qin	Family *(Note 1)*	141,120,000	55.34%
Mr. Ye Jinxing	Beneficial owner	36,000,000	14.12%
Ms. Wang Chun Ning	Family *(Note 2)*	36,000,000	14.12%

Notes:

1. Under the SFO, Ms. Li Qin, spouse of Mr. Peng Gexiong, is deemed to be interested in the Shares.

2. Under the SFO, Ms. Wang Chun Ning, spouse of Mr. Ye Jinxing is deemed to be interested in the Shares.

Save as disclosed herein, as at 31 March 2007, the Company had not been notified of any other person (other than the Directors or chief executive of the Company) who had a discloseable interest or short position in the Shares as recorded in the register required to be kept under section 336 of the SFO or, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other members of the Group.

DIRECTORS' REPORT

SHARE OPTION SCHEME

On 23 July 2004, the principal terms of the Share Option Scheme was approved and passed by the written resolutions of all the Shareholders. The purpose of the Share Option Scheme is to provide the people and the parties working for the interest of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the GEM Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

For the year ended 31 March 2007, the Board did not offer any Share Option Scheme to any parties.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws in Cayman Islands.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Shares of the Company during the year.

CONNECTED TRANSACTIONS

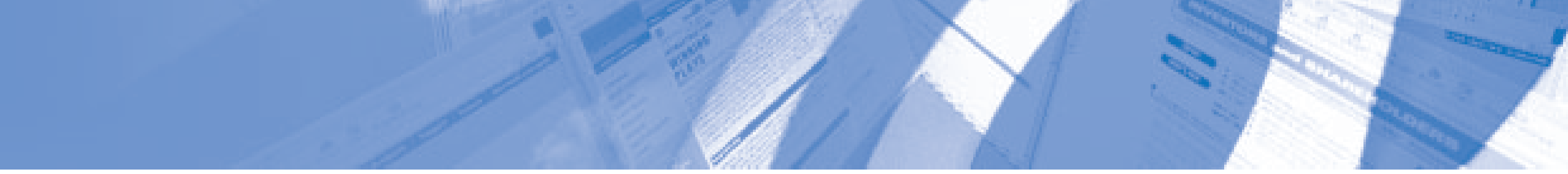
The Company did not have connected transactions for the year ended 31 March 2007.

COMPETING INTERESTS

For the year ended 31 March 2007, none of the Directors or the management shareholders or any of their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which causes or may causes any significant competition with the business of the Group.

COMPLIANCE ADVISER'S INTEREST

Pursuant to a sponsor agreement dated 30 July 2004 entered into between the Company and Kingsway Capital Limited, Kingsway Capital Limited has been appointed as the compliance adviser of the Company until 31 March 2007 (or until the sponsor agreement is otherwise terminated upon the terms and conditions contained therein), for which Kingsway Capital Limited will receive a fee. As notified and updated by Kingsway Capital Limited, neither Kingsway Capital Limited nor any of its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in any class of securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group as at 31 March 2007. Save as disclosed above, Kingsway Capital Limited had no other interest in the Company as at 31 March 2007.



DIRECTORS' REPORT

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with such code of conduct and required standard of dealings throughout year ended 31 March 2007.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are, among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee consists of the three independent non-executive Directors of the Company, namely Jiang Minghe, Law Chi Yuen and Cheng Yun Ming Matthew.

During the year, the audit committee held four meetings and performed duties including reviewing the Group's annual report, half-yearly report, quarterly report and announcement. The audit committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 March 2007 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

AUDITORS

The financial statements have been audited by CCIF CPA Limited. A resolution for their re-appointment as the Company's auditors for the ensuing year is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

PENG Gexiong
Chairman

China, 28 June 2007

INDEPENDENT AUDITOR'S REPORT

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF A & K EDUCATIONAL SOFTWARE HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of A & K Educational Software Holdings Limited (the "Company") set out on pages 26 to 64, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made 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 the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2007 and of group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 28 June 2007

Kwok Cheuk Yuen
Practising Certificate Number P02412

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	Note	2007 RMB'000	2006 RMB'000
TURNOVER	5	**3,882**	10,448
COST OF SALES		**(2,284)**	(2,470)
GROSS PROFIT		**1,598**	7,978
OTHER REVENUE	6	**2,254**	1,406
DISTRIBUTION AND SELLING EXPENSES		**(1,515)**	(836)
ADMINISTRATIVE EXPENSES		**(7,814)**	(5,637)
OPERATING (LOSS)/PROFIT		**(5,477)**	2,911
SHARE OF (LOSS)/PROFIT OF ASSOCIATES		**(307)**	43
(LOSS)/PROFIT BEFORE TAXATION	7	**(5,784)**	2,954
TAXATION	8	**39**	(409)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	9	**(5,745)**	2,545
DIVIDEND	10	**–**	–
(LOSS)/EARNINGS PER SHARE			
– Basic	11	**RMB(0.023)**	RMB0.010
– Diluted		**N/A**	N/A

The notes on pages 31 to 64 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 March 2007

	Note	2007 RMB'000	2006 RMB'000
Non-current assets			
Property, plant and equipment	13	382	527
Interests in associates	15	2,311	2,648
		2,693	3,175
Current assets			
Inventories	16	–	204
Trade receivables	17	2,924	10,494
Prepayments, deposits and other receivables		6,330	6,897
Cash at bank and on hand	18	37,378	48,336
Pledged bank deposits	18	12,870	–
		59,502	65,931
Current liabilities			
Trade payables	19	25	25
Other payables and accruals	20	5,597	5,814
Amount due to a shareholder	21	1	1
Amount due to an associate	22	1,500	1,500
Taxation payable		792	862
		7,915	8,202
Net current assets		51,587	57,729
Total assets less current liabilities		54,280	60,904
Non-current liabilities			
Deferred taxation	23	416	459
NET ASSETS		53,864	60,445
Capital and reserves			
Share capital	24	27,030	27,030
Reserves	25	26,834	33,415
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		53,864	60,445

Approved and authorised for issue by the board of directors on 28 June 2007

On behalf of the board

Peng Gexiong
Director

Peng Gang
Director

The notes on pages 31 to 64 form an integral part of these financial statements.

BALANCE SHEET

At 31 March 2007

	Note	2007 RMB'000	2006 RMB'000
Non-current assets			
Interests in subsidiaries	14	**15,799**	17,894
Current assets			
Prepayments, deposits and other receivables		**20**	–
Current liabilities			
Accruals		**291**	311
Amount due to a subsidiary	22	**3,060**	2,904
		3,351	3,215
Net current liabilities		**(3,331)**	(3,215)
NET ASSETS		**12,468**	14,679
Capital and reserves			
Share capital	24	**27,030**	27,030
Reserves	25	**(14,562)**	(12,351)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**12,468**	14,679

Approved and authorised for issue by the board of directors on 28 June 2007

On behalf of the board

Peng Gexiong
Director

Peng Gang
Director

The notes on pages 31 to 64 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007

	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Statutory common reserve RMB'000	Statutory welfare reserve RMB'000	Foreign currency translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 April 2005	27,030	13,483	933	115	2,782	1,391	(13)	12,569	58,290
Currency translation differences	–	–	–	–	–	–	(390)	–	(390)
Profit for the year	–	–	–	–	–	–	–	2,545	2,545
Transfer to/(from) reserve	–	–	–	–	459	230	–	(689)	–
At 31 March 2006 and 1 April 2006	27,030	13,483	933	115	3,241	1,621	(403)	14,425	60,445
Currency translation differences	–	–	–	–	–	–	(836)	–	(836)
Loss for the year	–	–	–	–	–	–	–	(5,745)	(5,745)
Transfer to/(from) reserve	–	–	–	–	1,621	(1,621)	–	–	–
At 31 March 2007	27,030	13,483	933	115	4,862	–	(1,239)	8,680	53,864

The notes on pages 31 to 64 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2007

	Note	2007 RMB'000	2006 RMB'000
OPERATING ACTIVITIES			
Operating (loss)/profit		**(5,477)**	2,911
Adjustments:			
Depreciation		**262**	325
Gain on disposal of property, plant and equipment		**(7)**	–
Interest income		**(375)**	(236)
Write down of inventory		**193**	–
Impairment loss of trade receivables		**4,212**	2,801
OPERATING (LOSS)/PROFIT BEFORE CHANGES IN WORKING CAPITAL		**(1,192)**	5,801
Decrease in inventories		**11**	2
Decrease in trade receivables		**3,358**	4,362
Decrease in prepayment, deposits and other receivables		**567**	3,519
Increase in trade payables		**–**	14
(Decrease)/increase in accruals and other payables		**(217)**	2,335
Increase in amount due to an associate		**–**	1,500
CASH GENERATED FROM OPERATIONS		**2,527**	17,533
Income taxes paid		**(74)**	(24)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**2,453**	17,509
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(117)**	(64)
Proceeds from disposal of property, plant and equipment		**7**	–
Proceeds from disposal of interest in associate	*15*	**30**	–
Interest received		**375**	236
Acquisition of associates		**–**	(2,530)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**295**	(2,358)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,748**	15,151
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(836)**	(390)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**48,336**	33,575
CASH AND CASH EQUIVALENTS AT END OF YEAR	*18*	**50,248**	48,336

The notes on pages 31 to 64 form an integral part of these financial statements.

1. CORPORATE INFORMATION

The principal activity of A & K Educational Software Holdings Limited (the "Company") is investment holding. The principal activities of the Company's subsidiaries are set out in note 14 to the financial statements.

The Company is incorporated in Cayman Islands as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Caymen KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is Room 607, 9 Irving Street, Progress Commercial Building, Causeway Bay, Hong Kong.

The Company's shares were listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited since 6 August 2004.

2. PRINCIPAL ACCOUNTING POLICIES

a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all application Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The accounting policies of the Group and the Company after the adoption of these new and revised HKFRSs have been summarized below.

The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period (see note 32). The following standards, amendments and interpretations which are not relevant to the Group's operations have been issued and effective at the time of preparing this information:

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

a) STATEMENT OF COMPLIANCE (Continued)

HKAS 1 Amendment	Capital disclosure;
HKAS 19 Amendment	Actuarial gains and losses, group plans and disclosures;
HKAS 21 Amendment	Net investment in a foreign operation;
HKAS 39 Amendment	The fair value option;
HKFRS 7	Financial instruments: disclosures

HKAS 39 and HKFRS 4 (Amendments) "Financial Guarantee Contracts" is effective for annual periods beginning on or after 1 January 2006.

Financial guarantee contracts were previously only disclosed as contingent liabilities as they did not fall within the scope of HKAS 39. Following the introduction of HKAS 39 and HKFRS 4 (Amendments), financial guarantee contracts are accounted for as financial liabilities. Financial guarantee contracts should be measured initially at fair value when the fair value can be measured reliably. Subsequently, they are measured at the higher of (i) the amount determined in accordance with HKAS 37 – Provisions, Contingent Liabilities and Contingent Assets and (ii) the amount initially recognised less, where appropriate, cumulative amortization recognised over the life of the guarantee on a straight-line basis.

b) CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries for the year ended 31 March 2007. Subsidiaries are those entities (including a special purpose entity) in which the company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; has the power to appoint or remove a majority of the members of the board of directors; or has the right to cast a majority of votes at the meetings of the board of directors. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or to the date of their acquisition or disposal, as appropriate. All material inter-company transactions and balances are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the sales proceeds and the Group's share of its net assets together with any goodwill or capital reserves which was not previously charged or recognised in the consolidated income statement.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

c) REVENUE RECOGNITION

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is recognised in the consolidated income statement as follows:

i) *Sales of distribution of education software and internet learning card*

Revenue is recognised when the Group has transferred to the customer the significant risks and rewards of ownership of the goods. Revenue excludes value added tax and is stated after deductions of any goods returns and trade discounts.

ii) *School network integration*

Revenue from school network integration are recognised when the installation work is completed and the customer has accepted the goods and services together with transfer of significant risks and rewards of ownership.

iii) *Interest income*

Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and at the rate applicable.

iv) *Value added tax refund*

Value added tax refund is recognised when the acknowledgement of refund from the Tax Bureau has been received.

d) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Major expenditures on modifications and betterments of property, plant and equipment which will result in future economic benefits are capitalised, while expenditures on maintenance and repairs of property, plant and equipment are expensed when incurred. Depreciation is calculated to write off the cost less residual value of property, plant and equipment on a straight-line basis over their estimated useful lives as follows:

Leasehold improvement	Over the remaining term of the lease
Computer equipment	5 years
Furniture and equipment	5 years
Motor vehicles	5 years

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement on the date of retirement or disposal.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

e) OPERATING LEASES

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rental payables under such operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective lease.

f) IMPAIRMENT OF ASSETS

Internal and external sources of information are reviewed at each balance sheet date to identify indications that following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

– Property, plant and equipment

– Investments in subsidiaries

– Interests in associates

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

ii) Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

f) IMPAIRMENT OF ASSETS (Continued)

iii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

g) SUBSIDIARIES

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

h) ASSOCIATES

An associate is a company in which the group or company has significant influence and which is neither a subsidiary nor a joint venture of the company.

The investments in associates are accounted for in the consolidated balance sheet under the equity method whereby the investments are initially recorded at cost and adjusted thereafter for the post acquisition change in the company's share of net assets of the associates. The results of the associates are accounted for in the consolidated income statement to the extent of the company's share of the associates' results of operations.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

i) SPECIAL PURPOSE ENTITY

To comply with laws and regulations of The People's Republic of China (the "PRC") that prohibit or restrict foreign ownership of companies that provide value-added telecommunications services, which include wireless internet services and internet content services, the Group conducts its internet content services through 江西行知教育在線有限公司 ("江西行知教育在線"), an entity legally owned by certain citizens of the PRC (the "Registered Shareholders").

Pursuant to certain contractual arrangements, 江西行知教育在線 is responsible for operating the Group's website and have been granted the right to use the domain names. In addition, the Group has the exclusive right to provide technical and consulting services in exchange for service fee which equal to substantially all of the net income of 江西行知教育在線. The Registered Shareholders are required under their contractual arrangements with the Group to transfer their interest in 江西行知教育在線 to the Group or the Group's designee upon the Group's request, provided that such transfer does not violate the PRC laws or regulations. As at 25 April 2005, the Group has provided a loan of RMB1,000,000 to the Registered Shareholders to finance their investment in 江西行知教育在線. One of the Registered Shareholders who has been provided with a loan of RMB900,000 for the investment in 江西行知教育在線 is a key management personnel of the Company's subsidiary, Jiangxi A & K Educational Software Co. Limited ("Jiangxi A & K"). The direct equity interest in 江西行知教育在線 has been pledged as collateral for the loan and when permitted under the PRC laws, the loan is to be repaid by transferring the direct equity interest in this entity to the Group.

In March 2004, HKICPA issued an Interpretation HKAS-INT-12 (March 2004), "Consolidation – Special Purpose Entities". HKAS-INT-12 (March 2004) is intended to apply the consolidation policies to special purpose entities. The Group has evaluated its relationship with 江西行知教育在線 and has concluded that this entity is a special purpose entity of Jiangxi A & K as Jiangxi A & K is the primary beneficiary.

The results of operation of this special purpose entity have been included in the consolidated financial statements of the Group.

j) RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

k) INVENTORIES

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first in first out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

l) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(f)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(f)).

m) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

n) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

o) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the Company or 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 of economic benefits 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 of economic benefits is remote.

p) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized directly in equity, in which case they are recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

p) INCOME TAX (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    – the same taxable entity; or

    – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

q) TRANSLATION OF FOREIGN CURRENCIES

i) *Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi, which is the Company's functional and presentation currency.

ii) *Transactions and balances*

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

Translation difference on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

The financial statements of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at the rate at the date of transaction. Exchange differences arising are dealt with as movement in foreign currency translation.

r) EMPLOYEE BENEFITS

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to defined contribution retirement scheme are recognised as an expense in the consolidated income statement as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognised as an expense.

s) RETIREMENT BENEFITS COSTS

The Group contributes on a monthly basis to defined contribution retirement benefit plan organised by relevant municipal government in the PRC. The municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under the plan. Contribution to the plan is expensed as incurred. The assets of the plan are held separately from those of the Group in independently administered funds managed by the PRC Government.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

t) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred, except where the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably; is technically feasible; the Group intends to produce and market, or use, the product or process; the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the Group, can be demonstrated; and adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

Such development costs are recognised as an asset to the extent of the amount that, taken together with further development costs, related production costs, and selling and administrative costs directly incurred in marketing the product, is probable of being recovered from related future economic benefits. The excess amount is written off as incurred.

The development costs, recognised as an asset, are amortized on a straight-line basis over a period of 3-5 years to reflect the pattern in which the related economic benefits are recognised.

u) GOVERNMENT GRANTS

Government grants are recognised in the consolidated income statements as revenue upon receipt. The grant amounts are determined and paid at the sole discretion of the local and central government of certain jurisdictions in the PRC.

v) 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.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format.

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. For example, segment assets may include inventories, trade receivables and property, plant and equipment. 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. Intra-segment pricing is based on similar terms as those available to other external parties.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

v) SEGMENT REPORTING (Continued)

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 year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses.

w) FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES

i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(w)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the group under the guarantee, and (ii) the amount of that claim on the group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortization.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

w) FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES (Continued)

ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company 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 expenditure 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 of economic benefits 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 of economic benefits is remote.

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and fair value estimation. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

a) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales, purchases and expenses that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily Hong Kong Dollar.

b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 90 days from the date of billing. Debtors with overdue balances, which will be reviewed on a case-by-case basis, are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

3. FINANCIAL RISK MANAGEMENT (Continued)

c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board of directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

d) Fair value estimation

All financial instruments are carried at amounts not materially different from their fair value as at 31 March 2007.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group's management 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 year are discussed below:

a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

b) Estimated provision for impairment of associates

The Group's management assesses annually whether investments in associates have suffered any impairment in accordance with the policy stated in note 2(f). The recoverable amount of the investments in associates is determined using discounted cash flows calculations.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

c) Estimated provision for impairment of trade and other receivables

The Group's management makes provision for doubtful debts based on an assessment of the recoverability of trade receivables and other receivables. Provisions are applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate has been charged.

d) Estimated net realisable value of inventories

The Group's management makes provision for slow moving or obsolete inventories based on an assessment of the net realisable value of the inventories. Provisions are applied to the inventories where events or changes in circumstances indicates that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of the inventories and provision for inventory expenses in the period in which such estimate has been changed.

5. TURNOVER

The Group is principally engaged in the development and distribution of educational software, provision for electronic learning and provision of related information technology services in the PRC. The Group develops its own educational software and distributes such software on standard package, project basis and through internet. Also, the Group utilised its experience in IT to provide school network integration services for their software implementation. Apart from these, the Group has entered into distribution agreements with other software developers to distribute their educational software products.

Turnover represents the sales value of software and service provide to customers, net of value added tax as follows:

	2007	2006
	RMB'000	RMB'000
Sales of self-developed education software:		
Standard package basis	**16**	5,839
Sales of internet learning card	**3,866**	4,533
Network integration, IT services and others	**–**	76
Total turnover	**3,882**	10,448

6. OTHER REVENUE

	2007 RMB'000	2006 RMB'000
Government grants *(note i)*	**1,500**	1,005
Interest income	**375**	236
Value added tax refund *(note ii)*	**–**	127
Gain on disposal of property, plant and equipment	**7**	–
Financial guarantee contracts issued	**238**	–
Exchange gain	**21**	–
Others	**113**	38
	2,254	1,406

Notes:

i) During the year ended 31 March 2007, the Group received RMB1,500,000 (2006: RMB1,000,000) government grants from the National Development and Reform Commission (國家發展及改革委員會) being part of the RMB3,000,000 government grants approved in last year. During the year ended 31 March 2006, the Nachang City People Government (南昌市人民政府) granted RMB5,000 to the Group for appreciation of the company's excellent achievement in 2004. The directors advised that the government grants given to the Group are unconditional and not repayable.

ii) According to the announcement issued by the State Council of the PRC on 24 June 2000 in respect of the Several Policies on Encouraging Development of the Software Industry and the Integration Circuit Industry (關於軟件產業和集成電路產地發展若干政策通知), the value added tax paid by an enterprise which obtained the "Software Enterprise Recognition Certificate" (軟件企業認定證書) in respect of the selling of its self-developed software will entitle for a 14% tax refund. Jiangxi A & K obtained such certificate of "Software Development Enterprise" on 15 August 2001 and entitled for value added tax refund of 14%.

7. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after charging the followings:

	2007 RMB'000	2006 RMB'000
Staff cost (including directors' emoluments)		
– Wages and salaries	**2,400**	1,567
– Mandatory provident fund	**11**	12
– Social security costs	**71**	65
– Staff welfare	**145**	149
Impairment loss of trade receivables	**4,212**	2,801
Write down of inventories	**193**	–
Cost of inventories sold and services rendered	**2,091**	2,470
Depreciation of property, plant and equipment	**262**	325
Operating lease rental in respect of land and building	**406**	345
Audit fee	**222**	239
Financial guarantee contracts issued	**951**	–
Research and development cost	**2,078**	2,181

8. TAXATION

Taxation represents:

	2007 RMB'000	2006 RMB'000
Current income tax		
– Hong Kong profits tax	**–**	–
– PRC enterprise income tax	**4**	501
Deferred taxation *(note 23)*	**(43)**	(92)
	(39)	409

a) No provision for profits tax in the Cayman Islands, British Virgin Islands ("BVI") and Hong Kong has been made as the Group has no income assessable for profits tax for the year in those jurisdictions (2006: Nil).

8. TAXATION (Continued)

b) Jiangxi A & K, the subsidiary where the majority of the Group's turnover is derived therefrom, was subject to PRC enterprise income tax ("EIT"). The Jiangxi A & K has obtained a certificate of "Software Development Enterprise" from the Ministry of Information Industry of the Jiangxi Province (江西省信息產業廳) on 15 August 2001. According to a notice jointly issued by the Ministry of Finance, State Administration of Taxation and General Administration and Custom on Taxation Policy in respect of the Encouragement of Development of Software and Integrated Circuit industries (關於鼓勵軟體產業和積體電路產業發展有關稅收政策問題的通知), Jiangxi A & K is exempted from EIT for the two years starting from its first profit-making year (after offsetting the accumulated losses) and is entitled to a 50% relief on EIT for the subsequent three years.

In addition, in June 2003, due to the Group's reorganization, the status of Jiangxi A & K, was changed from a domestic private enterprise to a wholly foreign-owned enterprise with the approval of the Department of Foreign Trade and Economic Cooperation of Jiangxi Province (江西省對外貿易經濟合作廳), pursuant to the Income Tax Law of the PRC for Foreign Investment Enterprise (外商投資企業及外國企業所得稅法) and with the confirmation received from the Nanchang High-tech Area Tax Bureau (南昌市高新區國稅局) on 1 March 2004, Jiangxi A & K will be exempted from EIT for the two years starting from its first profit-making year and thereafter (after offsetting the accumulated losses), and is entitled to a 50% relief for the subsequent three years. Jiangxi A & K was entitled to the exemption from EIT commencing from the year 2003. Therefore, for the year ended 31 March 2007, Jiangxi A & K was subjected to EIT rate 7.5% (2006: 7.5%).

The reconciliation of the effective tax rate to the statutory tax rate is as follows:

	2007	2006
	RMB'000	RMB'000
(Loss)/profit before taxation	**(5,784)**	2,954
Taxation calculation at:		
– PRC statutory tax rate 33%	**(1,909)**	975
Decrease in deferred taxation	**(43)**	(92)
Non-taxable income	**(675)**	(388)
Non-deductible expense	**2,603**	1,616
Effect of tax exemption of Jiangxi A & K	**(15)**	(1,702)
	(39)	409

9. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated (loss)/profit attributable to shareholders includes a loss of approximately RMB1,551,000 (2006: loss of RMB2,008,000) which has been dealt with in the financial statements of the Company.

10. DIVIDEND

The Company resolved not to declare any dividend in respect of the year ended 31 March 2007 (2006: Nil).

11. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the following data:

	2007	2006
	RMB'000	RMB'000
(Loss)/profit attributable to shareholders	**(5,745)**	2,545

The calculation of the (loss)/earnings per share for the year ended 31 March 2007 and 2006 is based on the 255,000,000 ordinary shares issued.

Diluted (loss)/earnings per share is not presented as there was no dilutive potential ordinary shares in existence in both years.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

i) Directors' emoluments

Year ended 31 March 2007

Name of director	**Fees**	**Basic salaries, allowances and other benefits**	**Retirement scheme contribution**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Peng Gexiong	**51**	**–**	**3**	**54**
Peng Gang	**10**	**–**	**–**	**10**
Jiang Minghe	**36**	**–**	**–**	**36**
Law Chi Yuen	**80**	**–**	**–**	**80**
Cheng Yun Ming Matthew	**60**	**–**	**–**	**60**
	237	**–**	**3**	**240**

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Year ended 31 March 2006				
Name of director	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Retirement scheme contribution RMB'000	Total RMB'000
Peng Gexiong	52	–	–	52
Wang Chaoju *(Note)*	9	–	–	9
Peng Gang	10	–	–	10
Jiang Minghe	37	–	–	37
Law Chi Yuen	83	–	–	83
Cheng Yun Ming Matthew	62	–	–	62
	253	–	–	253

Note: Resigned as executive director with effect from 16 February 2006.

No directors waived any emoluments during the year. No incentive payment nor compensation for loss of office was paid or payable to any directors for the year ended 31 March 2007 (2006: Nil).

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

ii) Details of emoluments paid to the five highest paid individuals (including directors and other employees) were as follows:

	2007	2006
	RMB'000	RMB'000
Basic salaries and allowances	**553**	591
Retirement scheme contributions	**15**	13
	568	604

	2007	2006
Number of directors	**3**	3
Number of employees	**2**	2
	5	5

During the year, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office.

The number of the five highest paid individuals whose remuneration fall within the following bands were as follows:

	2007	2006
RMBNil to RMB990,000	**5**	5

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB'000	Computer equipment RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
As at 1 April 2005	308	3,721	183	758	4,970
Additions	–	52	12	–	64
At 31 March 2006 and 1 April 2006	308	3,773	195	758	5,034
Additions	–	98	–	19	117
Disposals	–	–	(4)	(170)	(174)
At 31 March 2007	308	3,871	191	607	4,977
Accumulated depreciation					
As at 1 April 2005	308	3,207	142	525	4,182
Charge for the year	–	186	9	130	325
As at 31 March 2006 and 1 April 2006	308	3,393	151	655	4,507
Charge for the year	–	140	8	114	262
Disposals	–	–	(4)	(170)	(174)
At 31 March 2007	308	3,533	155	599	4,595
Net book value					
As at 31 March 2007	–	338	36	8	382
As at 31 March 2006	–	380	44	103	527

14. INTERESTS IN SUBSIDIARIES

	2007 RMB'000	2006 RMB'000
Unlisted shares, at cost	–	–
Amount due from subsidiaries	15,799	17,894
	15,799	17,894

(a) The amount due from subsidiary is unsecured, interest free, and has no fixed terms of payment.

(b) The following shows the details of the subsidiaries (including a special purpose entity) as at 31 March 2007:

Name	Country of incorporation and operation	Principal activities	Interest held Directly	Interest held Indirectly
A & K Software (BVI) Limited ("A & K Software BVI")	British Virgin Islands	Investment holding	100%	–
Smart Elegant Investment Limited ("Smart Elegant")	Hong Kong	Investment holding	–	100%
Jiangxi A & K	PRC (Wholly Foreign-Owned Enterprise)	Development and distribution of education software	–	100%
江西行知教育在線*	PRC	Provision of internet services in PRC	–	100%

* Special purpose entity

江西行知教育在線 is a limited liability company established in the PRC to be operated for 20 years up to March 2025.

15. INTERESTS IN ASSOCIATES

	2007 RMB'000	2006 RMB'000
Share of net assets	2,341	2,648
Disposal	(30)	–
	2,311	2,648

Note: As at 19 October 2006, the Group disposed its 30% effective interest in an associate, 南昌方標電信有限公司at investment cost for a total consideration of RMB30,000 to an independent third party.

Company	Place and date of incorporation	Registered and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by subsidiary	Principal activities
江西大江高科有限責任公司	PRC 17 September 2002	RMB1,000,000	7.5%	7.5%	Media software research and development
江西聯微軟件技術有限公司	PRC 13 May 2005	RMB10,000,000	25%	25%	Software development and distribution and provision of software consultancy services

Notes:

1. 江西大江高科有限責任公司 is a limited liability company established in the PRC to be operated for 10 years up to September 2012.

2. 江西聯微軟件技術有限公司 is a limited liability company established in the PRC to be operated for 20 years up to May 2015.

Summary financial information on associates

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenues RMB'000	Profit/(loss) RMB'000
2007					
100 per cent	10,271	104	10,167	141	(1,224)
Group's effective interest	2,336	25	2,311	31	(307)
2006					
100 per cent	11,553	64	11,489	1,476	170
Group's effective interest	2,663	15	2,648	349	43

16. INVENTORIES

	2007 RMB'000	2006 RMB'000
Computer accessories and low value consumable	–	204

17. TRADE RECEIVABLES

Details of the aging analysis of trade receivables are as follows:

	2007 RMB'000	2006 RMB'000
0 to 30 days	–	665
31 to 60 days	–	69
61 to 90 days	–	225
91 to 180 days	–	7
Over 180 days but less than one year	–	5,830
Over one year	10,530	7,092
	10,530	13,888
Less: Impairment losses	(7,606)	(3,394)
	2,924	10,494

The Group generally grants credit terms of 0 day to 90 days to its customers. Extended credit period of approximately 90 days to 270 days may be granted to customers with long term business relationship and have good payment record.

18. CASH AND CASH EQUIVALENTS

	2007 RMB'000	2006 RMB'000
Pledged bank deposits *(Note)*	12,870	–
Time deposits with bank	–	13,520
Cash at bank and on hand	37,378	34,816
Cash and cash equivalents in the consolidated balance sheet and the consolidated cash flow statement	50,248	48,336

18. CASH AND CASH EQUIVALENTS (Continued)

Note: Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to an independent third party. The pledged bank deposits amounting to HK$13 million (approximately equivalent to RMB12.87 million) (2006: Nil) have been pledged to secure short-term bank loans and are therefore classified as current assets. The pledge on these bank deposits was released in June 2007 when the independent third party fully repaid the bank loan.

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2007	2006
	'000	'000
Hong Kong Dollars	**HK$13,138**	HK$13,037

19. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	2007	2006
	RMB'000	RMB'000
0 to 30 days	**–**	25
31 to 60 days	**–**	–
61 to 90 days	**–**	–
91 to 180 days	**–**	–
Over 180 days but less than one year	**–**	–
Over one year	**25**	–
	25	25

20. OTHER PAYABLE AND ACCRUALS

At 31 March 2007, included in other payable and accruals of approximately RMB5,598,000 (2006: RMB5,814,000) is a financial guarantee issued of approximately RMB693,000 (2006: RMB Nil). At 28 December 2006, the Group had given a guarantee to a bank in connection with banking facility granted by the bank to an independent third party. (Also refer to Note 18) At 31 March 2007, such facility was drawn down by the independent third party to the extent of HK$12,610,000. The maximum liability of the Group under the financial guarantee issued represents the amount drawn down by the independent third party of HK$13,000,000.

The guarantee was released in June 2007 when the independent third party fully repaid the bank loan.

21. AMOUNT DUE TO A SHAREHOLDER

	2007 RMB'000	2006 RMB'000
Mr. Ye Jinxing	**1**	1

The amount due to a shareholder is unsecured, interest free and has no fixed term of repayment.

22. AMOUNT DUE TO AN ASSOCIATE/A SUBSIDIARY

The amounts due are unsecured, interest free and have no fixed term of repayment.

23. DEFERRED TAXATION

The components of deferred tax liabilities recognised in the consolidated balance sheets are as follows:

	2007 RMB'000	2006 RMB'000
Beginning balance of the year	**459**	551
Charged to profit or loss	**(43)**	(92)
	416	459

24. SHARE CAPITAL AND SHARE OPTION SCHEME

	2007 Number of shares '000	2007 RMB '000	2006 Number of shares '000	2006 RMB '000
Authorised:				
Ordinary shares of HK$0.1 each	**2,000,000**	**212,000**	2,000,000	212,000
Issued capital:				
Issued and fully paid	**255,000**	**27,030**	255,000	27,030

The Company has share option scheme, under which the Company may grant option to (i) full-time or part-time employees of the Company and/or any of its subsidiaries, including any executive, non-executive and independent non-executive director of the Company and/or any of its subsidiaries; (ii) substantial shareholders of each member of the Group; (iii) associates of directors or substantial shareholders of each member of the Group; and (iv) the trustees of any trust pre-approved by the Board, the beneficiary (or in case of discretionary trust, the discretionary objects) of which include any of the above-mentioned persons, subject to a maximum of 10% of the issued share capital of the Company, from time to time, excluding for this purpose shares issued on exercise of share options. The subscription price is to be determined by the Board in its absolute discretion, and is not to be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange of Hong Kong Limited daily quotations sheet on the date of the grant of an option which must be a Business Day, (ii) the average of the closing price of the Company's shares quoted on the Stock Exchange of Hong Kong Limited on the five consecutive Business Days immediately preceding the date of grant and (iii) the nominal value of the Company's shares. Upon acceptance of options, the grantee shall pay HK$1 to the Company as consideration for the grant.

No options have been granted since the adoption of the share option scheme.

25. RESERVES

Group

	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Statutory common reserve RMB'000	Statutory welfare reserve RMB'000	Foreign currency translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 April 2005	13,483	933	115	2,782	1,391	(13)	12,569	31,260
Currency translation differences	–	–	–	–	–	(390)	–	(390)
Profit for the year	–	–	–	–	–	–	2,545	2,545
Transfer to/(from) reserve	–	–	–	459	230	–	(689)	–
At 31 March 2006 and 1 April 2006	13,483	933	115	3,241	1,621	(403)	14,425	33,415
Currency translation differences	–	–	–	–	–	(836)	–	(836)
Loss for the year	–	–	–	–	–	–	(5,745)	(5,745)
Transfer to/(from) reserve	–	–	–	1,621	(1,621)	–	–	–
At 31 March 2007	13,483	933	115	4,862	–	(1,239)	8,680	26,834

Company

	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Statutory common reserve RMB'000	Statutory welfare reserve RMB"000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 April 2005	23,850	(19,080)	–	–	–	–	(4,001)	769
Share issue expenses	(10,791)	–	–	–	–	–	–	(10,791)
Currency translation differences	–	–	–	–	–	(321)	–	(321)
Loss for the year	–	–	–	–	–	–	(2,008)	(2,008)
At 31 March 2006 and 1 April 2006	13,059	(19,080)	–	–	–	(321)	(6,009)	(12,351)
Currency translation differences	–	–	–	–	–	(660)	–	(660)
Loss for the year	–	–	–	–	–	–	(1,551)	(1,551)
At 31 March 2007	13,059	(19,080)	–	–	–	(981)	(7,560)	(14,562)

25. RESERVES (Continued)

(a) Capital reserve

The capital reserve arose as a result of the increase in share capital of the Group's subsidiary, Jiangxi A & K, in May and October 1997, which represents the excess of the net assets of Jiangxi A & K over the nominal value of the share capital after the capital verification report prepared by an independent PRC accountant.

(b) Statutory common reserve

In accordance with the PRC accounting regulations and the articles of the association of Jiangxi A & K in the PRC, it is required to appropriate at least 10% of profit after tax after offsetting prior year's losses to the statutory common reserve fund. Thereafter, any further appropriation can be made at the directors' discretion.

The common reserve fund can be utilised to offset prior years' losses, or to increase the capital on the condition that the common reserves fund shall be maintained at a minimum of 50% of the registered capital after such increase.

c) Statutory welfare reserve

In accordance with the company law of the PRC and the articles of association of Jiangxi A & K in the PRC, it is required to appropriate 5% to 10% of their statutory profit after tax under PRC General Accepted Accounting Principal after offsetting prior years' losses to the statutory welfare reserve. Such reserve can be used for collective employees benefits, but cannot be used to pay for employees' welfare expenses. However, according to the announcement number 67 of the Ministry of Finance of the PRC on 15 March 2006, pursuant to the Company Law of PRC Sec 167, the reserves previously allocated to statutory welfare reserve will be transferred to the statutory common reserve on 1 January 2006. Upon the announcements, no subsequent profit distribution to the statutory welfare reserve was needed. The Group adopted this policy on 31 March 2007.

26. RETIREMENT BENEFIT COSTS

The Group has implemented a provident fund scheme for its staff in compliance with the requirements of the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance") effective from 1 December 2000. The Group contributed according to the minimum requirements of the MPF Ordinance (i.e. 5% of staff's relevant income with upper monthly limit of HK$1,000) and the contribution is charged to the income statement.

As stipulated by rules and regulations in the PRC, the Group contributed to a state-sponsored retirement plan for its employees in the PRC at a rate of 10% of the basis salaries of its employees, and has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. The relevant government agency is responsible for the entire pension obligation payable to all retired employees.

27. COMMITMENTS

Operating lease commitment

At each balance sheet date, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2007	2006
	RMB'000	RMB'000
Within one year	**323**	360
In the second to fifth years inclusive	**126**	433
	449	793

28. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following significant transactions with related parties:

Compensation of key management personnel of the Group

	2007	2006
	RMB'000	RMB'000
Salaries, allowances and other benefits	**676**	691
Retirement scheme contribution	**17**	19
	693	710

Note: Further details of pension scheme contribution and directors' emoluments are included in note 12 to the financial statements.

29. SEGMENTAL INFORMATION

i) Business segment

The Group comprises of the following main business segments:

	2007 RMB'000	2006 RMB'000
Revenue from external customers		
Sales of self-developed education software:		
Standard package basis	**16**	5,839
Sales of internet learning card	**3,866**	4,533
Network integration, IT services and others	**–**	76
Total turnover	**3,882**	10,448
Other revenue		
Value added tax refund on sale of self-developed education software:		
Standard package basis	**–**	127
Total operating revenue	**3,882**	10,575
Segmental results		
Sales of self-developed education software:		
Standard package basis	**7**	4,948
Sales of internet learning card	**1,591**	3,141
Network integration, IT services and others	**–**	16
	1,598	8,105
Unallocated item:		
Other revenue	**2,254**	1,279
Selling and distribution expenses	**(1,515)**	(836)
Administration expenses	**(7,814)**	(5,637)
Operating (loss)/profit	**(5,477)**	2,911
Share of (loss)/profit of associates	**(307)**	43
Taxation	**39**	(409)
(Loss)/profit for the year attributable to shareholders of the Company	**(5,745)**	2,545

29. SEGMENTAL INFORMATION

i) Business segment (Continued)

No business segment information for the assets, liabilities, capital contribution, depreciation and other non-cash expenses of the Group is shown as all the assets and liabilities are shared by the business segments and cannot be separately allocated.

ii) Geographical segment

The Group derived all of its revenue and profit from customers who are located in the PRC. Hence, no separate geographical analysis of the segment profit and loss segment assets and capital expenditure are presented.

30. PARENT AND ULTIMATE HOLDING PARTY

The directors consider Educators Investment Limited, a company incorporated in the BVI, to be the parent of the Company.

The directors consider Mr. Peng Gexiong through his shareholding in Educators Investment Limited as being the ultimate controlling party.

31. COMPARATIVE FIGURES

Certain items in the financial statements were reclassified as a result of the changes in accounting policies. Accordingly, certain comparative figures have been reclassified to conform with the current years' presentation.

32. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE, FOR THE YEAR ENDED 31 MARCH 2007

The Group has not early applied the following amendments, new standard and interpretations that have been issued but are not yet effective. The Group anticipates that the application of these standards or interpretations will have no material impacts on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[7]
HK(IFRIC)-Int 8	Scope of HKFRS 2[2]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[3]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[4]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[5]
HK(IFRIC)-Int 12	Service Concession Arrangements[6]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 May 2006
3 Effective for annual periods beginning on or after 1 June 2006
4 Effective for annual periods beginning on or after 1 November 2006
5 Effective for annual periods beginning on or after 1 March 2007
6 Effective for annual periods beginning on or after 1 January 2008
7 Effective for annual periods beginning on or after 1 January 2009